

Victorian Auditor General's Office

Closing Report for the Audit & Risk Committee

Year Ended 30 June 2024



The Members of the Audit and Risk Committee
C/- Mr Rob Hogarth, Committee Chair
Victorian Auditor-General's Office
Level 31, 35 Collins Street
Melbourne 3000
CC: Public Accounts and Estimates Committee (PAEC)

Dear Committee Members,

Audit of the Financial Report for the year ended 30 June 2024

We have substantially completed our assurance work comprising the audit of the Financial Statements and review of the Performance Statement of the Victorian Auditor-General's Office (VAGO) for the year ended 30 June 2024.

This report includes all matters and issues arising from our audit that we consider appropriate for consideration by the Audit and Risk Committee (Committee). We have discussed the matters raised in Section 2 with Management and we take this opportunity to thank your staff for the co-operation we received throughout the audit process.

This Report is intended primarily for the use of VAGO's Leadership Team and the Audit and Risk Committee and will be shared with the Public Accounts and Estimates Committee as a means of communicating our assurance results and to confirm our intended delivery of unqualified assurance reports on or around 26 August 2024. Our Report should not be used for any purpose other than as described herein.

We appreciate the assistance provided by VAGO staff throughout the assurance process, and accordingly express our thanks. We look forward to the opportunity of discussing this Report or any other matters arising from our work at the A&R Committee's 26 August 2024 meeting.

Yours faithfully,



Kenneth Weldin
Partner

Contents

		Page
Section 1	Overview	4
Section 2	Significant Accounting and Audit Matters	7
Section 3	Communications with the Committee	17
Appendix 1	Areas for Board and Management focus	19

Overview

Section 1

Overview

1.1 Introduction

This report summarises the results of our audit of the financial report of VAGO for the year ended 30 June 2024. We have discussed the matters raised herein with Management and prepared this report for the Committee to communicate a summary of the significant accounting and audit matters and other issues examined during our audit.

1.2 Scope of work

Our audit has been conducted in accordance within the terms of our engagement, to provide reasonable assurance that the financial report for VAGO for the year ended 30 June 2024:

- Presents a true and fair view of the financial position and performance for the year then ended; and
- Complies with Australian Accounting Standards and the financial reporting requirements of the Financial Management Act 1994 (FMA).

1.3 Judgemental Matters and Estimations, and Other Matters of Significance

The preparation of the VAGO's financial report requires the use of accounting policies, Management judgements and accounting estimates. Certain judgements and estimates are sensitive because of their significance to the financial report and the possibility that actual future events affecting them may differ from Management's current expectations.

1.3 Judgemental Matters and Estimations, and Other Matters of Significance (continued)

As a result of our audit, we report that the accounting estimates were reasonable in light of known circumstances, and significant accounting policies of the VAGO were consistently applied during the year ended 30 June 2024. Furthermore, we are not aware of any significant unusual transactions in sensitive or emerging areas for which there is a lack of authoritative accounting guidance or consensus.

Matters of significance are further discussed in **Section 2** of this report.

1.4 Integrity, Objectivity and Independence

ASA 260 'Communication of Audit Matters to Those Charged with Governance' requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity.

We are not aware of any relationships between PKF and VAGO that, in our professional judgement, may reasonably be thought to bear on our independence or the objectivity of the audit engagement team.

We confirm that PKF continues to be independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff has not been compromised.

Overview (cont.)

1.5 Summary of Audit Differences

To consider whether the financial statements are materially accurate, we apply a financial threshold to determine the extent of our testing, and to accumulate any identified errors or differences. We apply materiality concepts to address particular risks of misstatement in a class of transactions, account balance or financial report disclosure. We considered 1% of total income as the overall level against which any identified errors or misstatements were assessed.

Materiality is designed to enable judgement as to the scope of particular tests and the detection of errors or misstatements that may be cumulatively material. Our work is not expected to identify differences below a 'trivial' amount, which we have set at 5% of the above threshold.

During the course of our audit, in line with the above thresholds, we did not identify any adjustments which both individually or in aggregate would be deemed to have a material impact on the financial statements of VAGO.

1.6 Internal Control and Fraud Considerations

The Senior Management Group of VAGO are responsible for maintaining adequate accounting records and a system of internal control to prevent, or detect and correct, material misstatement to the financial report arising from instances of fraud or error.

In accordance with Australian Auditing Standards, we have reviewed VAGO's system of internal control and accounting procedures for the purpose of providing a basis for reliance thereon in designing our audit procedures. Our audit has been carried out to assist us in expressing an opinion on the financial statements as a whole.

1.6 Internal Control and Fraud Considerations (continued)

This work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities (other than those which would influence us in forming that opinion) and should not therefore be relied upon to show that no other weaknesses exist. Further, our audit was not designed to assess, and we do not provide any assurance on, the effectiveness of internal controls.

While our statutory audit work is not primarily directed towards the detection of fraud, we have considered the likelihood of:

- Misstatements arising from fraudulent financial reporting or omissions of amounts or disclosures designed to deceive financial statement users; and
- Misstatements arising from misappropriation of assets involving theft and embezzlement of assets.

In addition to the above, we have a professional obligation to report any instances of Non-Compliance with Laws and Regulations (NOCLAR) which come to our attention during our audit procedures.

The NOCLAR guidance defines this as any act of omission or commission, intentional or unintentional, committed by a client or employer, or by those charged with governance, Management or other individuals working for or under the direction of a client, or employing organisation which are contrary to the prevailing laws or regulations.

From performing these procedures, we have not become aware of any instances of fraud or non-compliance with legislative, regulatory or contractual requirements.

Significant accounting and key audit matters

Section 2

Significant Accounting and Audit Matters

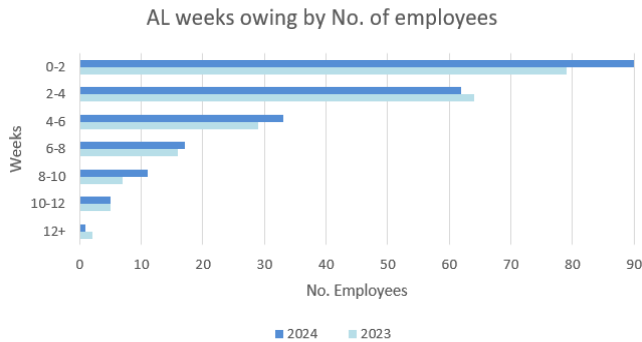
Risk area	Risk description	Our approach
<p>Accounting for controlled outputs and administered (non-controlled) items</p>	<p>VAGO's operating income totaled \$58.2 m for the year ended 30 June 2024 (2023 \$52.8m), an increase of 9.3%.</p> <p>Income from financial statement audits is recognised under AASB 15 when performance obligations in engagement contracts are satisfied. Conversely, income from the delivery of parliamentary reports is recognised under AASB 1058 when commitments are incurred, and funding is drawn down from the Consolidated Fund.</p>	<p>Our testing has considered the significant inputs to the recognition of income, confirming they generate a reliable and consistent revenue recognition outcome, consistent with VAGO's accounting policies and the underlying accounting standards AASB 15 and AASB 1058.</p> <p>We completed the following procedures, which enabled us to also consider the interaction between the various income streams, work in progress, and accounts receivable:</p> <ul style="list-style-type: none"> • Reconfirmed our understanding of the process flows and performed controls-focused testing on these processes, with satisfactory results. • Tested the reliability of the processes involved in accounting for funds flow relating to the annual appropriation of the provision of outputs, and the appropriation under s29 of the FMA. • Tested the application of the 5-step revenue recognition process outlined in AASB 15 and ensured the consistent application of the accounting standard, as represented in VAGO's accounting policies. • Our testing of processes around year-end has concluded that an accurate year-end cut-off of income-related transactions has been achieved, as has an accurate accumulation of work in progress, consistent with the application of the accounting standards.
<p>Observation : Income appears fairly stated, recognised in accordance with the achievement of performance obligations and disclosed consistent with relevant accounting standards and VAGO's accounting policies.</p>		

Significant Accounting and Audit Matters

Risk area	Risk description	Our approach
<p>Assessing the recoverable amount of assets in operation</p>	<p>VAGO's assets in operation relate to amounts owing from the Victorian Government (\$24.8m), administered receivables (\$2.0m), and administered work in progress (WIP) (\$15.8m) (2023 respectively, \$26.3m, \$1.9m and \$11.3m).</p> <p>The billing to auditee's is based on three cycles, in line with the audit cycles, during the year where the WIP is greater than \$50k or is a completion invoice. The billing is also dependent on the cycle of the work. The last invoicing cycle was completed early May this year and further invoice for interim work to be invoiced in July. In the prior year the invoice cycles were in March and June which has resulted in a higher WIP balance in FY 24.</p>	<p>We have gained comfort over the recoverable amounts of assets in operation through the following procedures:</p> <ul style="list-style-type: none"> Assessed the ageing of administered receivables and held discussions with Management to ascertain the requirement for any provision for expected credit loss. We have concluded that all amounts are recoverable with no provision necessary. Whilst no impairment is apparent, there are \$540k debtor balances sitting over 90 days. We understand that Management continues to take appropriate steps to recover these amounts. Tested the existence of a sample of receivables, substantiating their subsequent receipt, or in respect of items not subsequently received, validating existence through alternative procedures. Received verification from the Department of Treasury & Finance of the State Administration Unit (SAU) balance owing to VAGO. Assessed the quality of work in progress, considering the ageing profile and subsequent conversion to invoiced receivables. We assessed from discussion with Management their analysis of aged work in progress, with management reports being reviewed and assessed by the various directors prior to year end, particularly items aged greater than 90 days, and have concluded that all amounts investigated appear recoverable.
<p>Observation : The results of our audit procedures indicated no material issues, satisfying us that the recoverable amounts of assets appear materially accurate in the financial statements</p>		

Significant Accounting and Audit Matters

Risk area	Risk description	Our approach
<p>Employee expenses and provisions</p>	<p>Employee expenses are the most significant cost in the operating statement, totaling \$33.2m (56% of total expenditure) for the year ended 30 June 2024 (2023: \$28.1m), an increase of 18.2%. VAGO's employee benefit liabilities are \$6.1m as at 30 June 2024, representing 59% of total liabilities on the balance sheet.</p> <p>VAGO relies on the design and operating effectiveness of internal controls to process accurate salary and wages payments, calculate correct employee entitlements, and account for payroll related liabilities.</p>	<p>We have gained comfort over the employee benefit expenses/liabilities for the year and as at 30 June 2024 through the following audit procedures:</p> <ul style="list-style-type: none"> • Reconfirmed our understanding of the design of the payroll process and the related flows in relation to employee expenses and obligations and performed testing of key controls to establish their effective operation. • Performed data analysis work to ensure that we understand any unusual or unexpected variances in payroll expense during the year. • Agreed rates and entitlements per payroll reports to a sample of employee contracts/EBA. • Tested cut-off through our comparison of the accounted outcome against the timing and content of the final pay run for the year. • Tested accuracy of classification of current and non-current employee entitlements and consistency with the expectations of AASB 101 Presentation of Financial Statements. • Tested assumptions and probabilities represented in employee entitlements calculations by reviewing the breakdown of on-costs and their relativity to payroll data and assessing the reasonableness of probability factors for consistency with our knowledge of the payroll environment. • Reviewed the content of employee entitlement balances to assess accuracy and completeness. • Ensuring accurate application of and disclosure with the requirements of AASB 119 Employee Benefits. • Our analytical work showed the average hours per employee was consistent with the prior year at 125hrs owing (FY23: average of 126 hrs), however there was an increase of employees with over 8 weeks, FY 24 17 staff (FY 23: 14 staff).



Observation : The results of our audit procedures indicated no material issues, satisfying us that employee expense and entitlements appear materially accurate in the financial statements.

Significant Accounting and Audit Matters

Risk area	Risk description	Our approach
<p>Contracted services expenditure</p>	<p>VAGO utilises contracted audit service providers (ASP) to perform both financial and performance engagements. Current ASP expenditure was \$20.0m (34% of total expenditure) for the year ended 30 June 2024 (2023 \$17.7m), consistent with FY23. Liabilities due to ASP's of approximately \$1.53m, which is 12% lower than FY23 \$1.73m.</p> <p>VAGO relies on the design and operating effectiveness of internal controls to process and settle ASP obligations – and those due to other creditors – and to ensure completeness.</p>	<p>We have gained comfort over the contracted services expenditure/ASP liabilities for the year and as at 30 June 2024 through the following audit procedures:</p> <ul style="list-style-type: none"> • Reconfirmed our understanding of the process flows in respect of expenditure and performed testing of key process controls to establish their effective operation. • Tested payments and creditor journals subsequent to year end to ensure correct cut off. We enquired of Management and inspected post year-end invoices to confirm that those transactions either related to FY24 work performed, or were correctly recognised in the reporting period, satisfying us as to the completeness of liabilities. • Our analytical procedures have supported our conclusion in respect of accuracy and completeness of recorded liabilities.
<p>Observation: We are satisfied that ASP expenditure and associated liabilities appear materially accurate in the financial statements.</p>		

Significant Accounting and Audit Matters

Risk area	Risk description	Our approach
<p>Intangible Assets</p>	<p>VAGO developed a Data Analytics tool (Empower), capitalising \$161k of costs during the year. Cost comprises of \$81.6k employment costs and \$79k of external consultant costs. Empower went live on 16 February 2024.</p> <p>In accordance with AASB 138 Intangible Assets, the costs accumulated as an asset can be recognised when certain criteria are met. These criteria include the underlying control of the asset, its ability to generate future economic benefit and the feasibility of the project.</p>	<p>Our testing has satisfactorily challenged:</p> <ul style="list-style-type: none"> • The key assumptions and estimates applied to determine capitalised amounts. • The nature of costs capitalised during the year, ensuring compliance with the recognition criteria of AASB 138. • The existence of any impairment indicators at year end. • The reasonableness of useful life of the asset. We discussed the timing of when the Empower platform was ready for use to ensure depreciation began as at that date. We note the platform went live in February 2024 and there has been 4 months of depreciation. We are satisfied management have adequately assessed the useful life and have aligned the amount with ATO ruling for in house developed software at 5 years.
<p>Observation : We are satisfied the intangible has been capitalised consistent with the requirements of AASB 138 and fairly presented in the financial statements.</p>		

Significant Accounting and Audit Matters

Risk area	Risk description	Our approach
<p>Reliability of the financial statements</p>	<p>The financial statements are required to be prepared so as to present fairly VAGO's financial performance and financial position in accordance with the FMA, Australian Accounting Standards and Interpretations, and in particular, AASB 1049 Whole Government and General Government Sector Financial Reporting (referred to herein as the Regulatory Requirements).</p> <p>Our audit procedures have previously confirmed that the financial reporting processes are mature and support the generation of financial statements that meet both the regulatory requirements and the consistent application of accounting policies regarding recognition and measurement.</p>	<p>We have gained comfort over the reliability of the financial statements, applying the following procedures:</p> <ul style="list-style-type: none"> • Gained an understanding and observed the process by which the transactions and necessary disclosures are captured and disclosed by Management in the financial statements, ensuring consistent with the Regulatory Requirements. • Ensured further steps taken by Management to refresh presentation and design of the financial statements retains compliance with the Regulatory Requirements. • Challenged the assumptions used by Management in its application of judgement in the preparation of the financial statements, particularly those associated with impairment assessments and measurement of employee entitlements. • Reviewed the information contained in the information other than that in the audited financial statements, ensuring consistency with our understanding. <p>We note the deficit within the financials statements and discussed the position with Management. We noted there are no issues with going concern and the deficit was a considered position.</p>
<p>Observation : We are satisfied that the presentation of the financial statements accords with our understanding of the operations of VAGO, its financial position as of the year-end and results for the year, and the completeness and accuracy of the information in the notes, consistent with the Regulatory Requirements.</p>		

Significant Accounting and Audit Matters

Risk area	Risk description	Our approach
<p>Risk of Management override of controls</p>	<p>Under ASA 240 The Auditor's responsibility to consider fraud in an audit of financial statements, there is a presumed significant risk of Management override of the system of internal controls.</p> <p>Management is in a unique position to perpetuate fraud because of their ability to manipulate accounting records and prepare fraudulent financial reports by overriding controls that otherwise appear to be operating effectively.</p> <p>Irrespective of the auditor's assessment of the risks of Management override of controls, ASA 240 obligates the auditor to design and perform audit procedures responsive to the risk.</p>	<p>During our procedures, we:</p> <ul style="list-style-type: none"> • Reviewed the financial statements for changes in accounting policies. • Reviewed general journals processed during the year for reasonableness, ensuring they are adequately supported and approved. • Reviewed key estimates and judgements, identifying instances where Management has significantly changed assumptions, to quantify the impact if assumptions remained unchanged from prior year. • Remained professionally sceptical throughout the audit. • Reviewed Management responses for potential indicators of bias (e.g., contradictions).
<p>Observation: Based on the work performed, we are satisfied that there was no evidence of potential Management override; and related party disclosures within the financial report appear materially correct.</p>		

Significant Accounting and Audit Matters

Risk area	Risk description	Our approach
<p>Finance Policies</p>	<p>VAGO has several policies governing the financial aspects of the business. We reviewed the following policies noting the last updated dates.</p> <ul style="list-style-type: none"> • Fraud and Corruption – 17 July 2020 • Financial delegation – 1 July 2021 • Liabilities (Accounts Payable) – 1 July 2021 • Cash Handling and banking – 1 July 2021 • Interstate Overseas Travel – 1 July 2021 • Physical and Intangible asset Management – 1 July 2021 • Project costing – 1 July 2021 • Taxation – 1 July 2021 • General Procurement – 4 November 2021 • Credit card – updated 9 November 2022 • Revenue and Billing – updated 15 March 2023 • Employee expense claim – updated 1 July 2021 noting an update has been approved by OMG and is due to be implemented by the end of October 2024. • Employee travel – updated 1 July 2021 noting an update has been approved by OMG and is due to be implemented by the end of October 2024. 	<p>We have reviewed the policies in place and noted that the majority were last updated in July 2021 but reviewed annually for continued applicability.</p> <p>From our discussions with Management these policies are reviewed on an annual basis however within the policy it is only noted as updated if there are changes to the policies.</p> <p>Based on discussions with Management these policies are due for a full refresh over the next 12 months and expected to include tracking of the review dates. The refreshed policies will be inline with the Policy Development and Review Policy approved 3 April 2024.</p> <p>The policies have been utilised within our audit work and through out our testing we have not noted any deviations from these policies.</p>
<p>Observation: Based on discussion with management the policies have been reviewed and are considered to be current and will be refreshed over the next 12 months.</p>		

Significant Accounting and Audit Matters

Risk area	Risk description	Our approach
<p>Review of the Performance Statement</p>	<p>VAGO is required to report on the measures used and results of the performance of VAGO through the performance statement. The statement includes the 2023-24 performance measures agreed with the Treasurer as set out in Budget Paper No. 3.</p> <p>The Performance Statement requires a Review, which is not an audit, to be completed providing a lower level of assurance.</p>	<p>Our review of the Performance Statement has primarily consisted of making enquiries of those VAGO personnel responsible for the records – whether financial, statistical or in regard to any other means of measuring inputs – that are utilised to determine and report the key performance indicators of efficiency and effectiveness contained in the Performance Statement.</p> <p>We have:</p> <ul style="list-style-type: none"> • Gained an understanding of data sourcing, collation, calculation and application of any judgements; • Walked through a sample of the data, tracing to supporting documents including correspondence, tabled reports, surveys and financial information, ensuring consistency with the information summarised into the report of performance; • Performed analytical procedures to compare reported outcomes with expectation and prior year; and • Checked the extraction of targets as documented in the tabled BP3 Budget Paper, ensuring consistency with the information contained in the report of performance.
<p>Observation: We are satisfied that the presentation of the Performance Statement accords with our understanding of the operations of VAGO.</p>		

Communications with the Committee

Section 3

Communications with the Committee

In accordance with Australian Auditing Standards, we are required to communicate specific matters with you on a timely basis and at the conclusion of the audit of the financial report. Based on our professional judgment and audit evidence provided to date we have provided observations and responses significant and relevant to your responsibility of overseeing the financial reporting process.

Risk Area	Risk Description
Modifications to the audit report	We do not anticipate any modifications to the auditor's report.
Material uncertainties and going concern	We have not detected any material deficiencies in management's assessment of going concern for the year ended 30 June 2024.
Actual or suspected fraud	No actual or suspected fraud resulting in a material misstatement of the financial report was identified.
Specific management representations	Our standard representation letter for the 30 June 2024 financial year have been provided.
Disagreements with management	There were no disagreements with management during the audit.
Significant matters identified	Any significant matters arising from the audit were discussed, or subject to correspondence with management.
Other matters	There were no other matters identified during the audit.
Non-compliance with laws and regulations	We have not become aware of any material non-compliance with laws and regulations.
Limitation of scope	No scope limitations were imposed by management during the audit.
Significant difficulties	No significant difficulties were encountered during the audit.

Areas for Management focus

- Fraud, corruption and misconduct issues
- Cyber assurance

Appendix 1

Current fraud, corruption, and misconduct issues

Fraud and theft

- The PKF Integrity team are seeing a significant increase in incidents of fraud and corruption in organisations that appears to be, in part at least, driven by current economic conditions.
- We are seeing some organisations failing to maintain robust control environments, particularly by reducing headcount, in order to reduce costs. This has led to financially distressed individuals identifying opportunities to commit fraud and theft against their employers.
- Organisations should revise or undertake fraud and corruption risk assessments based on the current risk context to understand exposure to fraud and corruption risks.

Psychosocial compliance

- Workplace safety regulators, in particular WorkSafe Victoria and SafeWork New South Wales, are increasingly focused on workplace psychosocial hazards. SafeWork New South Wales, in its Psychological Health & Safety Strategy 2024-2026, has stated that it will increase planned inspector visits to workplaces by 25% per year looking at psychosocial hazards.
- Organisations should work to identify psychosocial risks in order to implement mitigation strategies, and importantly, respond quickly by investigating incidents reported by employees. These investigations can be complex, and it is important to engage suitably qualified and experienced investigators.

Whistleblower Management

- Effective fraud and corruption detection is critical to enable organisations to identify issues before they become material. An effective fraud and corruption detection device is an organisation's employee cohort. Employees who have confidence in a well-developed and communicated whistleblower protection regime will report suspicions or concerns, particularly if an independent and confidential reporting mechanism is available. Organisations should review their whistleblower protection frameworks to ensure they are compliant with the Corporations Act and are working as intended.

Forensic data analysis

- Organisations control large volumes of financial and other business data, but not all make use of this valuable asset. Regular targeted analysis of data by forensic professionals can identify suspicious or anomalous transactions that may be indicators of fraud, corruption or misconduct and worthy of deeper investigation. PKF Integrity has seen previously unknown losses identified, and financial recoveries, as a result of well-designed forensic data analysis.

Cyber assurance

The increasing frequency and sophistication of cyber threats, as evidenced by recent breaches in Australia, highlights the importance of having a proactive and comprehensive cybersecurity strategy and assurance approach.

There are several key risks that Boards need to be aware of, such as data breaches and privacy concerns, ransomware attacks, phishing and social engineering, and supply chain vulnerabilities. With these risks in mind, there are also opportunities to strengthen cybersecurity measures to better safeguard their operations, protect sensitive information, and maintain regulatory compliance.

Risks

There are several key cybercrime risks that businesses need to be aware of. These include:

1. Data breaches and privacy concerns which should now be a top priority. The handling of sensitive data like customer information and financial records exposes businesses to significant risks under Australian privacy laws, leading to financial loss and reputational damage.
 2. Ransomware attacks where attackers encrypt data and demand payment for decryption, continue to be a significant risk which can result in the disruption of operations and causing significant financial harm.
 3. Phishing and social engineering tactics continue to be used to trick employees into exposing sensitive information or downloading malware, exploiting gaps in email security and employee training.
 4. A reliance on interconnected supply chains and third-party vendors exposes businesses to cybersecurity risks. Compromised vendors can lead to data breaches and malware infections, meaning that businesses need strategies to continually assess vendors who have access to their environment.
- To mitigate these risks, businesses must implement cybersecurity strategies that include regular assessments, employee training, strong data protection measures, secure vendor Management, and effective incident response planning – all of which PKF Melbourne professionals offer your business.

Opportunities

The cybercrime risks outlined present significant opportunities for Australian businesses to strengthen their cybersecurity posture and operational resilience.

By prioritising data protection and compliance with Australian privacy laws, businesses can enhance trust with customers while mitigating financial and reputational risks associated with data breaches.

Additionally, addressing phishing and social engineering tactics through comprehensive employee training initiatives results a security-conscious culture within organisations. This not only mitigates risks associated with human error but also enhances overall cybersecurity readiness.

Furthermore, recognising the importance of secure vendor Management and supply chain integrity allows businesses to implement regular security assessments across their vendors. This proactive approach ensures that vendors are following cybersecurity standards, and protecting your sensitive information.

Cyber assurance

To stay ahead of threats, organisations need frequent assurance that applications, technology, and processes are secure. At PKF Australia, we are expanding our capabilities to provide market-leading security assurance solutions. Our team consists of experienced professionals who offer a thorough evaluation of your organisation's security infrastructure which will provide visibility into the areas to improve your overall security posture.

From governance, risk and compliance services to comprehensive penetration testing and vulnerability assessments. Our professionals help secure your digital assets, manage risks, and ensure you stay compliant with standards and regulations. We deliver solutions that incorporate global best practices tailored to the needs of Australian business. Our services include risk identification, regulatory compliance, ongoing consultation and technical security testing.

1

Risk Identification

Our cybersecurity health check service thoroughly examines your organisation's environment and identifies risks and gaps. This involves analysing processes and documentation for alignment with industry best practices and regulatory requirements.

This review identifies gaps and areas for enhancement in access control, data protection, third party vendors and supply chains and incident response.

3

Ongoing consulting

We offer continuous guidance and support through providing tailored strategies that would be best to address cybersecurity risk at your business. We also offer secondment services that provide for the deployment of specialists to collaborate within your business, working under your Management for a defined duration.

This service aims to assist in identifying, managing, and mitigating risks and challenges.

2

Regulatory Compliance

Our security audits confirm that your organisation complies with Australia-specific regulations such as the Australian Privacy Act 1988 and industry-specific regulations like APRA's CPS 234 for financial institutions. We also verify compliance with cybersecurity standards such as the Australian Signals Directorate's Essential Eight or perform ISO 27001 readiness assessments and NIST2.0 assessments

Adhering to these recognised standards not only enhances your security posture but also demonstrates to customers, partners, and investors that you prioritise robust security measures.

4

Technical security testing

This involves the identification and exploitation of vulnerabilities in your systems, networks, and applications, enabling you to address these issues before they escalate.

Our team discover weaknesses in your IT systems and infrastructure, often including outdated software, unpatched servers, or insufficient access controls. We also offer simulations of phishing attacks to test employees' awareness and response to phishing emails.

Proudly part of the PKF global family

We act together, sharing diverse ideas, niche expertise, specialist resources and deep relationships for everyone's benefit.



214
Firms globally



530+
Offices worldwide



21,000+
Professionals
across the globe



150
Countries that
we operate in



15th
International Accountancy
Network



1.7Bn
Generated by member firms
in aggregate
fee income

Thank you

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Independent Auditor's Report to the Victorian Auditor-General's Office

Opinion

We have audited the accompanying financial statements of the Victorian Auditor-General's Office (the Entity), which comprise the Balance Sheet as at 30 June 2024, the Comprehensive Operating Statement, Cash Flow Statement, and Statement of Changes in Equity for the year then ended, notes to the financial statements, including material accounting policy information, and the declaration in the financial statements.

In our opinion the financial statements present fairly, in all material respects, the financial position of the Victorian Auditor-General's Office as at 30 June 2024 and of its financial performance for the year then ended in accordance with Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements, and the financial reporting requirements of the *Financial Management Act 1994*.

Basis for opinion

We conducted our audit in compliance with the *Audit Act 1994*, and accordingly in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The Auditor-General is responsible for the other information. The other information comprises the information included in the Victorian Auditor-General's Office's annual report for the year ended 30 June 2024 but does not include the financial statements and our auditor's report thereon, nor the performance statement and our review report thereon.

Our opinion on the financial statements does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Auditor-General's Responsibility for the Financial Statements

The Auditor-General is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Auditor-General determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Auditor-General is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate the Entity or to cease operations, or there is no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the *Audit Act 1994* and Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Auditor-General.
- Conclude on the appropriateness of the Auditor-General's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Auditor-General regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Auditor-General with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

A stylized, handwritten signature of the letters 'PKF' in black ink.

PKF
Melbourne, 3 September 2024

A handwritten signature in black ink that reads 'Kenneth Weldin'.

Kenneth Weldin
Partner

Independent Auditor's Review Report to the Victorian Auditor-General's Office
Report on the Performance Statement

Conclusion

We have reviewed the accompanying performance statement of the Victorian Auditor-General's Office which includes in respect of the financial year 2023-24 the performance indicators agreed with the Assistant Treasurer as set out in *Budget Paper No. 3*, actual and comparative results achieved for the financial year against targets where applicable, and explanations of any significant and/or material variance between the actual results and performance targets, together with the Declaration by the Auditor-General and Chief Financial Officer.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the performance statement does not fairly represent the measures used and results reported for the financial year 2023-24.

Auditor-General's Responsibility for the Performance Statement

The Auditor-General is responsible for the preparation of the performance statement. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the performance statement to ensure that it fairly represents the measures used and results reported, consistent with the Standing Directions 2018 under the *Financial Management Act 1994*.

Auditor's Responsibility

Our responsibility is to express a conclusion on the performance statement based on our review. We have conducted our review in accordance with Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the performance statement does not fairly represent the measures used and results reported.

ASRE2405 requires that we comply with the ethical requirements relevant to the conduct of our review.

A review of the performance statement consists of making enquiries, primarily of persons responsible for the performance measures, and applying other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

We have complied with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* that are relevant to our review of the performance statement.

A stylized, handwritten-style logo for PKF, with the letters 'P', 'K', and 'F' intertwined.

PKF

Melbourne, 3 September 2024

A handwritten signature in black ink that reads 'Kenneth Weldin'.

Kenneth Weldin

Partner