

What to expect this audit cycle

FinPro seminar - 16 June 2023

Travis Derricott
Sector Director, Financial Audit

VAGO



Acknowledgement of country

The run sheet

1. **VAGO local government team**
2. **Recap of financial reporting requirements**
3. **Insights from 2021-22**
4. **Key focus areas in 2022-23**
5. **Parliamentary reports**

VAGO local government team

Local Government team

Financial Audit:

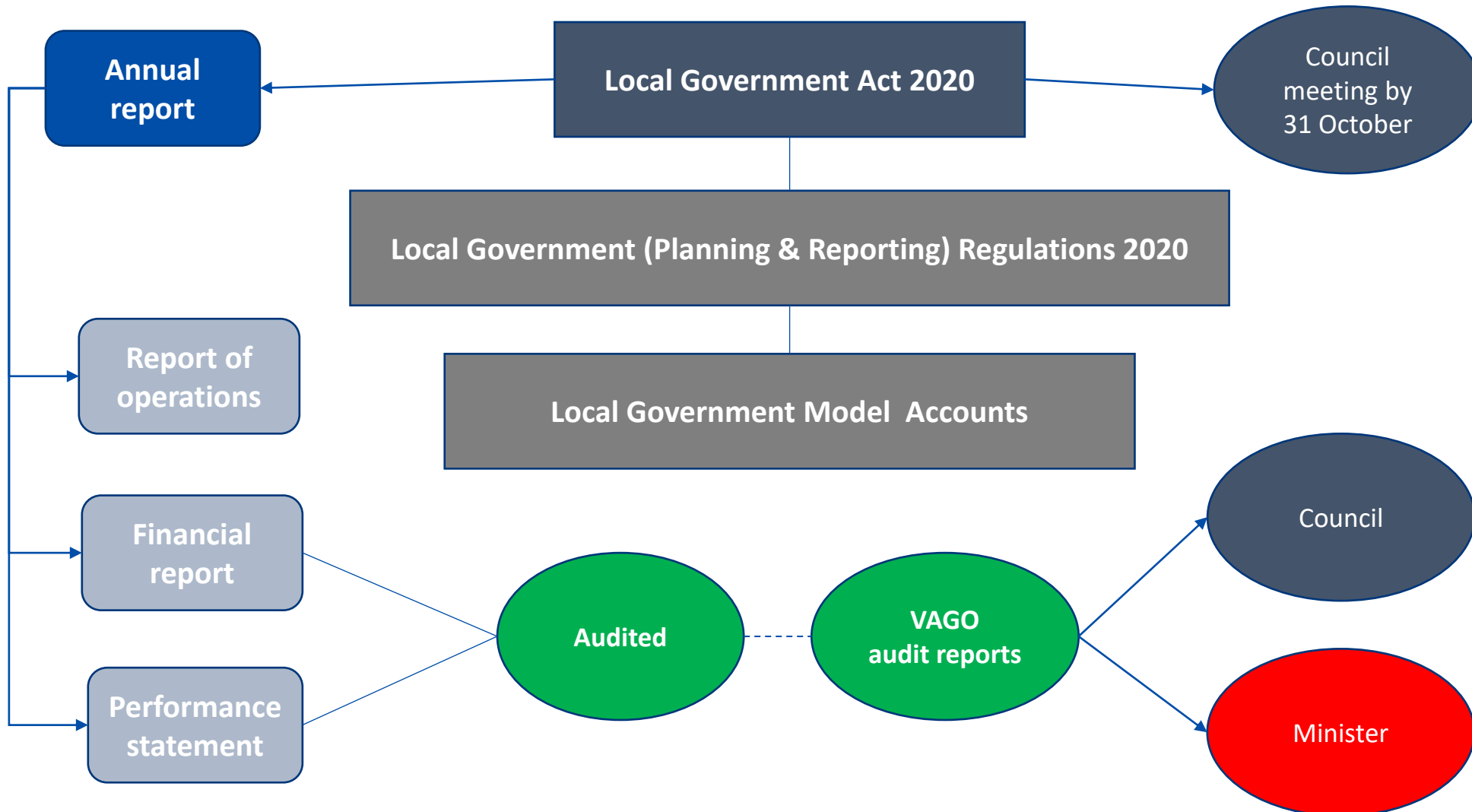
- Sector Director
 - Travis Derricott
 - ✓ Signing Officer except on delegated audit engagements
- Audit Managers / review officers
 - Jung Yau
 - Martin Ma
 - Robert Luciani (commenced April 2023)
 - Tim Loughnan (back for year-end)
- 6 ASP firms and 16 partners

Performance Audit:

- Acting Sector Director
 - Natasha Goss
- Managers
 - Rocco Rottura
 - Michelle Trieu

Recap of financial reporting requirements

Recap of financial reporting requirements



Insights from 2021-22

Insights from 2021-22

Financial reports and performance statements

	Number of clients	Client signed	VAGO signed ~
Councils	79	79	79
Libraries	10	9	9
Other agencies	15	13	13
Total	104	101	101

~ clear audit opinions issued

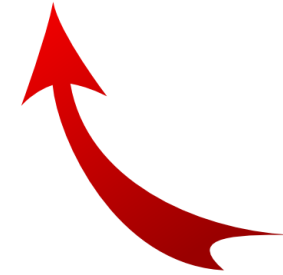
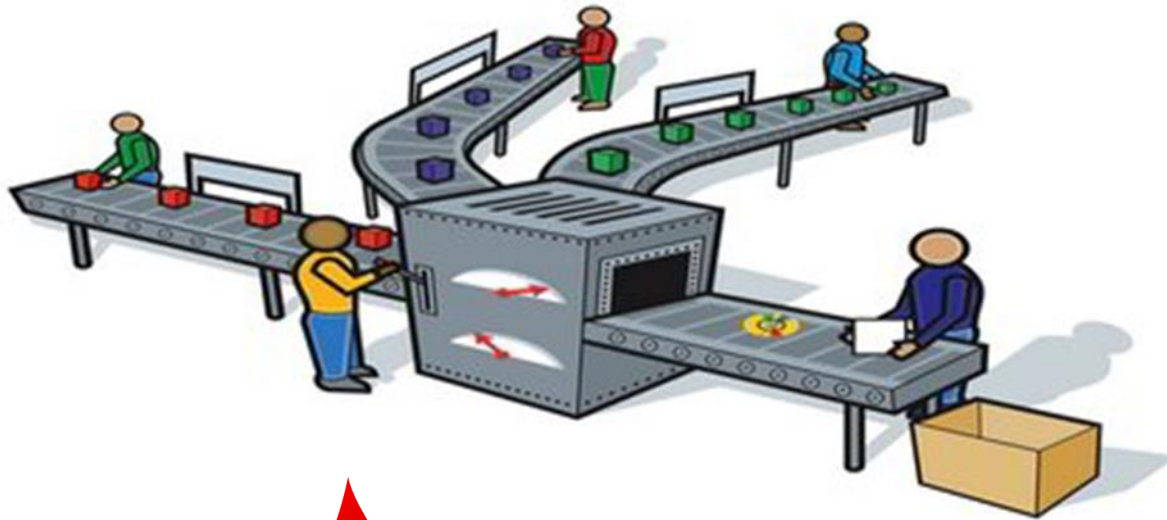
Insights from 2021-22

Acquittals

	Number of clients	Client signed	VAGO signed ~
R2R grants	79	78	78
LRCI grants	79	?	38
- Phase 1			
- Phase 1 & 2			
- Phase 1, 2 & 3			

~ clear audit opinions issued

Insights from 2021-22



Insights from 2021-22

Client survey results

- Response rate ... 69 CFO's and 34 Audit & Risk Committee chairs
 - CFO and ARC chair perceptions at times quite different
- Positives
 - Communicated effectively
 - Audit team good understanding of sector and client operations
 - Professional, competent, open
- Areas for improvement
 - **Timeliness**
 - Changes in audit team during audit ... repeated requests
 - Level of remote auditing v's on-site presence to explore / work through issues

Key focus areas in 2022-23

Key focus areas in 2022-23

Administrative matters

- Client contacts
 - changes in Mayor / CEO / CFO / Audit Committee Chair ... please let us know
- Audit engagement letters
 - issued, where required
- Audit billing arrangements
 - frequency of billing ... changes implemented for the 2022-23 audit cycle
- Audit fee letters
 - to be released next week

Key focus areas in 2022-23

Administrative matters

- Audit fee letters (continued)
 - your audit fee letter will specify an estimated fee for each audit output
 - Financial report
 - Performance statement
 - R2R
 - LRCI
 - 2022-23 fee for the R2R & LRCI acquittals reset for all councils

Key focus areas in 2022-23

Financial report

- Prepare shell accounts / draft accounts given LG model accounts for 2022-23
 - line items and disclosures not relevant to a particular Council should be **deleted**
 - if a disclosure relates to an immaterial line item it can be **deleted**

- Do the explanations for variances between actual and budget (or revised budget) hold true?

- VAGO supportive of councils streamlining their financial report

Key focus areas in 2022-23

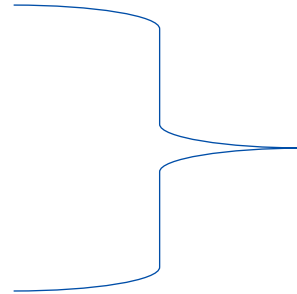
Fair value of land, buildings and infrastructure assets

- Management fair value assessment
 - timing and relevance of reference points (Rawlinson's)
- Asset condition assessments
 - currency of data relied upon
- Skills, experience and qualifications of management's expert and document our conclusions on the audit file
- Adequacy of briefings to Audit Committee
- Disclosure within the financial report
 - update your valuation disclosures to align with changes per LG model accounts for 2022-23

Key focus areas in 2022-23

Flood events of October 2022 to December 2022

- Assets impaired
- Assets written off
- Asset condition assessments
- funding
 - emergency funding from government
 - funding being advanced by EMV while claims are assessed against expenditure eligibility criteria
- contingent assets
- explanation for variances within the financial report



1. Accuracy of asset register.
2. Impact on asset valuations, fair value assessments.

Key focus areas in 2022-23

Provisions

➤ Employee entitlements

- Payroll on-cost element of your employee leave entitlement calculation
 - Employer super contribution rate increases to 11% from 1 July 2023
 - Workcover premiums rising (per State Budget 2023-24)

➤ Landfill

- Remediation works address EPA requirements?
- Have you considered the impact of
 - rising interest rates on discount rates used in your model
 - increase in cost of materials and supplies due to inflation

Key focus areas in 2022-23

Strategies to streamline the clearance process and release of audit report

- an extra set of hands will be on board to review to the key deliverables lodged by the Audit Service Providers at year-end
- In-house audits
 - locked up audit visits given Audit Committee and Council meeting dates
 - continual liaison with recruitment firms to source contractors, should staff vacancies arise
- Outsourced audits
 - survey ASPs on a regular basis to check their resourcing arrangements / challenges
 - updating some of our year-end templates to streamline our review / oversight of their work
 - regular forums to discuss key sector issues
- generating all audit reports prior to year-end

Parliamentary reports

VAGO Annual Plan 2023-24

- To be tabled in Parliament
 - late June 2023
 - will detail planned performance audits for the next 2 years

Results of 2022-23 Audits: Local Government report

- Proposed tabling
 - late November 2023
- Requesting a copy of **31 March 2023 management accounts**
 - sample of councils
- Likely to assess and comment on how many councils have acted upon recommendations in the *Results of 2021-22 Audits: Local Government* report

Results of 2021-22 Audits: Local Government report

Tabled in Parliament 23 February 2023

- It contains 6 recommendations
 - **Recommendation No. 6** relates to asset valuations / fair value assessments
- 5 key messages
 - Parliament can have confidence in finalised financial reports and performance statements
 - Financial challenges lie ahead
 - Financial position sound, low debt debts
 - Capital budgeting processes require a revisit
 - Internal control weaknesses and financial reporting issues predominantly relate to IT and asset valuation

Performance audit reports – Local Government

Reports tabled in the last 6 months	Tabling date
Regulating private pool and spa safety	22 February 2023
Audits in progress	
Regulating food safety	June 2023
Illegal disposal of asbestos – contaminated materials	October 2023

Questions

