

FinPro Professional Development Day

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VAGO

Introduction

- VAGO rotation policy:
 - Sector director rotates every 5 years
 - New senior managers
 - LG financial audit team should remain the same.
- VAGO's Strategic Plan and impact on audit approach:



Increase
our relevance



Grow
our influence



Invest
in our people



Lead
by example

Initial thoughts – 4 months in

- Complex sector
 - Accounting issues
 - Multiple revenue streams (including the use of outsource providers)
 - Multiple systems interfacing
 - Geographic spread of offices, assets and services
- Difficulties faced
 - Rate capping and impact on sustainability
 - Ageing infrastructure – with at times limited information, especially for older assets
 - Development contributions
 - Found assets
- Public interaction and scrutiny
- Very collaborative sector

Sector wide topics and focus areas identified to date

- New LGV model and accounting standards – including *AASB 1052*.
- Rate capping and long-term sustainability.
- Procurement, especially:
 - “Delegated” approval; Segregation of Duties; Super users; Tender practices.
- Legacy IT systems and cyber attacks.
- Councillor and KMP related party declarations.
- Cladding and flood prone areas.
- Risk management practices and frameworks being refreshed.
- Asset valuations and communication between Finance and Assets teams.
- Outsourced providers (e.g. Fines Vic; Parking infringements; cash collection).
- Waste and recycling.

New VAGO methodology

- Considering how we approach audits.
- Tailoring audit programs to address public sector specific risks.
- Increased materiality thresholds.
- Minimal impact of new methodology on audits for 2018/19.
- Fees to be rebased in 2019/20.
- Look to bring work forward:
 - e.g. asset revaluations, landfill and employee provisions.
- New engagement and fee letters to be issued to all councils.
- New audit tools – data analytics; cloud based tools; dashboards.

Audit Service Provider update

- Currently reviewing our model:
 - Oversight model including quality assurance processes.
 - Sourcing strategy (i.e. inhouse versus contracted) – unlikely to impact next twelve months.
- Greater engagement and communication with ASPs.
- Improved consistency in audit approach and sector focus.

Performance Audit update

- LG sector audits in progress: (<https://www.audit.vic.gov.au/search/reports/in-progress>)
 - Fraud and corruption control
 - Asset management and compliance
 - Outcomes of investing in regional Victoria
 - Reporting on local government performance.
- Upcoming sector project (with financial implications) – Developer Contributions.
- LG annual PA plan: <https://www.audit.vic.gov.au/search/reports?sector=3677&status=planned>
- Links are in 2018/19 Audit Strategy Memorandum.
- Performance Audit team to attend to Audit Committee meetings and sector sessions.
- Performance Audit updates to be provided on a more regular basis.

Parliamentary report – 2017/18

- Results of 2017/18 audits report tabled – December 2018.
 - Key take-aways:
 - Clear audit opinions for all councils – both financial and performance statements
 - Financial sustainability indicators for the sector
 - Streamlined financial statements and reporting processes
 - Reduced reliance on manual controls
 - Asset management strategies and linking to long-term sustainability
 - Waste and recycling.
- Link: <https://www.audit.vic.gov.au/report/results-2017-18-audits-local-government>

Parliamentary report – 2018/19

- Planning underway and to be completed by March 2019.
- Potential topics:
 - Procurement
 - Financial statement preparation process (across whole public sector)
 - Asset renewal
 - Impact of rate capping
 - Preparedness for new accounting standards.
- Further improvement to dashboards including more data publicly available.

Integrity bodies – recent reports of interest

- IBAC:
 - Local government integrity frameworks review 2018 – Summary. Full report early 2019.
 - Operation Topi – investigation into allegations of improper procurement practices (14 January 2019).
- LG Inspectorate:
 - Report – CEO employment cycle (6 February 2019).
 - Recent charges made include:
 - Non-disclosure of Councillor interests
 - Misuse of council issued credit card
 - Misuse of position to obtain information for personal benefit.
- Victorian Ombudsman:
 - Enquiry into how local councils handle complaints from the public.

Questions?

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