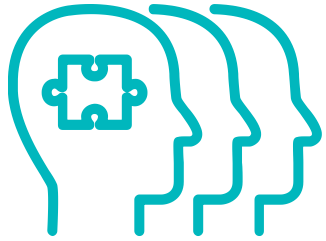


# Auditor-General's Insights

Andrew Greaves  
Victorian Auditor-General  
17 October 2018

**VAGO**

# Our strategic direction



- Modernising, using our full mandate and taking a long-term view



- Building more productive relationships, leveraging our access to information and increasing the accessibility of our work



- Improving our business by reducing internal red tape, embracing technology and using better intelligence to drive decisions



- Being clear about what we stand for in our values, leadership and culture, and investing in excellence in our staff

# Financial audit program

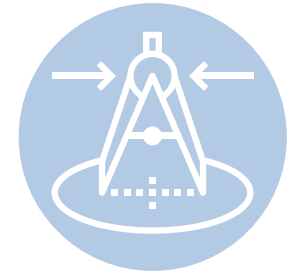


Sector statements 'all clear':

- 105 financial statements
- 79 council performance statements



Timely—but slight slip in median times to finalise



Accuracy—still an issue with 155 audit adjustments totaling \$308 million



Control over reporting:

- 'Close' process needs more work
- Still 100+ new control weaknesses identified by us each year



Found assets—perennial issue with \$315 million booked for first time

# Road to reporting maturity



## Strengths

- Established policies and processes surrounding month end internal reporting and year-end financial reporting
- Internal and year-end financial reporting meets the needs of management
- Clarity surrounding the roles and responsibilities of finance staff and competent finance teams



## Areas for improvement

- Significant amount of time spent on monthly close and internal reporting activities
- Lack of formal ongoing training provided to finance staff in performing month end internal reporting activities and year-end financial reporting activities
- Limited management reporting and analysis functionality
- Failure to prioritise activities based on risk
- Absence of proactive data quality reviews
- Manual intervention to reconcile data
- Manual internal controls over financial reporting

# Performance audit program

## What we've done ...

- Economic development
- Insurance risks
- Delivering services
- Surveillance technologies in public places

## Where we're looking now ...

- Asset management
- Reporting on performance
- Fraud and corruption control

## Where we're looking next ...

- Libraries and waste management services
- Developer and infrastructure contributions
- Maintaining roads



# Performance audit program: 2017–18

## ***Local Government Economic Development*** (March 2018)

Councils have taken effective steps towards developing well aligned economic strategies, but fall short of achieving intended outcomes due to systemic issues.

## ***Managing Surplus Government Land*** (March 2018)

Existing systems and processes do not support a strategic whole-of-government approach to making the best use of surplus government land.

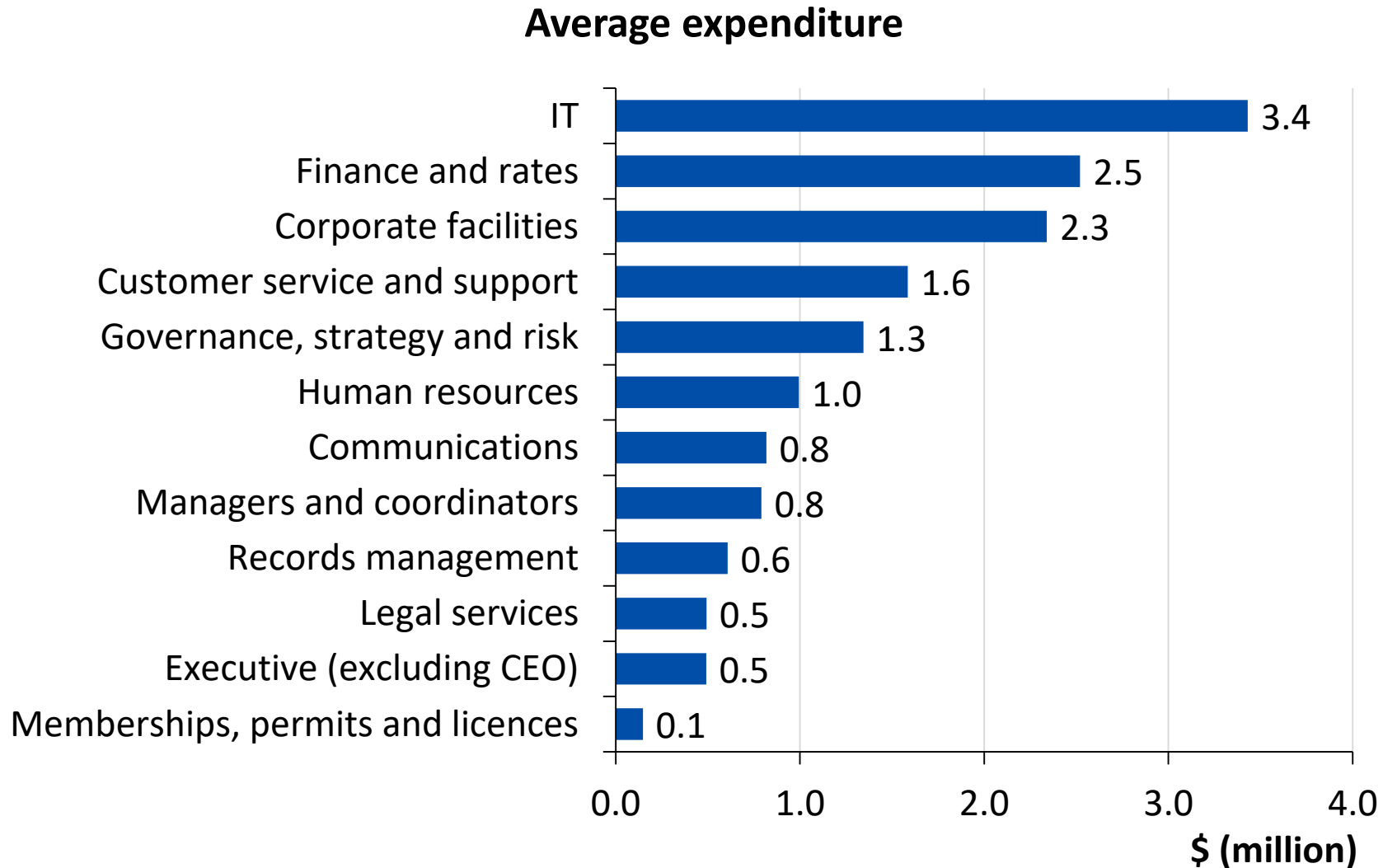
## ***Local Government Insurance Risks*** (July 2018)

Councils are not always giving the purchase of their insurance the thorough consideration it deserves. Gaps in their coverage may significantly impact council operations should an undesirable event occur.

## ***Delivering Local Government Services*** (September 2018)

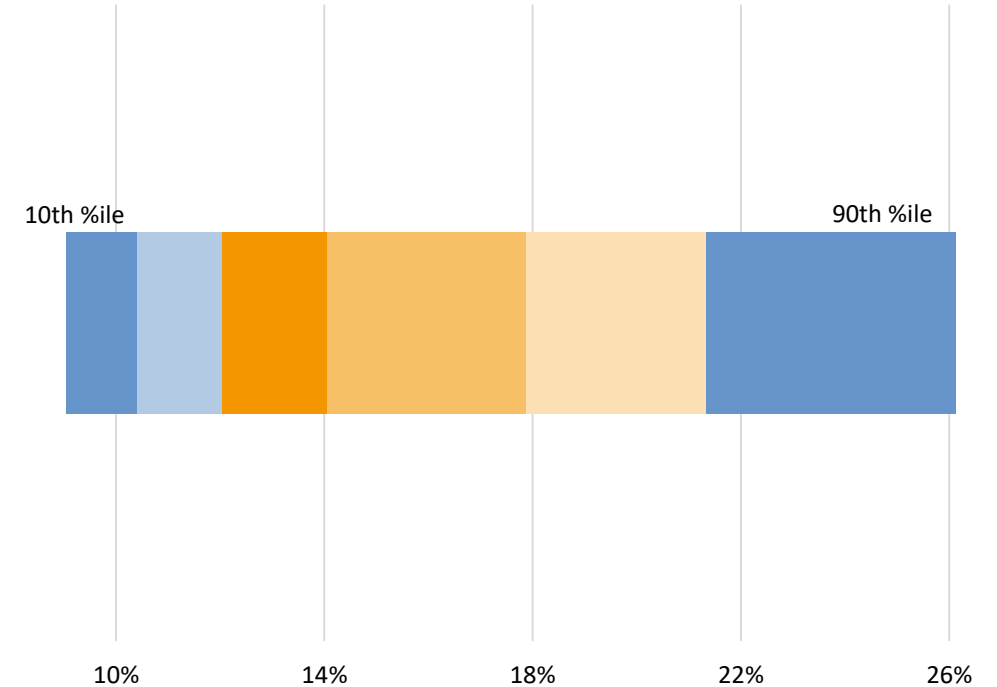
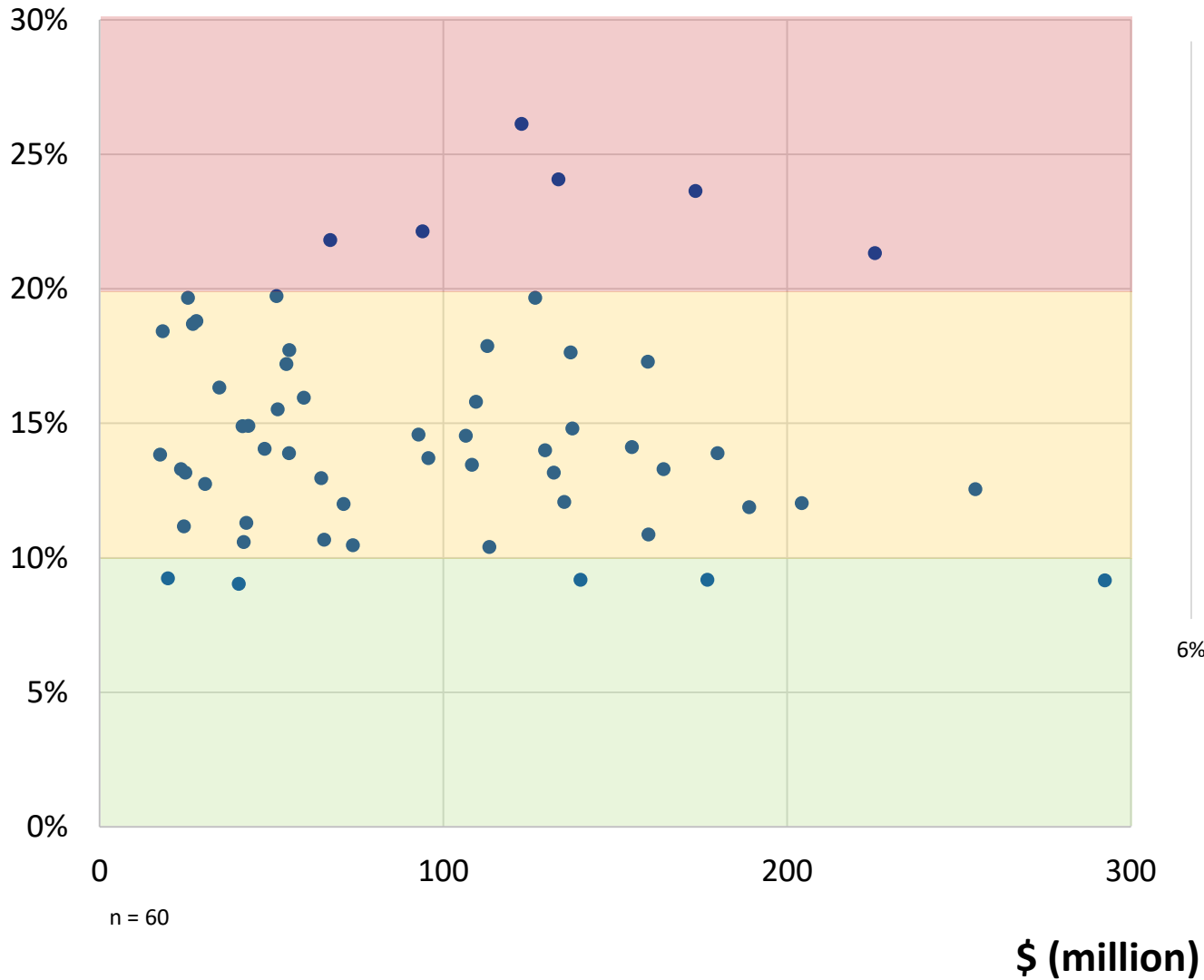
Each council has some good elements of service planning, review and evaluation—but none has a comprehensive approach. Councils need to better understand the full costs of frontline services.

# Benchmarking corporate services



- Estimated total of c. \$1 billion spend
- Averages 15% of total spend, but wide variation, not correlated to council size
- Lack of reliable comparative data for quantitative benchmarking
- Informal and limited qualitative (process) external benchmarking
- Some service reviews of some corporate services, but not targeted or systematic

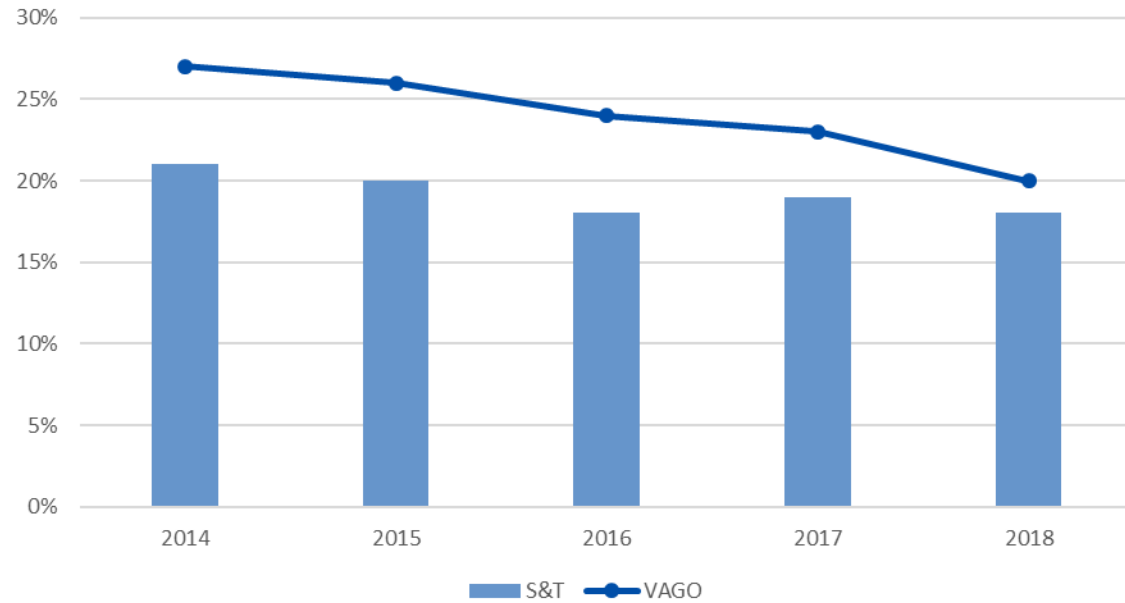
# Corporate services spend compared to total spend



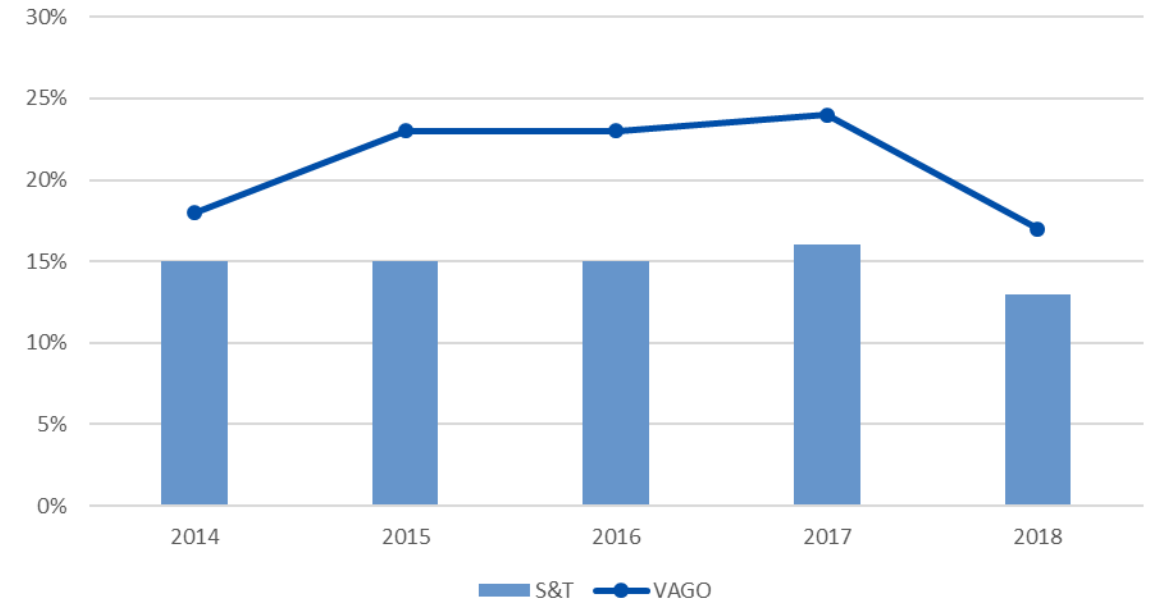


# Benchmarking VAGO corporate services

FTE



Spend



# Process reengineering @ VAGO

## Stage 1 (complete)

Simplify financial processes and month end reporting routines e.g.:

- Reset materiality i.e. close with less precision, but sufficient for decision-making
- Strip out control activities where low risk of error—detect vs prevent
- Phase monthly budgets on cash to avoid need for accrual journals

## Stage 2 (complete)

- Define suite of financial and non-financial metrics and set targets based on budget/plan
- Extract data into tables and charts in spreadsheets
- Publish to PowerBi dashboards—Financial, People, Production, Outputs

## Stage 3 (in progress)

- Automate extraction from financial/project system straight to dashboard

# Three-year program

Year	Audit	LG or Planning audit	Governance	Service Delivery	Sustainable development	Inequity/ disparity	Inadequate planning	Financial sustainability
2018–19	Fraud and corruption control	LG	✓					
2018–19	Reporting on local government services	LG		✓				✓
2018–19	LG Assets: Asset management and compliance	LG		✓		✓	✓	
2018–19	Outcomes of investing in regional Victoria	LG		✓		✓	✓	
2019–20	Developer and infrastructure contributions	Planning/ LG	✓		✓		✓	✓
2019–20	Delivering local government services – Council libraries	LG	✓					✓
2020–21	Implementing Plan Melbourne	Planning			✓		✓	
2020–21	Maintaining local roads	LG		✓	✓			✓
2020–21	Delivering Local Government Services: Waste Management	LG		✓				✓

# 2018–19 audits – Asset management and compliance

## Objective

Determine whether local councils accurately document infrastructure assets in their information systems and use this data in their asset management and planning.

## Issues

- At 30 June 2017, the 79 Victorian councils controlled \$91.2 billion of fixed assets.
- Previous audits identified persistent weaknesses in asset management.
- Accurate asset information required to comply with state and federal disaster response programs—if asset management programs are noncompliant, they risk being unable to access funding.

## Proposed agencies

- Colac Otway Shire
- Nillumbik Shire Council
- City of Boroondara
- Hindmarsh Shire Council
- Mildura Rural City Council

# 2018–19 audits – Reporting on local government performance

## Objective

Determine relevance, appropriateness and fair representation of LG performance reports and the extent to which councils use reports to improve performance.

## Proposed agencies

- LGV within DELWP
- City of Casey
- Baw Baw Shire Council
- Borough of Queenscliffe
- Horsham Rural City Council
- Moonee Valley City Council

## Issues

- The *Performance Reporting in Local Government* audit recommended establishing minimum standards for council performance reporting to address issues with the quality and relevance of measures.
- In response, government developed the Local Government Performance Reporting Framework (LGPRF) to promote consistent and transparent performance measurement.
- The LGPRF includes 90 measures that cover service performance, financial management and sustainability, with council performance statements presented on the Know Your Council website.

# Our data analytics strategy

## Increase our relevance *Modernise our auditing standards*

- DA will identify and create audit efficiencies that lead to better quality audits of financial reports and new insights in performance audits

## Grow our influence *Better leverage our access & increase accessibility to our work*

- Produce dashboards which enable auditors to benchmark entities within and outside their sector
- Facilitate access requests to dashboards and other DA outputs by external stakeholders

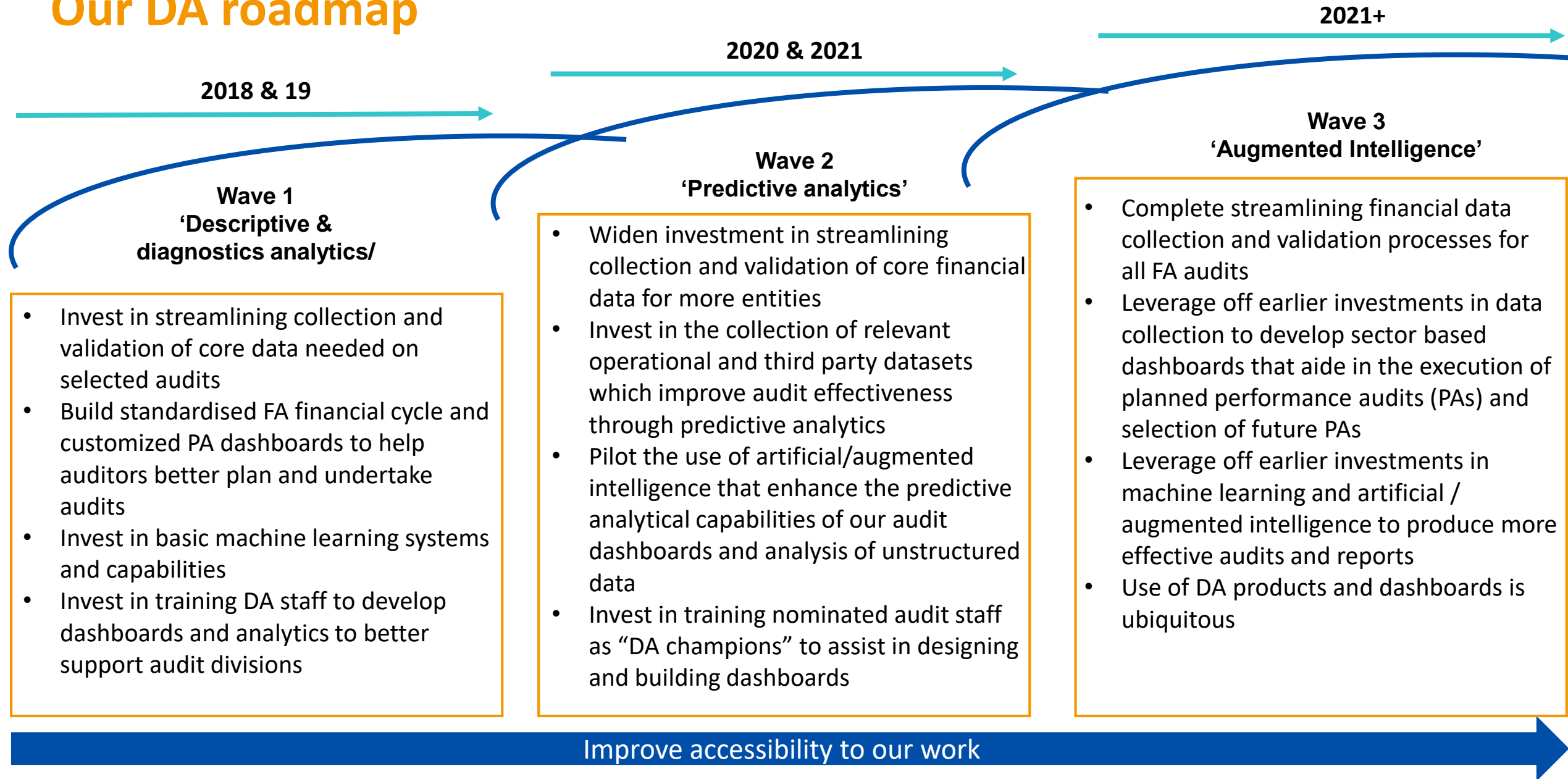
## Lead by example *Embrace new technology*

- Invest in tools and other software that add value to the audit process through increasing the efficiency and/or effectiveness of data collection, analysis and/or insights obtained

## Invest in people *Invest in excellence*

- Invest in skill uplifts within the DA team first, establish DA sector champions in audit divisions and later uplift all audit staff

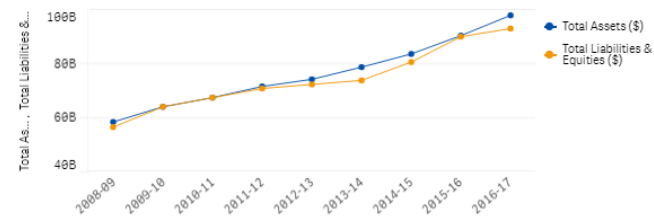
# Our DA roadmap



# Data insights – they're here

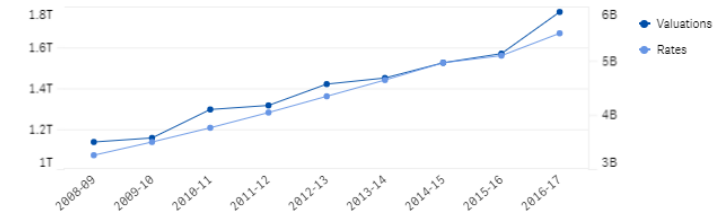
## VAGO Data Overview

### Balance Sheets



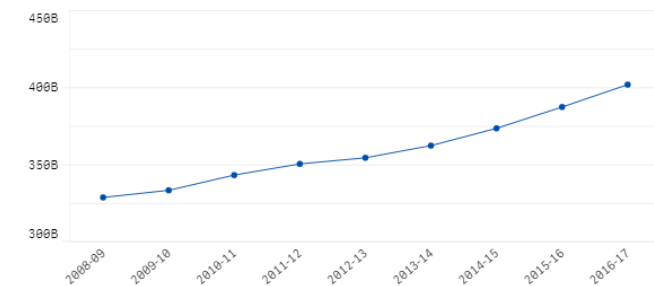
Blue: Assets / Yellow: Liabilities & Equities

### Property Valuations and Rates

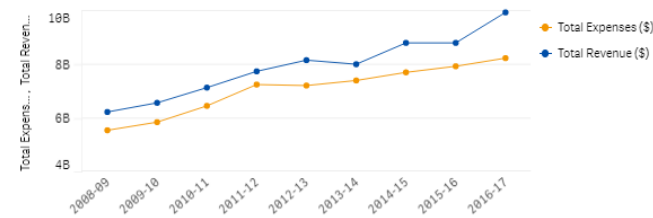


Blue: Valuations (1st axis) / Blue: Rates (2nd axis)

### GRP

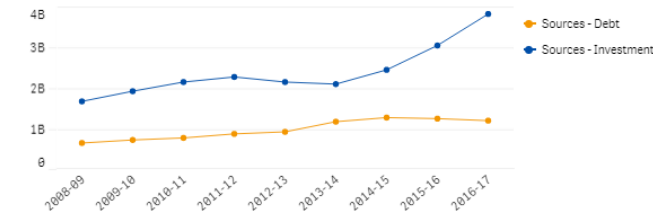


### Expenses and Revenue



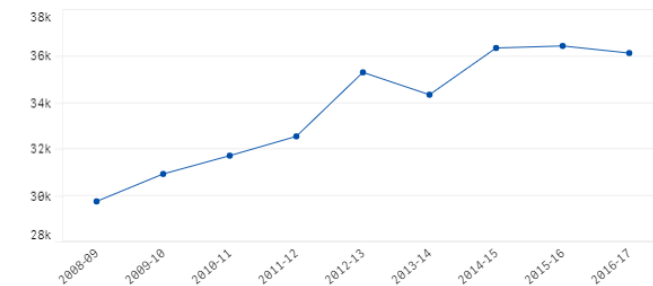
Yellow: Expenses / Blue: Revenue

### Finance Sources

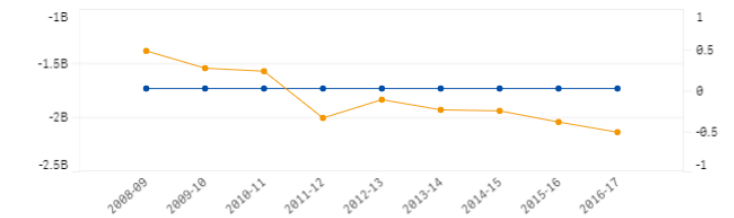


Yellow: Debt / Blue: Investment

### Council Staff Employed

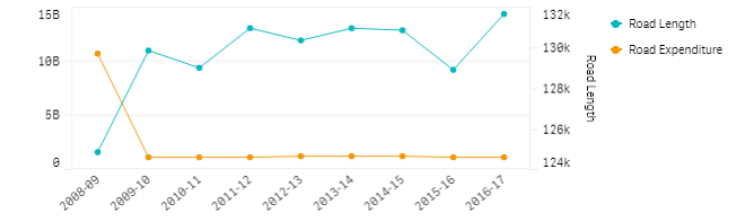


### Capital Outlays and Sales



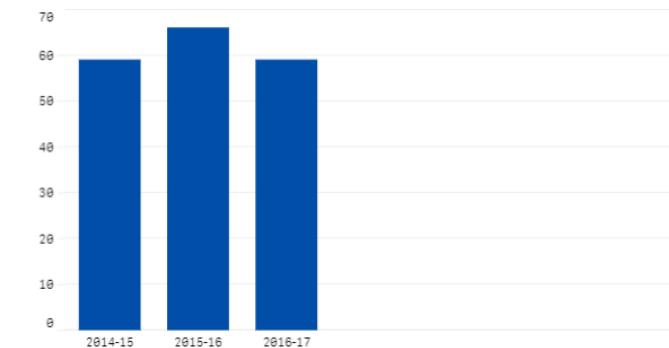
Yellow: Outlays (1st axis) / Blue: Sales (2nd axis)

### Road Expenditure and Road Length



Yellow: Expenditure (1st axis) / Green: Road length (2nd axis)

### Numbers of KYC Indicators



No data for years before 2014-15



## Filters

Year

2008-09	2009-10	2010-11
2011-12	2012-13	2013-14
2014-15	2015-16	2016-17

Council Group

Council

Category

Component

Number of Councils

79

Total Expenses (\$)

62.84B

Avg Annual Expenses (\$)

6.98B

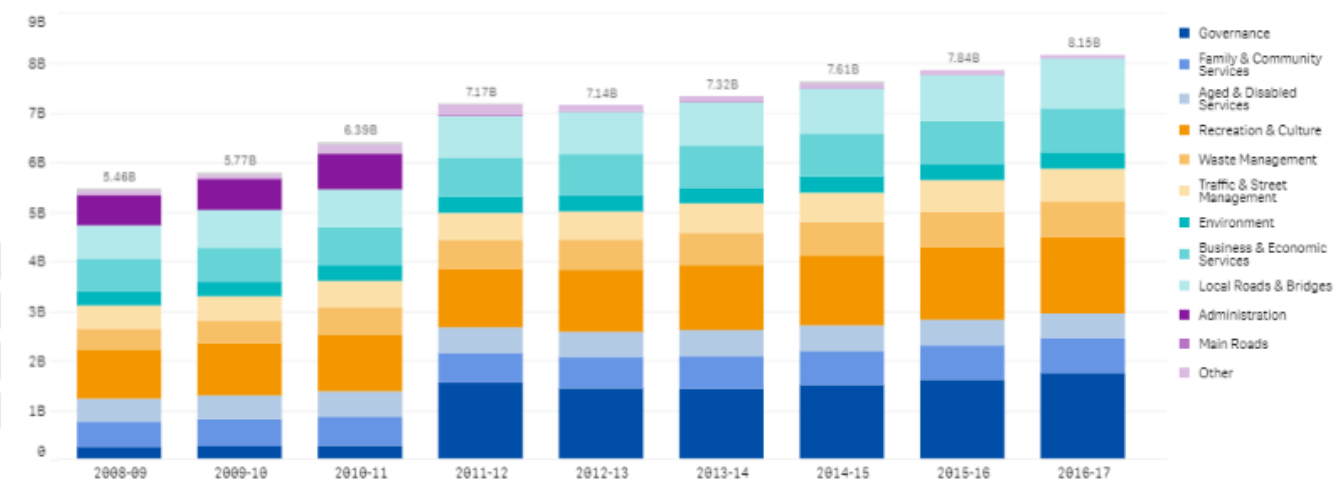
Total Revenue (\$)

70.74B

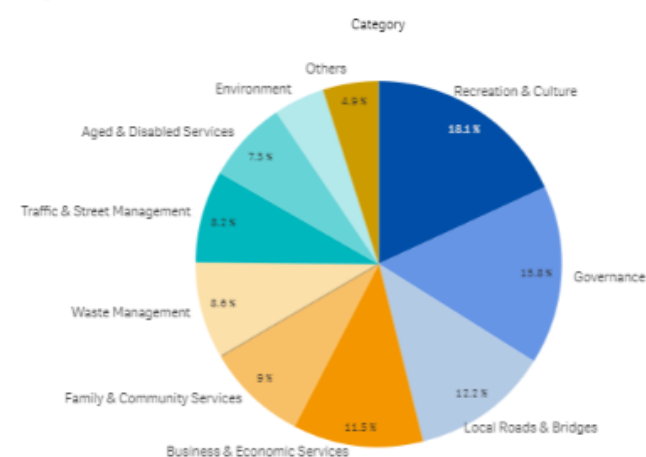
Avg Annual Revenue (\$)

7.86B

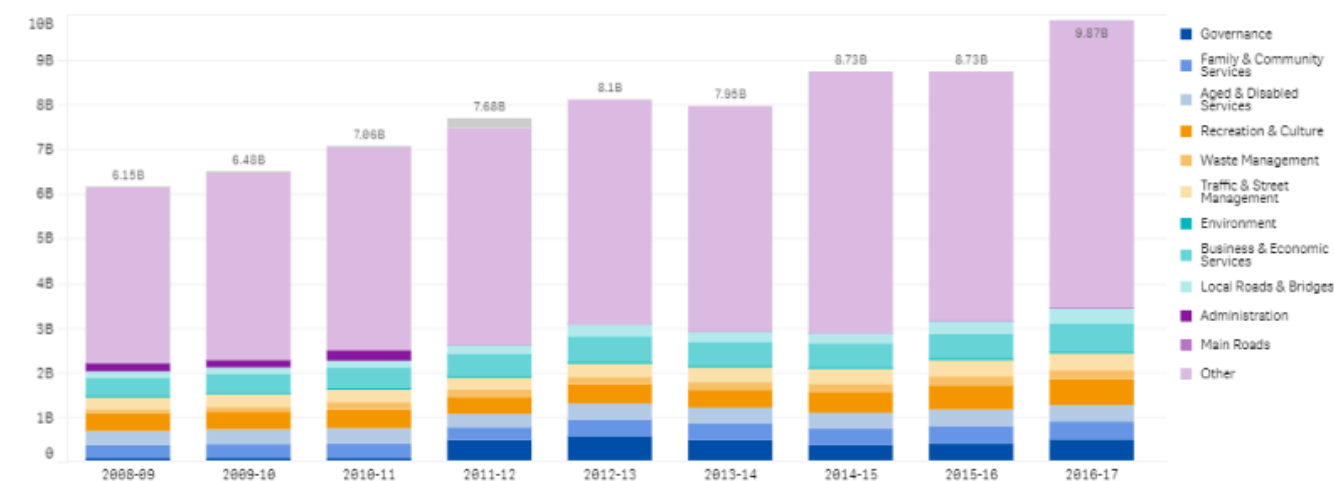
## Expenses



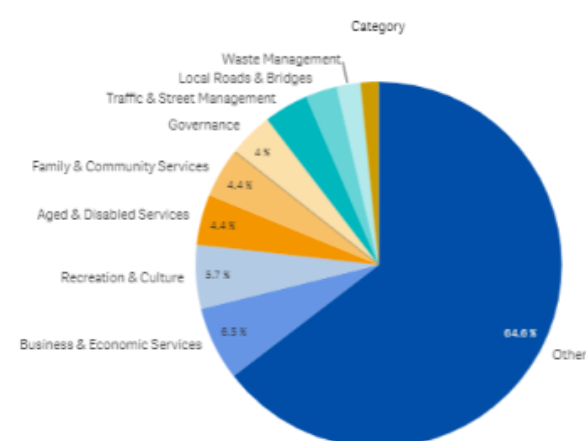
## Total Expenses



## Revenue



## Total Revenue



## Filters

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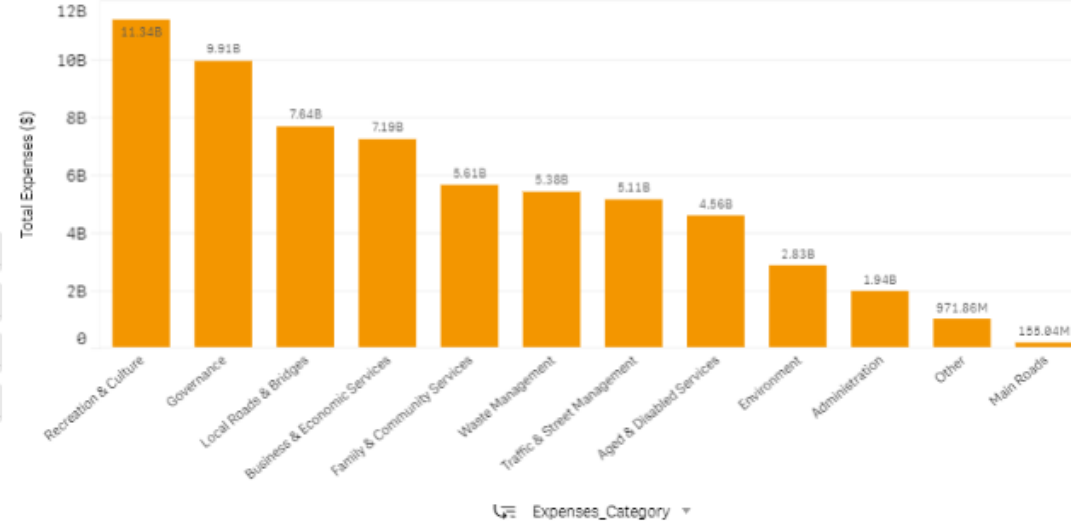
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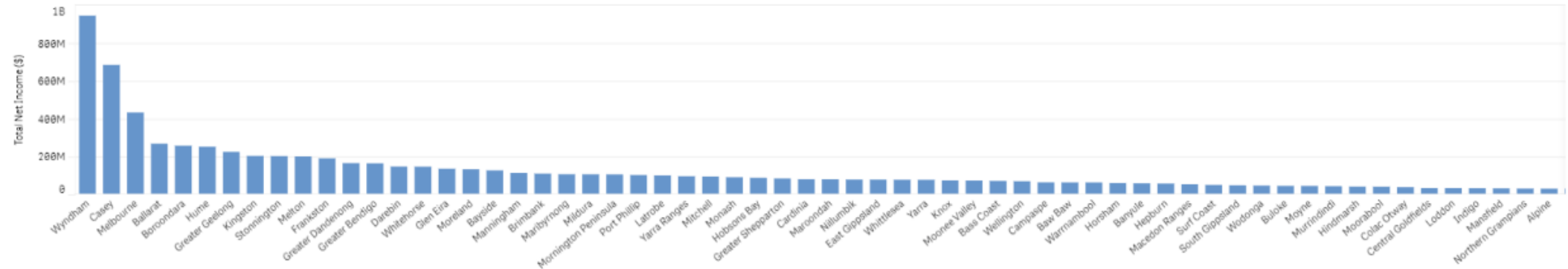
7.86B

## Expenses

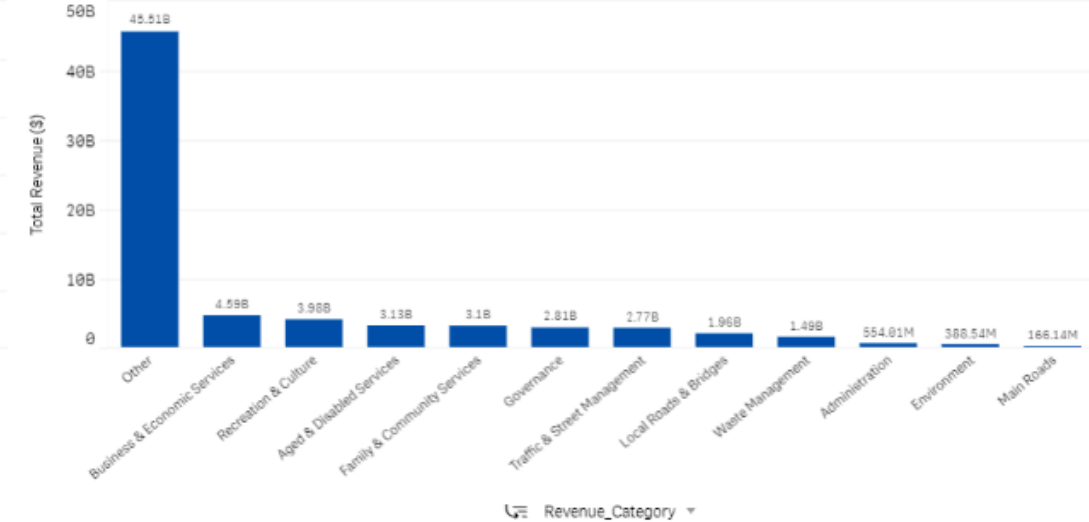


Drill-down levels: Category, Component

## Net Income (revenue minus expenses)



## Revenue



Drill-down levels: Category, Component

# Any questions?

If you would like to know more about the Victorian Auditor-Generals Office's work on the local government and planning sectors, please contact:

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+61 3 8601 7000