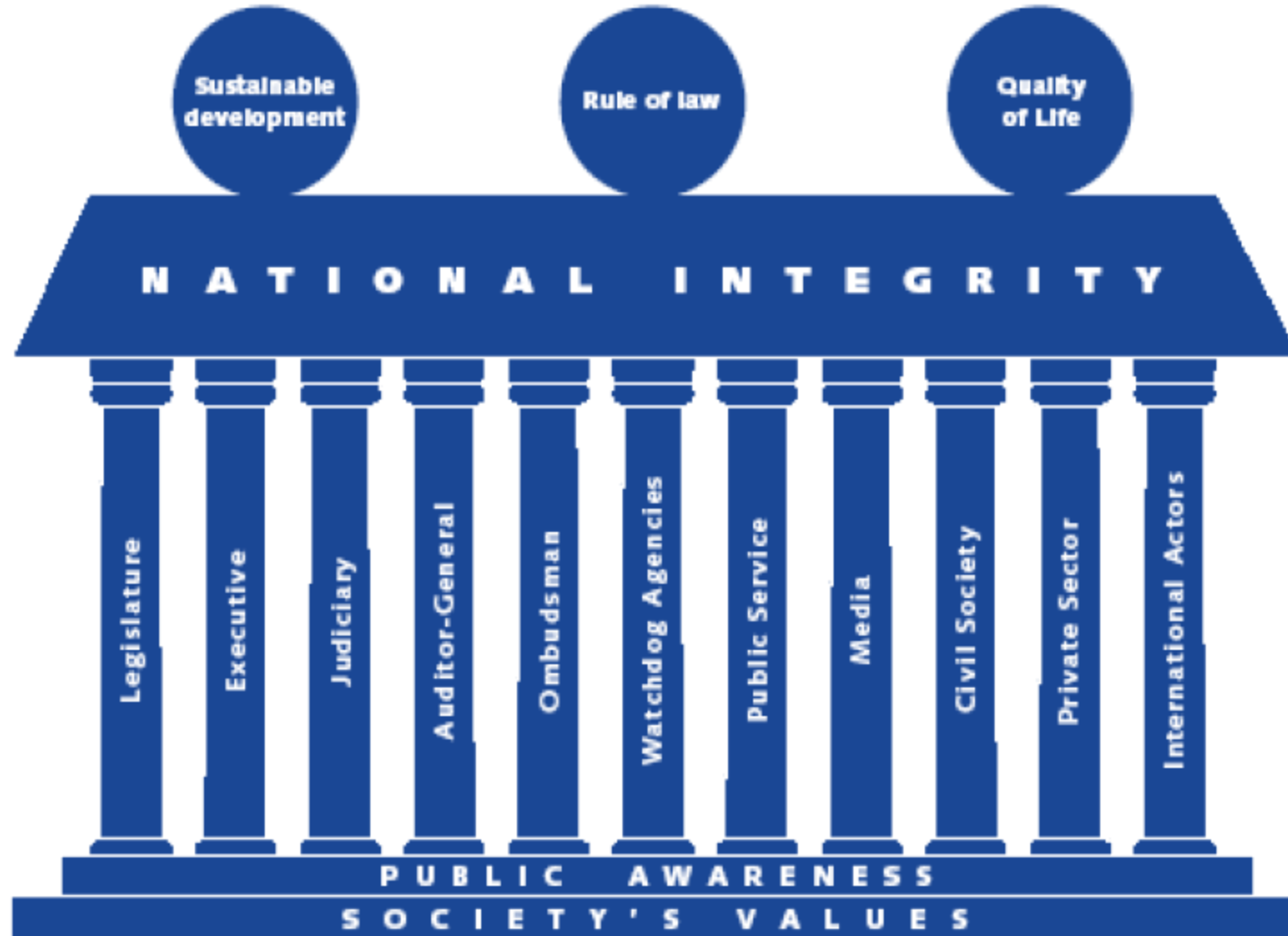


VAGO Update

Andrew Greaves
Auditor-General

VAGO

The pillars of integrity



Integrity Systems: Conceiving, Describing, Assessing
Dr AJ Brown and Dr John Uhr, 2004

Integrity issues – Central Goldfields

Key findings:

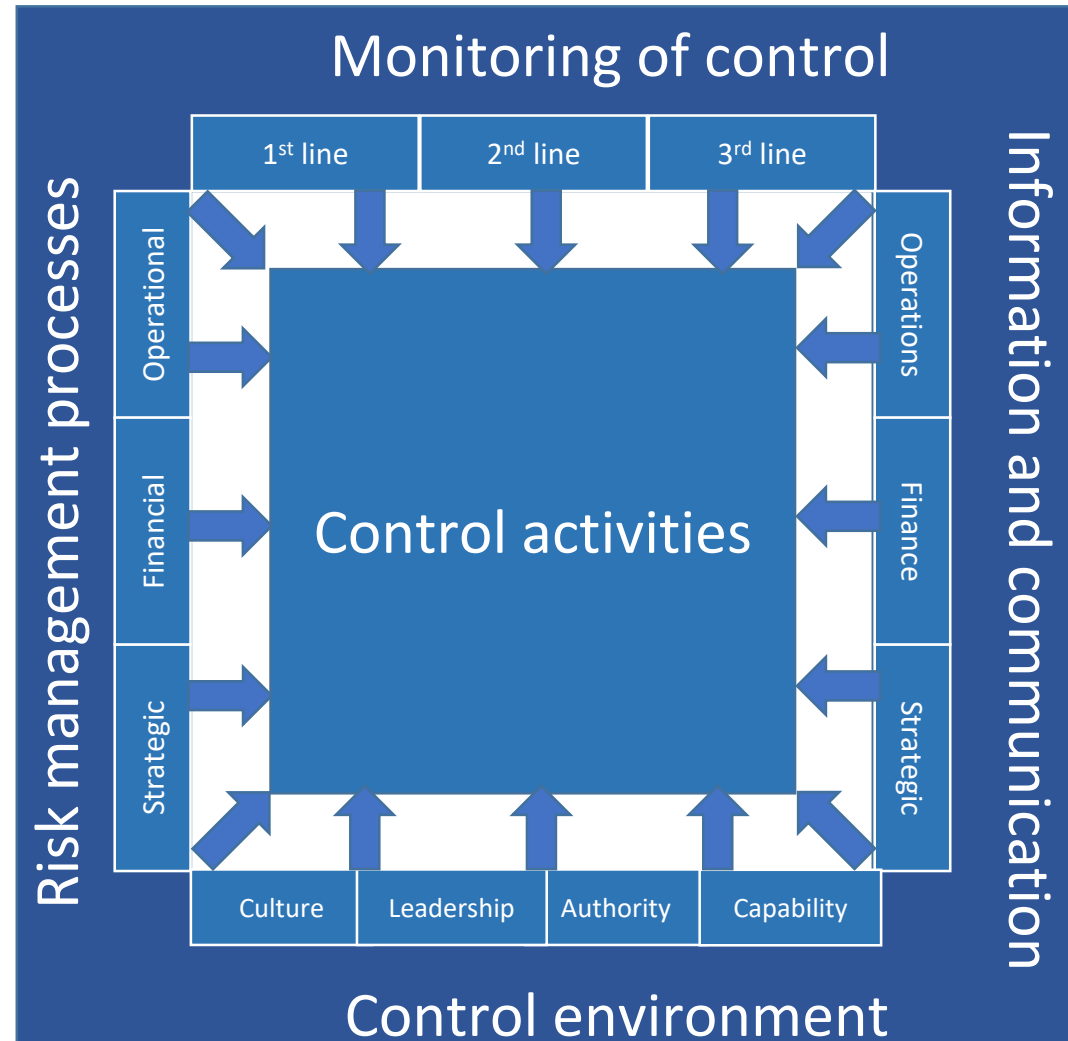
- council's lack of internal controls.
- 'red flags' signalling internal control breakdown
- inadequate policies and procedures
- overall lack of respect for compliance

Key learnings:

- commitment to integrity and ethical values
- Individual to be held accountable for their internal control responsibilities
- governing body to exercise oversight of internal controls and demonstrate independence from management
- emphasis on appropriate governance policies and procedures

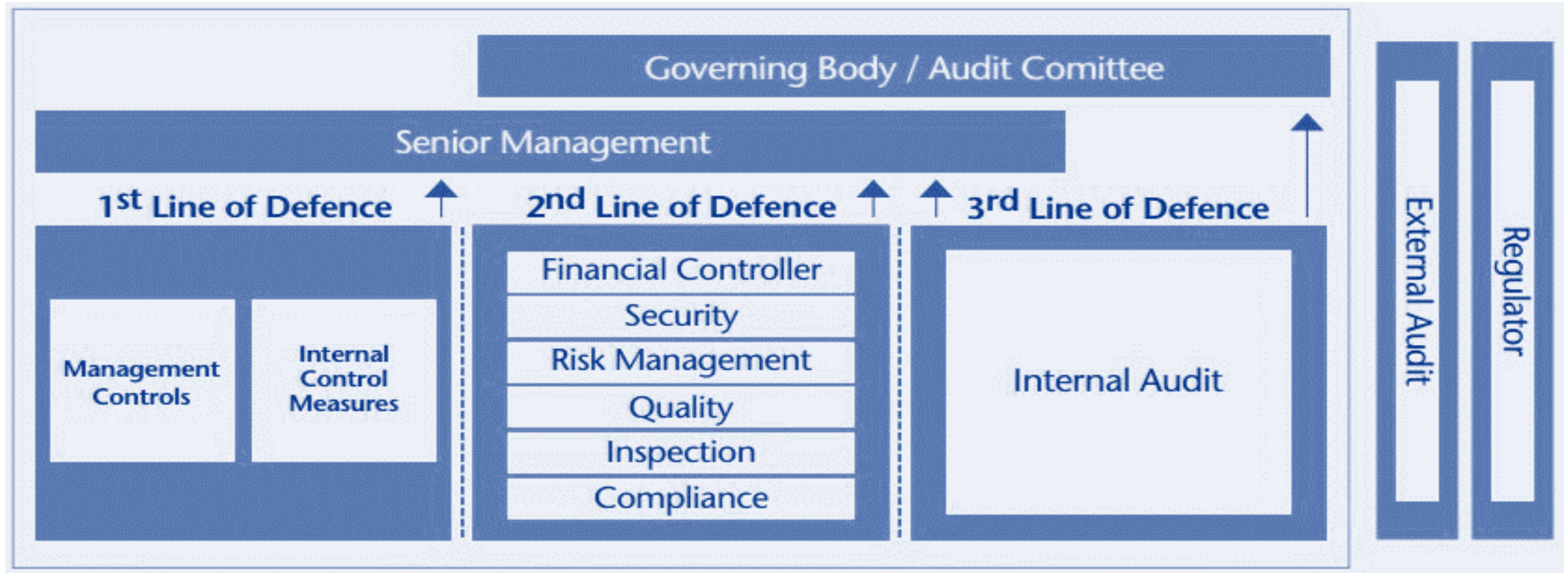
Control objectives

- Efficient and effective operations
- Reliable financial reporting
- Compliance with laws



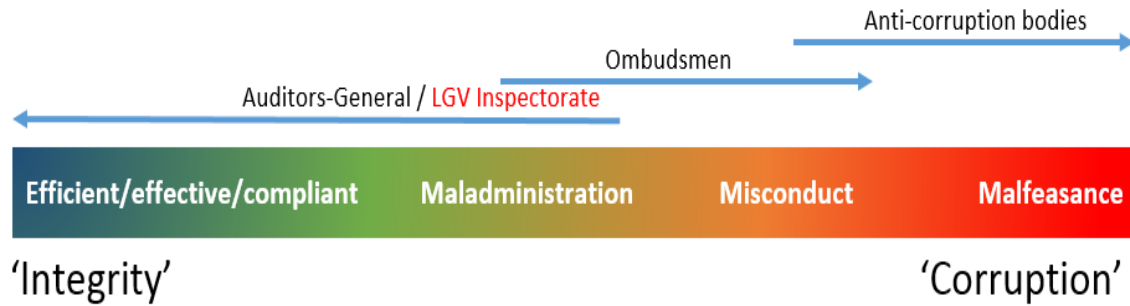
Adapted from the COSO Internal Control Framework

Lines of defence



Source: © Chartered Institute of Internal Auditors, UK & Ireland

Role of integrity bodies



- VAGO can play a part by including regular analysis of financial and non-financial data from the sector to monitor 'red flags' as part of external audit process.
- Through data analysis, VAGO can provide councils with unique insights and other information that can be used to improve public services.

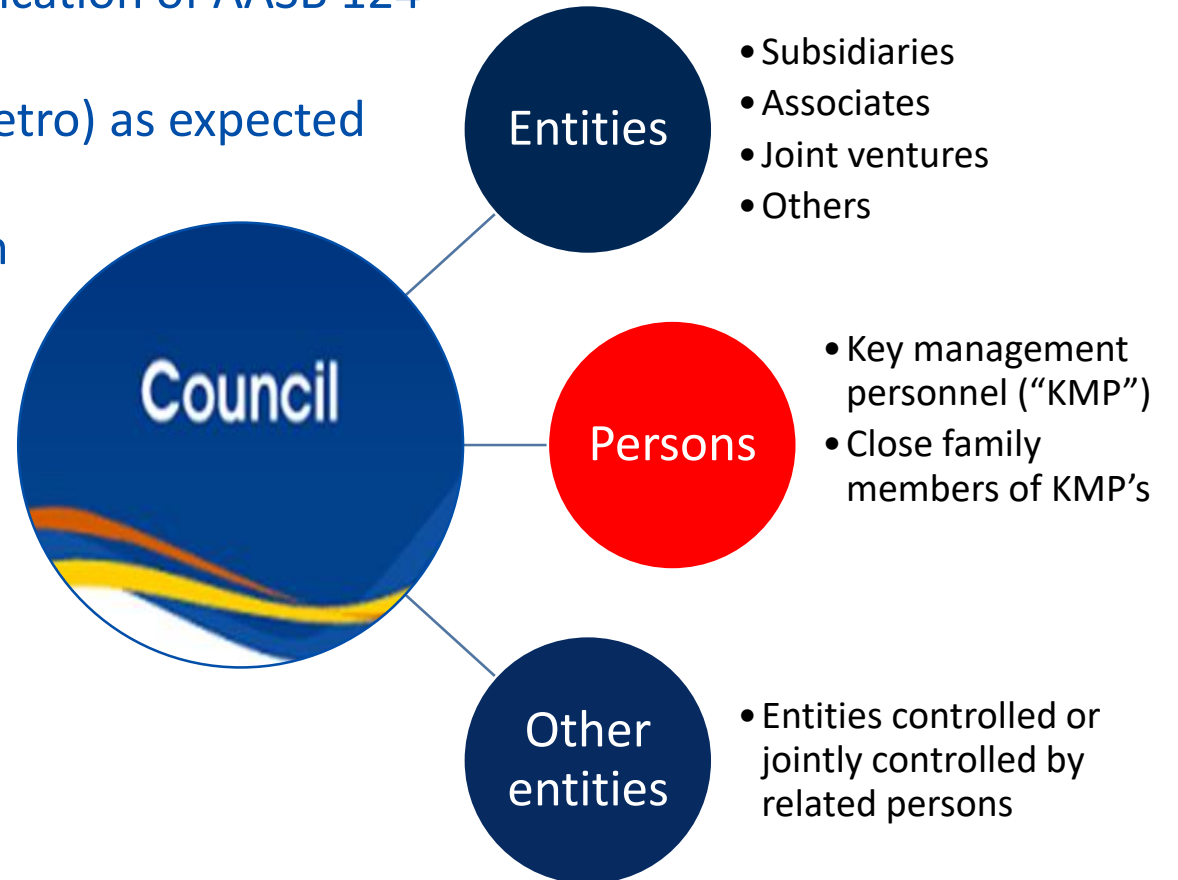
Opportunities and challenges

Reporting frameworks

- Financial:
 - re-examine content and financial reporting processes/timeliness
 - assess impact of accounting standards (leases , revenue & income of NFPs)
 - improve related party disclosures and supporting processes
- Performance:
 - benchmark targets
 - quality control
 - relevance and appropriateness

Related party disclosures

- Sector responded reasonably well to first time application of AASB 124
- Disclosures varied between cohorts (regional vs metro) as expected
- Materiality considerations as an area to improve on



Performance statements

- Third year of reporting.
- Sector to consider the need for 'targets' to help benchmark performance better.
- LGPRF Interpretation issues trending down.
- Quality control requirements highlighted through VAGO management letters.
- Relevance of indicators and quality of the commentary will be a focus area in the future.

Opportunities and challenges

Control frameworks

- Audit committees and internal audit effectiveness
- IT risks and mitigation strategies (including cyber security risks).
- Potential for continuous audit regime under National Disaster Relief and Recovery Arrangements ('NDRRA') framework

Any questions?

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