Victorian Auditor-General's Office

Completion Report

For the year ended 30 June 2026

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The Hon. Sarah Connolly
Chair - Public Accounts and Estimates Committee
Parliament of Victoria
Spring Street
EAST MELBOURNE VIC 3002

25 August 2026

Dear Committee Members,

2026 Audit – Completion Report

We are pleased to present you with our completion report on the audit of Victorian Auditor-General's Office ("VAGO") for the year ended 30 June 2026.

We are responsible for communicating significant matters related to the audit that, in our professional judgement, are relevant to the responsibilities in overseeing the financial reporting process. This report includes an analysis of the audit outcomes, key audit risk areas, our conclusion, internal control deficiencies and other recommendations for your attention.

This information is intended solely for the use of those charged with governance and management of the Victorian Auditor-General's Office and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any comments you may have or any additional areas in which you seek comfort or assurance from the audit process. I look forward to the opportunity of discussing the results of the audit.

Yours faithfully
Nexia Melbourne Audit Pty Ltd

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Audit Snapshot

Audit Aspects	Outcome		Reference
Any expected modifications to independent auditor's report	No		Section 2
Were significant audit adjustments required	No		Section 4
Are unadjusted misstatements considered immaterial	Yes		Section 4
Transactions and balances verified in accordance with audit plan	Yes		
Audit risks and exposures able to be addressed	Yes		Section 5
Any audit risks requiring comment from the Audit and Risk Committee	No		Section 5
Any high or medium priority control deficiencies identified	No		Section 6
Any instances of fraud or error in respect to operations noted	No		Section 7
Any material uncertainties, conditions or events identified affecting going concern noted	No		Section 7
Any instances of non-compliance with laws and regulations noted	No		Section 7
Any instances of non-compliance with policies and procedures noted	No		Section 7

Audit Process	Outcome		Reference
Level of preparedness for audit sufficient	Yes		
Draft financial report available at agreed date	Yes		
All information required supplied in a timely manner	Yes		Section 9

Executive summary

Key conclusion: Subject to completion of the outstanding matters noted in this report, the audit work performed supports an unmodified audit opinion on the financial report and an unqualified conclusion on the performance statement review. This reflects a clear audit outcome, with no matters identified that would require modification to the proposed audit opinion or review conclusion at this stage.

This executive summary has been prepared to support PAEC's consideration of the audit outcome, the key areas of audit focus and the matters requiring governance attention prior to finalisation. It is intended to provide a concise, balanced and decision-useful overview of the audit status, while recognising the Victorian Auditor-General's Office's role within the Victorian public sector, including its accountability to Parliament of Victoria and the legislative and financial reporting framework under which it operates.

Our audit was performed in accordance with applicable Australian Auditing Standards and with reference to the *Audit Act 1994*, Australian Accounting Standards – Simplified Disclosures and other relevant reporting obligations. The completion report sets out the scope of work performed and clearly distinguishes between the audit of the financial report and the review of the Performance statement , noting that the review provides a lower level of assurance. The report also explains how the IT environment was considered in our audit approach, including systems, access controls, change management and other ICT-related risks relevant to financial reporting.

We expect to issue an unmodified audit opinion. This means that, based on the audit work performed, we have not identified material misstatements in the financial report and consider that it presents fairly VAGO's financial position and performance for the year ended 30 June 2026. No corrected misstatements were identified and management has represented that it is not aware of any additional unadjusted misstatements that are material either individually or in aggregate.

The risk assessment section provides a clear explanation of each key audit risk, why the risk is relevant and the potential financial reporting consequences if not appropriately addressed. For each risk area, the report outlines the nature of the risk, procedures performed, conclusion reached and final risk assessment. Across these areas, our procedures did not identify material misstatements or matters requiring modification to the audit approach.

The report also provides additional narrative on internal controls and other matters communicated. No high or medium priority control deficiencies were identified. We have separately reported the continued monitoring of excessive annual leave as a Category C matter, including the movement in staff with balances above the relevant thresholds and the implication for employee wellbeing, operational resilience, and the employee benefits liability.

The report identifies the outstanding matters at the date of issue and the expected steps required before finalisation, providing transparency over the remaining audit process. We acknowledge the importance of timely reporting to enable meaningful PAEC consideration, and the report is structured to support earlier identification, escalation, and resolution of issues through planning, fieldwork, preliminary meetings, and final reporting.

In summary, the audit findings are appropriate for PAEC consideration, with the report structured to present the overall audit outcome, key risk areas, internal control observations, and remaining matters for completion in a clear and accessible manner. The use of plain-English explanations, focused risk conclusions and governance-oriented commentary is intended to support informed consideration of the matters most relevant to VAGO, Parliament of Victoria and the PAEC.

1 Auditor's responsibilities in relation to the audit

As stated in our engagement letter, our responsibility is to form and express an opinion whether the financial report of the Victorian Auditor-General's Office is in accordance with the *Financial Management Act 1994,* including whether it gives a true and fair view of the Victorian Auditor-General's Office's financial position as at 30 June 2026 and of its financial performance for the year ended, and complying with Australian Accounting Standards – Simplified Disclosures, including Interpretations, other mandatory professional reporting requirements.

Our responsibility is to plan and perform procedures to obtain reasonable assurance whether the financial report as a whole is free from material misstatement, whether due to fraud or error. The procedures selected depend on our professional judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments we considered internal control relevant to the preparation and fair presentation of the financial report. Such considerations were solely for the purpose of designing audit procedures and not for the purpose of expressing an opinion on the effectiveness of the internal controls. We are responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to the responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the financial report does not relieve management or those charged with governance of their responsibilities for the financial report.

2 Audit opinion

The independent auditor's report we expect to issue for the year ended 30 June 2026 is unmodified (i.e. clean audit opinion).

3 Materiality

Misstatements, including omissions, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users of the financial report. The determination of materiality is a matter of professional judgement, and is affected by our perception of the financial information needs of users of the financial report. Having considered the nature of the Victorian Auditor-General's Office, the industry and economic environment in which the Victorian Auditor-General's Office operates and the relative volatility of alternative benchmarks and in accordance with Nexia's audit methodology we have determined overall final materiality based on the Victorian Auditor-General's Office's gross revenue.

Final Overall Materiality:	$617,950
Final Performance Materiality:	$463,450
Final Clearly Trivial:	$ 30,900

The overall materiality was reassessed during the final audit.

Management will represent to us in writing that all uncorrected misstatements that they are aware of have been brought to our attention.

4 Audit adjustments

Corrected misstatements

Auditing Standards require us to inform those charged with governance of material corrected misstatements that were brought to the attention of management as a result of our audit procedures. No corrected misstatements were identified during the course of the audit.

Unadjusted misstatements

We are also required to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not identify any unadjusted misstatements during the course of the audit.

5 Audit risk areas

The areas detailed below are the higher risk or 'key' issues in relation to the audit of Victorian Auditor-General's Office for the year ended 30 June 2026. We have provided a brief summary on the impact on our audit approach. Please note that this is neither a complete list of all issues we have considered nor a complete description of our audit procedures.

The risks are presented in three categories: significant, higher, and normal. These are defined as follows:

Significant	A judgmental assessment of inherent risk as significant relates to those risks which require special audit consideration (in terms of the nature, timing or extent of testing) because of the nature of the risk, the likely magnitude of the potential misstatements (including the possibility that the risk may give rise to multiple misstatements) and the likelihood of the risk occurring.
Higher	A judgmental assessment of inherent risk as higher relates to a risk that requires additional audit consideration beyond what would be required for a normal risk, but which does not rise to the level of a significant risk.
Normal	A judgmental assessment of inherent risk as normal is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgment. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring. We do not, as a matter of course, discuss normal risks with those charged with governance unless we seek their confirmation on the judgment that has been applied.

Audit risk area	Audit response and conclusion
R1. Revenue recognition Risk of misstatement due to: • There is a rebuttable presumption that revenue fraud risk is significant. There is a risk that the Victorian Auditor-General's Office may misrepresent its revenue by recording revenue incorrectly. There is a risk that this can occur by VAGO deferring revenue or pushing revenue through at year end that should not be attributed to the relevant financial year.	**Audit work performed included:** Revenue was tested through the following audit procedures: • Reviewed and documented the revenue, trade receivables and receipts processes to assess whether appropriate controls were in place. • Reviewed the revenue recognition policy and assessed its appropriateness against the applicable financial reporting framework. • Verified the annual appropriation for the provision of outputs and the appropriation under s29 of the *Financial Management Act 1994* to the Appropriation Bill and the Net Appropriation Agreement with the Department of Treasury & Finance. • Verified the special appropriation under s94A(6) of the *Constitution Act 1975* to the Statement of Finances extracted from the Victorian State Budget 2025 / 2026.

Audit risk area	Audit response and conclusion
	• Selected a sample of customer tax invoices raised to Government agencies, authorities, bodies and other organisations audited by VAGO, verified that billings and time charges were consistent with the relevant engagement letter or fee agreement, and traced receipts to the bank statement. **Conclusion:** Based on the audit procedures performed in respect of revenue, no material misstatements or financial reporting process issues were identified. We are satisfied that revenue has been recognised appropriately for the year ended 30 June 2026 and that the risk of material misstatement has been reduced to an acceptable level. **Final Risk Assessment – Low**
R2. Management override of controls Risk of misstatement due to: • The risk of management override of controls is considered to be a fraud risk and is therefore considered to be a 'significant' risk under the Australian Auditing Standards. • We are required to test the appropriateness of journal entries, for end of period and throughout period and inquire about any unusual transaction and to review accounting estimates for biases by evaluation and retrospective review.	**Audit work performed included:** Management override of controls was addressed through the following audit procedures: **Journals:** • Obtained an understanding of the process for recording journal entries and assessed the relevant controls over journal entry processing. • Reviewed journal entries to identify unusual or unexpected transactions. • Selected a sample of journal entries and traced them to supporting documentation. **Estimates:** • Reviewed the application of the applicable financial reporting framework to accounting estimates. • Evaluated how management prepared accounting estimates and assessed the underlying data used. • Reviewed management judgements and decisions for indicators of possible management bias. **Conclusion:** Based on the audit procedures performed in respect of management override of controls, no unusual transactions, unsupported journal entries or indicators of management bias were identified that would result in a material misstatement. We are satisfied that the risk of material misstatement arising from management override of controls has been reduced to an acceptable level. **Final Risk Assessment – Low**

Audit risk area	Audit response and conclusion
R3. Accounting for controlled outputs and administered (non-controlled) items Risk of misstatement due to: • VAGO delivers performance and other reports and services to Parliament of Victoria, departments, and agencies. Income from the outputs provided is recognised when those outputs have been delivered in accordance with specified performance criteria. • Audit fee income arising from financial statement audits, whether undertaken directly or contracted out, is required under the *Financial Management Act 1994* to be paid into the Consolidated Fund and is treated as an administered item. At the point of income recognition, s29 of the *Financial Management Act 1994* provides for an equivalent amount to be added to the annual appropriation, which is then available for application. • Transactions and balances relating to these administered resources are not recognised as VAGO's income, expenses, assets, or liabilities within the body of the financial statements but are disclosed in the notes.	**Audit work performed included:** Controlled outputs and administered items were tested through the following audit procedures: • Considered VAGO's established processes for distinguishing and accounting for controlled revenue, administered revenue and associated funding flows. Our testing included: • Updated our understanding of the process flows and tested transactions to assess the reliability of processes for revenue recognition, annual appropriations for outputs and appropriations under s29 of the *Financial Management Act 1994*. • Assessed management's consistent application of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-profit Entities* within the financial report. • Substantiated asset balances generated by the process through tests of detail and analytical review. • Reviewed financial report disclosures for controlled and administered items to confirm they were supported by relevant ledgers and met the reporting requirements of the *Financial Management Act 1994*. **Conclusion:** Based on the audit procedures performed in respect of controlled outputs and administered items, no material misstatements or disclosure issues were identified. We are satisfied that controlled and administered items have been appropriately recognised and disclosed, and that the risk of material misstatement has been reduced to an acceptable level. **Final Risk Assessment – Low**
R4. Trade and Other Receivables Risk of misstatement due to: • Fictitious revenue is raised to meet revenue targets and stakeholder expectations. • Provision for doubtful debts is an area of estimation uncertainty. • The current difficult economic climate, particular debtors may be experiencing challenging conditions compared to previous years.	**Audit work performed included:** Trade and other receivables were tested through the following audit procedures: • Reviewed the ageing of trade debtors and compared balances to prior years. • Reviewed a sample of debtors' subsequent receipts. • For balances without subsequent receipts, verified the occurrence of the revenue transaction to supporting documentation, including project summary reports and customer tax invoices where applicable. • Discussed with management the adequacy of the provision for doubtful debts and assessed whether the provision was appropriate. • Reviewed the reconciliation of WIP.

Audit risk area	Audit response and conclusion
• Revenue being recorded in the incorrect accounting period.	• Obtained third-party confirmation from the Department of Treasury & Finance for the SAU balance. **Conclusion:** Based on the audit procedures performed in respect of trade and other receivables, no material misstatements were identified in the existence, recoverability or cut-off of receivables. We are satisfied that trade and other receivables are appropriately stated and that the risk of material misstatement has been reduced to an acceptable level. **Final Risk Assessment – Low**

R5. Work-In-Progress (WIP)
Risk of misstatement due to:
• The WIP balance is an area of estimation uncertainty.
• The WIP balance may not be correctly valued at balance date.
	Audit work performed included:
	Work-in-progress was tested through the following audit procedures:
	• Reviewed the accounting policy for WIP and assessed its appropriateness.
	• Reviewed the WIP listing, recalculated balances and discussed key assumptions with management.
	• Performed the following procedures for a sample of projects:
	  ○ Agree the billings to date to the milestone report;
	  ○ Agree the costings to date to the detailed WIP report and timesheets, and
	  ○ Perform a recalculation on the WIP balance.
	In addition, we:
	• Sought confirmation of the interagency balance outstanding at year-end from the Department of Treasury & Finance.
	• Assessed the recoverability of WIP, including consideration of variances incurred during the year as an indicator of asset recoverability at year-end.
	Conclusion:
	Based on the audit procedures performed in respect of WIP, no material misstatements were identified in the valuation, existence or recoverability of the WIP balance.
	We are satisfied that WIP is appropriately stated at 30 June 2026 and that the risk of material misstatement has been reduced to an acceptable level.
	Final Risk Assessment – Low

Audit risk area	Audit response and conclusion
R6. Property, Plant and Equipment Risk of misstatement due to: • The fixed assets register not being maintained and agreeing to the general ledger. • Depreciation rates either applied in an inconsistent manner or incorrectly calculated. Useful lives of reported assets being improperly determined. These errors will have an impact on the reported depreciation expenses and the written down value of property, plant and equipment. • The incorrect classification of transactions between repairs and maintenance and capital expenditure. • The incorrect valuation of property, plant and equipment, including the non-existence of these assets.	**Audit work performed included:** Property, plant and equipment was tested through the following audit procedures: • Obtained the fixed assets register from management as at 30 June 2026. • Reconciled the fixed assets register to the general ledger control account balances as at 30 June 2026. • Tested material fixed asset additions and disposals to supporting documentation, assessed the appropriateness of capitalisation, traced disposal proceeds to bank receipts where applicable, and reviewed the GST treatment for transactions tested. • Reviewed property, plant and equipment in detail and discussed expected use and useful lives with management. • Reviewed material repairs and maintenance expenditure to assess whether the accounting treatment was appropriate and consistent with authorised accounting policies. **Conclusion:** Based on the audit procedures performed in respect of property, plant and equipment, no material misstatements were identified in the existence, completeness, valuation or classification of fixed assets. We are satisfied that property, plant and equipment is appropriately stated at 30 June 2026 and that the risk of material misstatement has been reduced to an acceptable level. **Final Risk Assessment – Low**

R7. Salaries and Wages / Employee Benefits
 	
Risk of misstatement due to:
• The significant size of salaries and wages and associated on costs.
• People processes are significant to the effective operation of VAGO;
    ○ the adequacy of internal controls in place over payroll is critical to the accurate and timely generation of data relating to the cost of the workforce and the recognition of associated liabilities.
• Policies and procedures relating to employees' salary and wages not being adhered to and the possibility of
	Audit work performed included:
	
	Salaries, wages and employee benefits were tested through the following audit procedures:
	• Reviewed and documented the payroll and payments system to assess whether appropriate controls were in place.
	• Reviewed authorisation of salaries and wages, hours worked, leave taken, payroll deductions and posting of payroll costs to the general ledger.
	• Selected a sample of employees and:
	    ○ Review their personnel files for completeness and supporting documentation, including TFNs and superannuation fund notifications.
	    ○ Check the authorisation of hourly pay rates and total salary and wage amounts and any additions and / or deductions thereto.
	    ○ Check reported hours worked, reported leave taken, and any payroll additions and deductions.
	• For selected payroll runs, traced payroll postings to the general ledger and bank statements and assessed whether account allocations were reasonable.

Audit risk area	Audit response and conclusion
incorrect and / or unauthorised payments being made to employees. • Incorrect calculation of employees' leave entitlements, including long service leave and annual leave, incorrect hourly pay rates, and the omission of employees from the leave provision schedules. • Payroll clearing account balances at 30 June 2026, including PAYG and superannuation, not being properly reconciled and balances not being offset and / or cleared and / or remitted in a timely manner	• Recalculated long service leave and annual leave entitlements payable for a sample of employees and assessed the calculation methodology for compliance with applicable awards, employment contracts and Australian Accounting Standards. • Obtained the last payroll report in June 2026 and assessed whether employee leave entitlements were complete and accurate as at 30 June 2026. • Performed analytical review of payroll costs for 2025 / 2026, including wages, superannuation, payroll tax and WorkCover, compared to prior years and obtained explanations from management for significant or unusual variances. **Conclusion:** Based on the audit procedures performed in respect of salaries, wages and employee benefits, no material misstatements were identified in payroll expense, payroll-related liabilities or employee leave entitlements. We are satisfied that salaries, wages and employee benefits are appropriately stated and that the risk of material misstatement has been reduced to an acceptable level. **Final Risk Assessment – Low**

R8. Expenditure / Creditors
Risk of misstatement due to:
• Expenses and creditors not being recorded in the correct period and the expenditure has not been authorised in accordance with the Victorian Auditor-General's Office's policies and procedures.
• GST not being properly recognised and accounted for.
• Unrecorded liabilities.
	Audit work performed included:
	Expenditure and creditors were tested through the following audit procedures:
	• Reviewed and documented the expenditure, trade creditors and payments system to assess whether appropriate controls were in place.
	• Reviewed controls relating to authorisation, posting and payment of expenses, including purchase authorisation, supplier tax invoice processing, creditor reconciliations and accruals.
	• Performed testing of internal controls where appropriate.
	• Reviewed and tested material expenditure for compliance with current delegations of authority.
	• Selected a sample of payments and expenses incurred in 2025 / 2026 and:
	  o Agree the transaction to supplier tax invoices and other supporting documentation
	  o Confirm the purchase and payment were properly authorised
	  o Check that GST has been properly recognised, posted, and accounted for
	  o Trace posting of transactions to the general ledger, ensuring account allocations are appropriate.
	• Reviewed significant creditors and accruals recorded at 30 June 2026, tested significant balances and reviewed subsequent payments to assess whether material liabilities had been omitted.
	• Compared trade and other payable balances, including accruals, at 30 June 2026 to prior years for reasonableness and obtained explanations from management for material variances.

Audit risk area	Audit response and conclusion
	Conclusion: Based on the audit procedures performed in respect of expenditure and creditors, no material misstatements were identified in expenditure recognition, creditor balances or accruals. We are satisfied that expenditure and creditors are appropriately stated and that the risk of material misstatement has been reduced to an acceptable level. **Final Risk Assessment – Low**
R9. Contracted Services Risk of misstatement due to: • VAGO utilises contractors to perform financial and other audits. The expenditure is significant and is governed by procurement and contract management processes.	**Audit work performed included:** Contracted services were tested through the following audit procedures: • Reconfirmed our understanding of the contracted services process flows and considered reliance on current control assessments. • Tested the completeness of contractor liabilities at year-end based on our understanding of the process. **Conclusion:** Based on the audit procedures performed in respect of contracted services, no material misstatements were identified in the recognition or completeness of contractor expenditure and related liabilities. We are satisfied that contracted services expenditure and related liabilities are appropriately stated and that the risk of material misstatement has been reduced to an acceptable level. **Final Risk Assessment – Low**
R10. Intangible assets Risk of misstatement due to: • VAGO continues to develop a Data Analytics tool, having capitalised ~$0k of costs in the current year. This project continues to incur significant costs, and management is expected to evaluate the costs to determine what can be capitalised.	**Audit work performed included:** Intangible assets were tested through the following audit procedures: • Considered and challenged the key assumptions and estimates applied by management in determining capitalised amounts. • Tested the nature of costs capitalised and assessed whether they complied with AASB 138 *Intangible Assets*. • Considered the basis of control of the underlying asset in the context of guidance on software-as-a-service arrangements. **Conclusion:** Based on the audit procedures performed in respect of intangible assets, no material misstatements were

Audit risk area	Audit response and conclusion
	identified in the capitalisation, valuation or classification of intangible asset balances. We are satisfied that intangible assets are appropriately stated and that the risk of material misstatement has been reduced to an acceptable level. **Final Risk Assessment – Low**
R11. Reliability of the financial report Risk of misstatement due to: • VAGO's financial report is subject to public scrutiny and is expected to set an example for a range of users. It is prepared in order to meet the requirements of the *Financial Management Act 1994*, applicable Australian Accounting Standards and Interpretations, and in particular, AASB 1049 – *Whole Government and General Government Sector Financial Reporting*. • Management is continuing its project to refresh the presentation of the financial report template, whilst maintaining its integrity and adherence with the Australian Accounting Standards and the financial reporting requirements of the *Financial Management Act 1994*. • The preparation of the financial report requires the use of management judgements and accounting estimates. Certain estimates such as provisions are particularly sensitive because of their significance to the financial statements and the possibility that actual future events affecting them may differ significantly from management's current expectations.	**Audit work performed included:** Reliability of the financial report was addressed through the following audit procedures: • Observed the process adopted by VAGO management to ensure the financial report captured transactions completely and accurately, and disclosed transactions and balances in accordance with reporting obligations. • Observed and assessed outputs from changes made to the financial reporting template. • Understood the accounting policies used and evaluated their appropriateness and application. • Challenged management judgements based on evidential matter relating to estimates and assessed their reasonableness in light of known circumstances. • Considered information contained in the Annual Report, other than the audited Financial Report, to assess whether it appeared inconsistent with information subject to audit. **Conclusion:** Based on the audit procedures performed in respect of the reliability of the financial report, no material inconsistencies, disclosure deficiencies or unsupported management judgements were identified. We are satisfied that the financial report has been prepared on an appropriate basis and that the risk of material misstatement has been reduced to an acceptable level. **Final Risk Assessment – Low**
R12. Leases Risk of misstatement due to: • There is a risk that AASB 16 *Leases* is not properly accounted for by VAGO, resulting in lease liabilities and right-of-use assets being materially misstated.	**Audit work performed included:** Leases were tested through the following audit procedures: • Reviewed lease calculations and relevant lease agreements to assess whether recognition or non-recognition of lease liabilities and right-of-use assets was in accordance with AASB 16 *Leases*. **Conclusion:**

Audit risk area	Audit response and conclusion
	Based on the audit procedures performed in respect of leases, no material misstatements were identified in the recognition, measurement or disclosure of lease liabilities and right-of-use assets. We are satisfied that leases have been appropriately accounted for under AASB 16 and that the risk of material misstatement has been reduced to an acceptable level. **Final Risk Assessment – Low**
R13. Review of the Performance Statement Risk of misstatement due to: • VAGO is required to report on the measures used and results of the performance of VAGO through the performance statement. The statement includes the 2025 / 26 performance measures agreed with the Treasurer as set out in the 2025-26 Department Performance Statement. • The Performance Statement requires a review, which is not an audit, to be completed providing a lower level of assurance.	**Audit work performed included:** The Performance Statement was reviewed through the following procedures: • Made enquiries of VAGO personnel responsible for the records, including financial, statistical and other inputs, used to determine and report the key performance indicators of efficiency and effectiveness contained in the Performance Statement. • Performed the following review procedures: ○ Gained an understanding of data sourcing, collation, calculation and application of management judgements; ○ Walked through a sample of data, tracing to supporting documentation including correspondence, tabled reports, surveys and financial information, and assessed consistency with information summarised in the report of performance; ○ Performed analytical procedures to compare reported outcomes with expectations and prior year results; and ○ Checked the extraction of targets from the 2025-26 Department Performance Statement and assessed consistency with information contained in the report of performance. **Conclusion:** Based on the review procedures performed in respect of the Performance Statement, no material matters came to our attention that would indicate the Performance Statement is not prepared in accordance with the applicable requirements. We are satisfied that our review procedures support an unqualified conclusion of negative assurance and that the risk of material misstatement has been reduced to an acceptable level. **Final Risk Assessment – Low**
R14. IT Environment Risk of misstatement due to:	**Audit work performed included:** The IT environment was assessed through the following audit procedures: • We:

Audit risk area	Audit response and conclusion
• Unauthorised access or changes to financial data due to weak IT controls. • Data loss, corruption, or lack of integrity in financial reporting systems. • Reliance on IT systems that may be vulnerable to cyber threats or operational failures. • Inadequate segregation of duties within IT processes leading to potential fraud or error.	○ Obtained an understanding of the IT environment and its role in financial reporting. ○ Identified relevant IT controls that may address risks of material misstatement. ○ Assessed whether relevant IT controls were designed and implemented effectively. ○ Conducted interviews with IT and finance personnel to understand systems and controls. ○ Reviewed IT policies, procedures and system documentation. ○ Performed walkthroughs of key IT processes, including user access, change management, backup and recovery. ○ Evaluated the impact of identified IT risks on the overall audit approach. **Conclusion:** Based on the audit procedures performed in respect of the IT environment, no matters were identified that had a material impact on the financial reporting process or our audit approach. We are satisfied that the assessed IT environment did not give rise to an unaddressed risk of material misstatement in the financial report. **Final Risk Assessment – Low**

6 Assessment of internal controls

We have summarised below internal control deficiencies we have become aware of throughout the audit engagement together with management's comments. None of these issues raised have a bearing on the view of whether the financial report presents a true and fair view.

All issues identified during the course of our fieldwork are categorised and reported in accordance with the categories defined below. The categories are:

Category A	Those matters which pose significant business or financial risk, including financial reporting risk, to the client and should be addressed as a matter of urgency. This assessment is derived from considering the likelihood and consequence of the underlying risk.
Category B	Those matters which pose moderate business or financial risk, including financial reporting risk. This assessment is derived from considering the likelihood and consequence of the underlying risk.
Category C	Those matters which are procedural in nature or minor administrative failings. These could include minor accounting issues or relatively isolated control breakdowns which need to be brought to the attention of management.

Current year recommendations

We are required to report to you any significant deficiencies in internal control identified during the course of the audit.

Our audit work is designed primarily to enable us to express an opinion on the financial report as a whole and cannot be relied upon to reveal all the deficiencies in the systems and internal controls.

We wish to advise that we have not identified any significant control deficiencies at the Victorian Auditor-General's Office.

7 Other reporting requirements

Area	Response
Fraud	Our audit procedures include discussion with management and those charged with governance as to the existence of any known or suspected material fraud. There was no known or suspected material fraud from these discussions. We are not aware of any known or suspected material fraud in relation to the current financial year, nor has it been brought to our attention by management or those charged with governance. We have obtained in writing, representations regarding the existence of fraud, policies, and procedures in place to prevent and detect fraud, noting no instances of fraud of which management are aware.
Errors, irregularities and illegal acts	We have noted no errors or irregularities that would cause the financial report to contain a material misstatement. As part of our normal statutory audit no apparent illegal acts have come to our attention.
Compliance with laws & regulations	We are not aware of any known or suspected non-compliance with laws or regulations applicable to the Victorian Auditor-General's Office that may be material to the financial report. We have also received representations from management confirming that the Victorian Auditor-General's Office is in compliance with all laws and regulations that impact the Victorian Auditor-General's Office.
Appropriateness of accounting policies	We consider that the accounting policies adopted in the financial report are appropriately disclosed. We noted no transactions entered into by the Victorian Auditor-General's Office during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognised in the financial report in a different period than when the transaction occurred.
Management consultation with other independent accountants or experts	If management consulted with other accountants about auditing and accounting matters, we are to inform those charged with governance of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation. To our knowledge, management has not consulted with any experts or accountants.
Going concern	As part of our audit, we have assessed and agreed with the conclusions reached by those charged with governance and management concerning the application of the going concern concept.
Disagreements with management	There have been no significant disagreements with management during the course of the audit.

Area	Response
Management representations	We have requested certain representations from management that are included in the management representation letter.
Independence	We confirm that, as at the date of this report, the Firm and the members of the Audit Team continue to meet the independence requirements of Australian Auditing Standards and Professional and Ethical Standards in relation to the audit of the Victorian Auditor-General's Office.

8 Other matters communicated

We have summarised below other matters we have become aware of throughout the audit engagement together with management's comments. None of these issues raised have a bearing on the view of whether the financial report presents a true and fair view.

All issues identified during the course of our fieldwork are categorised and reported in accordance with the categories defined below. The categories are:

Category A	Those matters which pose significant business or financial risk, including financial reporting risk, to the client and should be addressed as a matter of urgency. This assessment is derived from considering the likelihood and consequence of the underlying risk.
Category B	Those matters which pose moderate business or financial risk, including financial reporting risk. This assessment is derived from considering the likelihood and consequence of the underlying risk.
Category C	Those matters which are procedural in nature or minor administrative failings. These could include minor accounting issues or relatively isolated control breakdowns which need to be brought to the attention of management.

We would like to draw your attention to our findings in relation to other matters, as follows:

Finding #1 – Excessive staff annual leave (Category C)

During our audit of the provision for employee leave entitlements, we noted that 14 staff had excessive annual leave hours accrued greater than 304 hours as at 30 June 2025. It is our understanding that management monitored the leave balances and plans were put in place during the year for employees to use their annual leave hours on a timely basis. As a result, we note that the number of employees with excessive annual leave accrued greater than 304 hours reduced to 10 employees as at 30 June 2026.

For noting, as at 30 June 2026, 76 staff had annual leave balances exceeding 152 hours.

Based on our understanding, as part of its monitoring, VAGO requests managers and affected employees to develop leave plans. VAGO is currently collating data on the number of affected employees with documented leave plans.

Implication

Excessive annual leave is considered as an audit or fraud "red flag". It also has a negative effect on the net asset position of the Victorian Auditor-General's Office due to the significance of the liability and can be an employee health and welfare issue. This liability will increase over time in line with rises in employee wage rates.

Action

We understand that there is a formal policy in place whereby employees are recommended to maintain their annual leave below 304 hours and the Victorian Auditor-General's Office has a monitoring process and plan in place for employees to use their annual leave hours on a timely basis.

Management comment

The Chief People Officer (CPO) reports on staff with excessive annual leave (>8 weeks) to the Operational Management Group (OMG) monthly. Additionally, any excessive timecards submitted by employees (>45 hours per week) are reported live for business unit heads, executives and managers to view and follow up if required (i.e. employee health and welfare). Business unit heads, executives and managers will manage excessive leave with their staff, with the support of Human Resources.

9 Outstanding matters

There are no outstanding matters to report.

10 Details of meetings with the Auditor-General and VAGO and auditing issues dealt with

During the course of our audit we met on a regular basis with VAGO and VAGO's Audit and Risk Committee (ARC) to discuss, clarify and resolve audit issues and findings. Significant auditing issues and findings dealt with have been documented in this external financial audit completion report.

Additionally, as part of the audit close process, this external financial audit completion report was tabled (in person Audit and Risk Committee (ARC) Meeting, held 17 August 2026 and Andrew Wehrens presented the findings contained in our external financial audit completion report. We note the matters and findings, on pages 20-21 of our external financial audit completion report, including excessive leave, were discussed in detail during this meeting and adequately addressed. Other than the matters covered in this external financial audit completion report, there were no other auditing issues requiring meetings with the Auditor-General and VAGO.

11 Review of the Performance Statement

The Victorian Auditor-General's Office is required to report on the measures used and results of the performance of the Victorian Auditor-General's Office through the performance statement. The statement includes the 2025-26 performance measures agreed with the Treasurer as set out in the 2025-26 Department Performance Statement.

Our review of the Performance Statement has primarily consisted of making enquiries of those Victorian Auditor-General's Office 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.

We have:

- Gained an understanding of data sourcing, collation, calculation and application of any management 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 2025-26 Department Performance Statement, ensuring consistency with the information contained in the report of performance.

We are satisfied that our review of the information presented in the draft Performance Statement will enable us to prepare an unqualified conclusion of negative assurance.