

Appendix A: Submissions and comments

We have consulted with agencies named in this report, and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Responses received

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Treasurer of Victoria	A-2
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Department of Jobs, Skills, Industry and Regions	A-6
Department of Justice and Community Safety	A-7
VicTrack	A-9



Treasurer of Victoria

Minister for Industrial Relations
Minister for Economic Growth

1 Treasury Place
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D24/245226

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office (VAGO)



Dear Mr Greaves,

RESPONSE TO THE AUDITOR-GENERAL'S REPORT ON THE ANNUAL FINANCIAL REPORT OF THE STATE OF VICTORIA, 2023-24

Thank you for your letter on 31 October 2024, seeking my response to your report on the Annual Financial Report (AFR) of the State of Victoria: 2023-24 (the report) before its finalisation and transmission to Parliament.

The report confirms the issuance of a clear audit opinion on the financial statements of the State of Victoria and the General Government Sector (GGS) for the financial year ended 30 June 2024, providing reasonable assurance that the financial performance and position of the State of Victoria and the GGS as presented in the AFR is reliable.

This means Parliament and the Victorian community can depend on the information presented within the AFR to enhance their understanding of the state's financial outcomes and to promote informed decision-making.

The report highlights a significant improvement in the timing of completing and signing-off financial reports this year, with the median time for material entities to certify financial reports largely returning to pre-pandemic timelines over the past two years.

The report further provides an independent audit assessment of the financial outcomes and fiscal aggregates of the GGS for the year ended 30 June 2024. As the report notes, the State's fiscal strategy is underpinned by five steps:

- Step 1: Creating jobs, reducing unemployment and restoring economic growth.
- Step 2: Returning to an operating cash surplus.
- Step 3: Returning to operating surpluses.
- Step 4: Stabilising debt levels.
- Step 5: Reducing net debt as a proportion of the Gross State Product (GSP) by the end of the forward estimate period.

This is a balanced approach, ensuring the Government carefully navigates through the economic challenges facing the State. The recent 2024-25 Budget demonstrated that this strategy is working, with the economy performing well and the labour market strong.



Response provided by the Treasurer of Victoria – continued

The report acknowledges the Government's achievement of step two by delivering an operating cash surplus in two consecutive years and notes that longer term fiscal sustainability requires close attention and management.

The report makes several recommendations to the Department of Treasury and Finance (DTF), with responses outlined in the table below:

Recommendation	Response
<i>This year's recommendation</i>	
<p>1. Work with the government to:</p> <ul style="list-style-type: none"> • better articulate its longer-term financial plan that prioritises the management of existing and emerging financial risks • use this long-term plan as a framework to anchor government decision-making in the allocation of public resources, to emphasise alignment with financial and economic strategies • transparently report this plan and ongoing progress against the plan to Parliament and the public, . <p>2 Enhance their public reporting to demonstrate progress against savings initiatives and efficiency dividends outlined in the state Budgets, and the realisation of their benefits.</p>	<p>Noted</p> <p>The five-step fiscal strategy provides a clear anchor for the State's long-term financial plan. DTF continues to work to further strengthen financial performance, accountability and transparency across Government.</p>
<i>Follow-up on prior-year recommendations</i>	
<p>1. Consider why quality issues with information provided by material entities arise and determine whether further training and guidance are required</p>	<p>Agreed</p> <p>DTF continues to place considerable effort into providing training and guidance to material entities and the broader public sector, including the provision of technical accounting training and the creation of various system tools and guidance material prior to the provision of information for the Annual Financial Report (AFR). DTF continues to look for further opportunities to provide training and guidance and has recently surveyed public sector entities to capture any feedback on further guidance and support which could be provided for the 2024-25 AFR.</p>



Response provided by the Treasurer of Victoria – continued

2. Work with the government to set specific targets and precise timing of achieving its key financial measures and targets of net debt to gross state product and interest expense to revenue.	Noted The five-step fiscal strategy provides a clear anchor for the State's long-term financial plan. DTF continues to work to strengthen financial performance, accountability and transparency across Government.
3. Work with the government to outline its debt management strategy including when and how the state will be able to start to pay down the debt that it has and plans to accumulate.	DTF continues to provide input for government deliberations and decision-making when setting fiscal strategy, budgets and financial targets.

Finally, I wish to thank you again for the opportunity to comment on the report.

Yours sincerely



Tim Pallas MP
Treasurer
Date: 18/11/2024



Response provided by the Secretary, Department of Premier and Cabinet



Department of Premier and Cabinet

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Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
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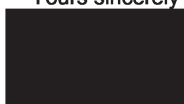
Dear Auditor-General

Thank you for inviting my comment regarding the recommendation to my department for the Proposed report *Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2023-24*.

The Department of Premier and Cabinet (DPC) accepts the report's recommendation to "undertake a post implementation review of the 2022 machinery-of-government change" as a joint responsibility of DPC and the Department of Treasury and Finance (DTF). My department will work with DTF on this review given their accountability for resource allocations to deliver the policy intent of machinery of government decisions, and its responsibility for the production and upkeep of the *Victorian public sector operating manual on machinery of government changes October 2016*. This work will be progressed during 2025.

I thank the Victorian Auditor-General's Office for their professionalism and collaborative approach to auditing my department's financial performance in accordance with the *Financial Management Act 1994*. This assists the community and Parliament to have confidence in agencies' financial management, and that the information provided to Parliament and the public about the management of finances and resources is clear, accurate and readily understandable.

Yours sincerely



Jeremi Moule
Secretary

..15../.11./2024

Your details will be dealt with in accordance with the *Public Records Act 1973* and the *Privacy and Data Protection Act 2014*. Should you have any queries or wish to gain access to your personal information held by this department please contact our Privacy Officer at the above address.



OFFICIAL



Department of Jobs, Skills, Industry and Regions

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Ref: CSEC-2-24-25504

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VICTORIA 3000

Dear Mr Greaves

**PROPOSED REPORT – AUDITOR-GENERAL'S REPORT ON THE ANNUAL
FINANCIAL REPORT OF THE STATE OF VICTORIA 2023-24**

Thank you for your letter of 31 October 2024 inviting the Department of Jobs, Skills, Industry and Regions (the department) to provide a response to an extract of the Proposed report Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2023–24 (the report).

The department acknowledges the progress as outlined in the report, and notes that it has progressed the previously stated recommendation.

Thank you for the opportunity to comment on the extract of the proposed report.

Yours sincerely



Tim Ada
Secretary

14/11/2024



Response provided by the Secretary, Department of Justice and Community Safety



Department of Justice and Community Safety

Secretary

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Our ref: 24111066

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Via email: [REDACTED]

Dear Mr Greaves

Thank you for your letter dated 31 October 2024 regarding your proposed *Report on the Annual Financial Report of the State of Victoria: 2023-24* (Report), and the invitation to provide a formal response.

I note that your proposed Report references the Department of Justice and Community Safety's (the department) reporting relating to distracted driver and seatbelt traffic offence fines introduced in 2023-24.

The department supports the need for good governance and management over all its systems and processes along with the work completed by VAGO in its financial audit to continuously improve governance and management mechanisms.

The department acknowledges the financial audit outcomes, noting that the issues identified have no impact on the legitimate distracted driver and seatbelt infringements approved and issued by Victoria Police throughout 2023-24.

In response to the financial audit outcomes, significant work is underway. The department has put in place measures to ensure annual assurance over the service provider is provided to the department and that they maintain appropriate controls over their systems. The department has also commenced work to implement stronger controls that will be reviewed as part of the 2024-25 financial audit and will ensure these controls continue to operate in compliance with privacy obligations.

As part of the 2023-24 financial audit, the department worked closely with VAGO to address these issues, and I thank your office for its ongoing commitment. The department looks forward to working in collaboration with your office to implement future improvements.



Response provided by the Secretary, Department of Justice and Community Safety – *continued*

Thank you again for the opportunity to comment on your report.

Yours sincerely



Kate Houghton PSM
Secretary

13/11/2024

cc: 



Response provided by the Chief Executive, VicTrack

Our Ref: D/24/61159
7 November 2024

[REDACTED]
Director - Financial Audit
VAGO
Level 31/35 Collins Street
Melbourne VIC
3000

Dear Mr Kumara,

Re: Auditor-General's Report on the 2023-24 Annual Financial Report of the State of Victoria.

Thank you for the opportunity for Victorian Rail Track (VicTrack) to provide comments to the Auditor-General's Report on the 2023-24 Annual Financial Report of the State of Victoria.

VicTrack continues to have a difference of opinion with the Victorian Auditor General's Office (VAGO) on the classification of its operating leases, which resulted in the adverse qualification first issued in 2019-20 for VicTrack and its consolidated entities.

VicTrack's position as lessor in relation to these leases as part of the 2023-24 financial statements has been informed by refreshed professional accounting advice and remains unchanged since the initial qualification.

There has been no contractual change in the franchise arrangements at the signing date that allows VicTrack to change this historical classification under the accounting standards.

We note that VicTrack's treatment as lessor is not connected to the position adopted by the Department of Transport and Planning (DTP) as lessee, as the adoption of the new Lease accounting standard treats lessor and lessee's differently.

Yours sincerely

[REDACTED]
Chris Olds
Chief Executive

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VicTrack