

7.

Our financial management

Our primary financial objective is to provide cost-effective and value-adding audit and assurance services to Parliament and our public sector fee-paying clients.

The nature and scope of our business has been consistent over time.

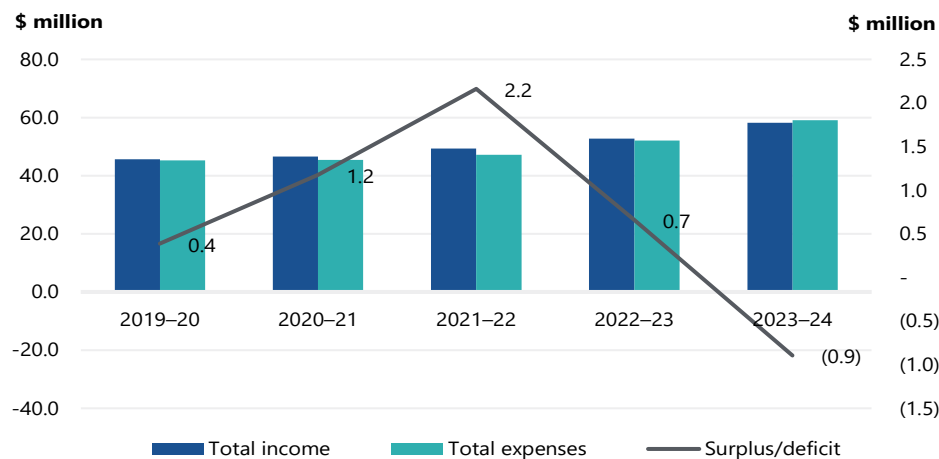
This year's financial results continue to reflect our focus on organisational transformation and improvement activities.

7.1 Financial year in review

This year we incurred a planned operating deficit of \$900,000, which represents an operating ratio of -1.5 per cent of revenue. This was a \$1.6 million turnaround from last year's \$687,000 surplus, and is the first deficit we have incurred since 2016–17.

The deficit arose predominantly because we increased our workforce to deliver our audit programs, and continued to invest in a number of significant transformational projects, such our new cloud-based financial audit toolset, and our in-house audit analytics tool, Empower.

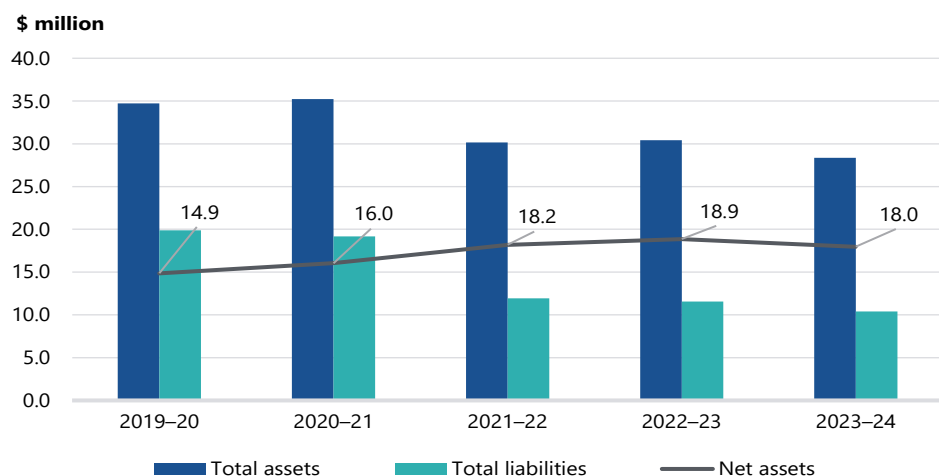
FIGURE 7A: Five-year financial performance to 30 June 2024



Source: VAGO.

At year end we held net assets of \$18.0 million (30 June 2023: \$18.9 million).

FIGURE 7B: Five-year financial position to 30 June 2024



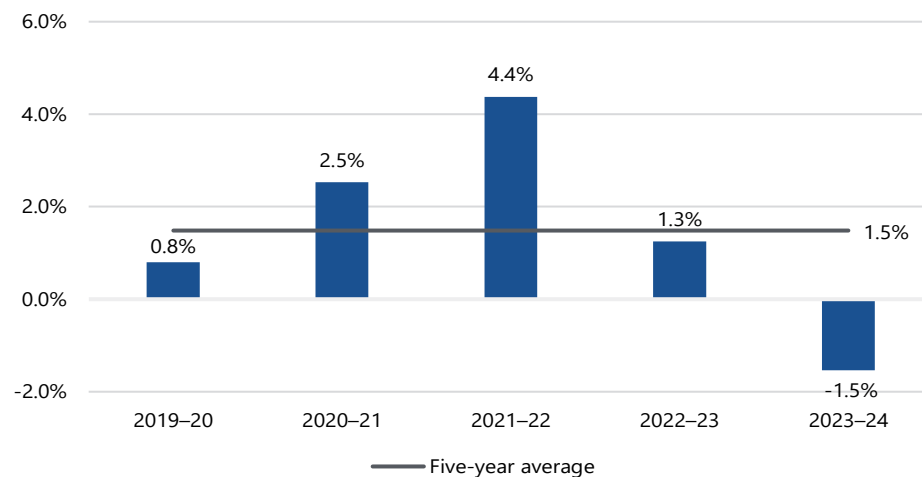
Source: VAGO.

Surplus/deficit

With the exception this year, we have maintained a positive operating margin over the past 5 years at an average of 1.5 per cent of income.

Our medium-term financial aim is to **break even**, noting deficits may arise due to the timing of our organisational transformation activities.

FIGURE 7C: **Operating result as a percentage of total income**



Source: VAGO.

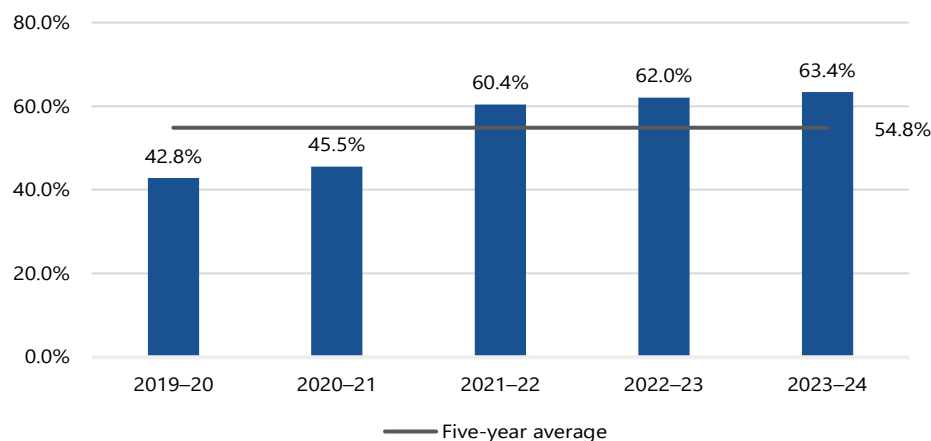
Net assets

Our stable financial position is driven by our strong historical surpluses arising from sound fiscal management. Additionally, as we do not utilise debt as a funding source, we anticipate a sufficient net asset base to fund our operations over the forward estimates period.

Net assets as a percentage of total calculates the percent of total assets that an entity owns outright, clear from debt obligations.

A higher (or lower) ratio indicates that less (or more) of the entity's assets are funded with debt and therefore is a lower (or higher) financial risk.

FIGURE 7D: **Net assets as a percentage of total assets**



Source: VAGO.

7.2 Financial performance

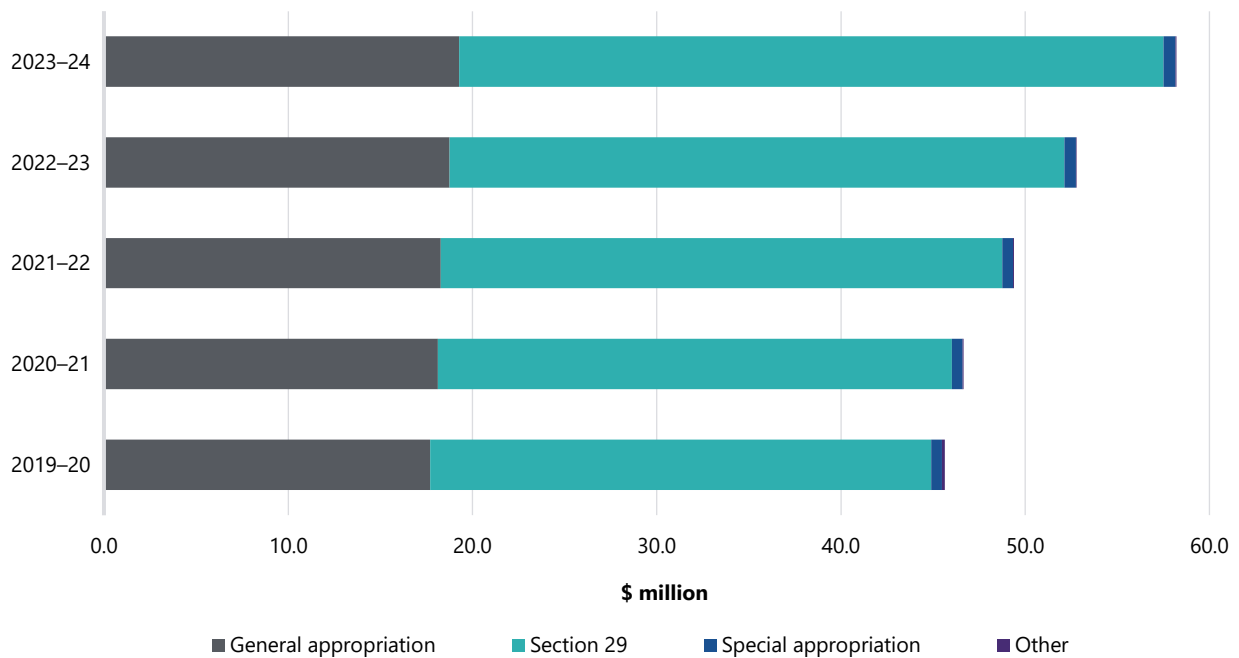
Income

Our total income has steadily increased over the past 5 years to \$58.2 million in 2023–24 (2022–23: \$52.8 million), reflective of indexation of our general appropriation and financial audit engagement fees (which forms our section 29 income), and the timing of delivery of our annual audit program.

We also rebase our financial audit engagement fees where there is additional audit effort or costs required to complete the audit (e.g. Machinery of Government changes, accounting challenges, or passing on increases in our contracted audit services costs).

VAGO is funded through Parliamentary appropriations and *Financial Management Act 1994* section 29 income.

FIGURE 7E: **Income from transactions**



Source: VAGO.

Expenses

The majority of our expenses consist of employees and contractors for our Parliamentary Reports and Services (PRS) and Financial Audit (FA) program, and contracted audit service providers whom we engage to assist in completing our annual financial and performance statement audits and other assurance engagements.

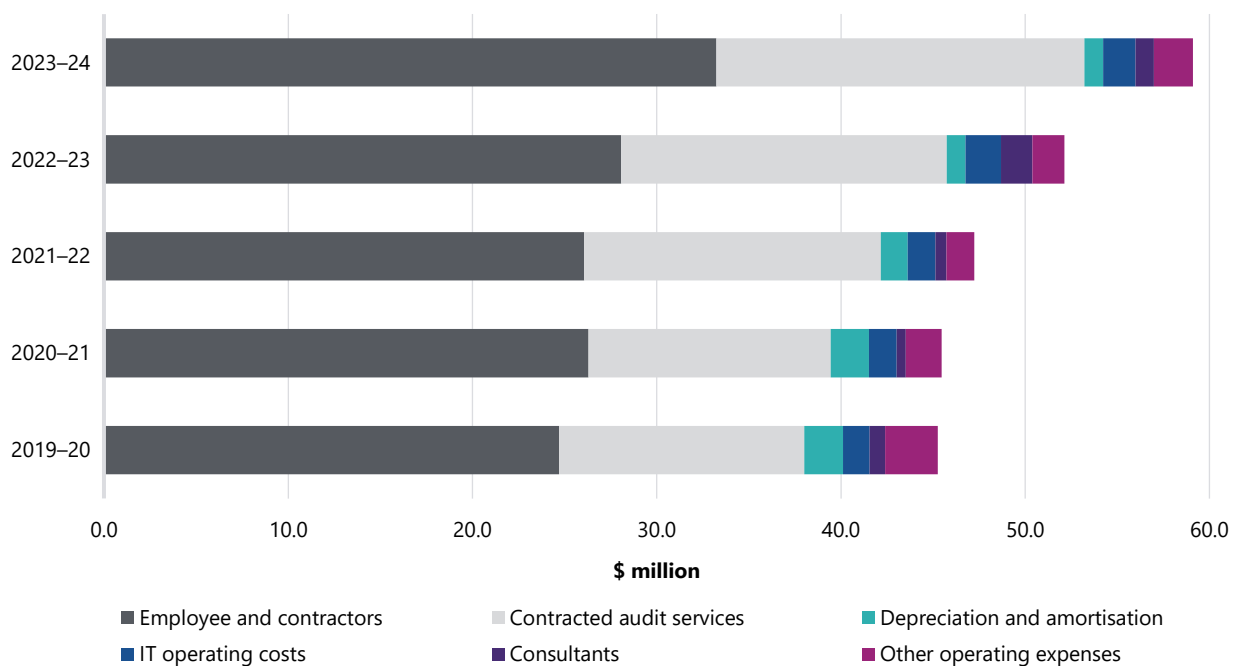
Our employee and contractor cost of \$33.2 million (2022–23: \$28.1 million) has largely been driven by:

- increases in our production workforce for both the PRS and FA business units, resulting in a corresponding increase in output:
 - PRS tabled 16 reasonable assurance audits and 6 limited assurance reviews in 2023–24 (compared to 14 and 5 in 2022–23 respectively)
 - FA increased their audit effort to complete their 2024 audit program in 2023–24, where they delivered 109,000 production hours (compared to 96,700 production hours in 2022–23).
- increases to entitlements per the *Victorian Public Service Enterprise Agreement 2020*, effective 1 December 2023
- ongoing investment in our non-production workforce to deliver our organisational transformation and improvement projects – predominantly relating to our new cloud-based financial audit toolset, and our in-house audit analytics tool, Empower.

Our expenditure for contracted audit services of \$20.0 million (2022–23: \$17.7 million) has been significantly impacted by:

- increase in audit effort by our audit service providers (ASP) to complete the 2024 audit program, and the timing of completion of work carried out up to 30 June 2024
- annual indexation of fees charged by our ASPs.

FIGURE 7F: **Expenses from transactions**



Source: VAGO.

Information and communications technology (ICT) expenditure

In 2023–24, we incurred ICT expenditure (including employee and contractor costs, and depreciation) to provide business-enabling ICT services of \$2.8 million (2022–23: \$3.4 million).

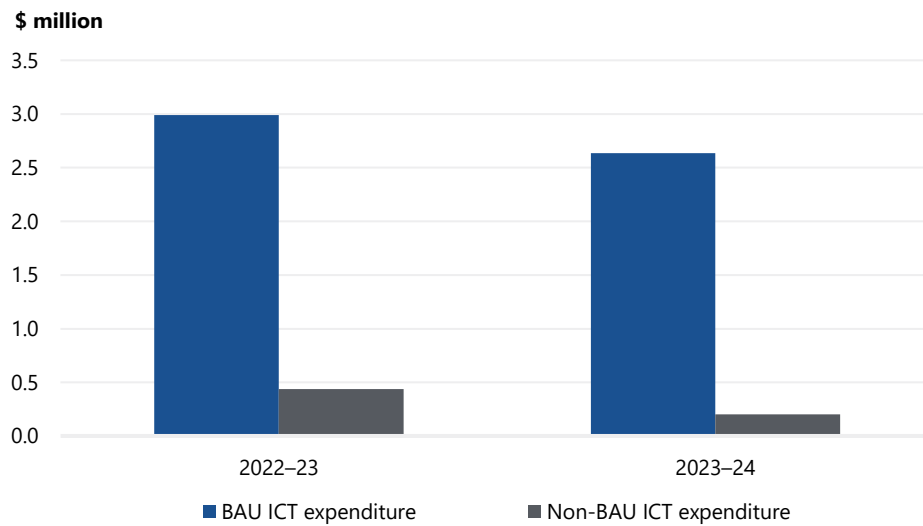
The reduction in ICT expenditure reflects:

- cost optimisation review undertaken over our data consumption costs which resulted in \$0.3 million cost saving per year
- reduction in consultants utilised for our in-house audit analytics tool, Empower
- prior year costs associated with implementing Single Touch Payroll (STP) Phase 2, which was not incurred in 2023–24.

Business as usual (BAU) ICT expenditure relates to ongoing activities to operate and maintain existing ICT.

Non-BAU ICT expenditure relates to extending or enhancing our current ICT capabilities.

FIGURE 7G: ICT expenditure



Source: VAGO.

7.3 Financial position

Balance sheet

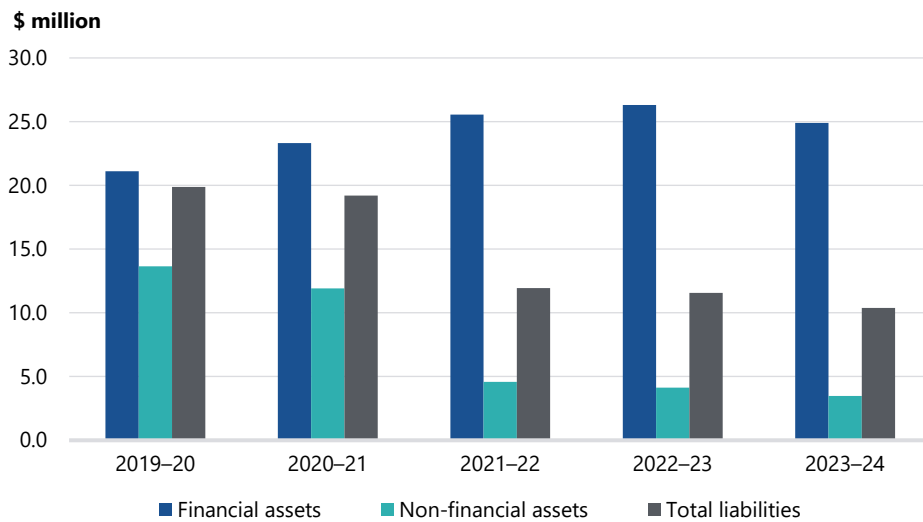
Our total financial assets balance of \$24.9 million (2022–23: \$26.3 million) decreased due to the decrease in the State Administration Unit receivable balance – directly as a result of this year’s deficit.

The total liabilities balance of \$10.4 million (2022–23: \$11.6 million) was also impacted by the payables balance at 30 June 2024, which is dependent on the timing of audit service providers completing their audit deliverables, as well as other accruals.

The State Administration Unit (SAU) serves 2 primary functions: (a) as a mechanism for recording transaction flows and balances within the Public Account; and (b) a means of capturing certain relationships and balances between the Government (with DTF as the ‘corporate head office’) and Departments.

Our SAU balance is made up of our accumulated surpluses, payables, movements in provisions and accumulated depreciation and amortisation net of asset acquisition.

FIGURE 7H: **Assets and liabilities movement**



Source: VAGO.

7.4 Cash flows

Cash flow statement

As part of our government banking arrangement, receipts and payments transacted in our bank accounts are transferred to and from the State government.

FIGURE 7I: **Cash Flow Statement**

	2023-24 (\$ thousand)	2022-23 (\$ thousand)	Movement from 2022-23 to 2023-24 (\$ thousand)	Percentage change from 2022-23 to 2023-24
Net cash flows from/(used in) operating activities	816	1,002	(186)	(18.5)
Net cash flows from/(used in) investing activities	(271)	(526)	255	(48.5)
Net cash flows from/(used in) financing activities	(545)	(476)	(69)	14.5
Net increase/(decrease) in cash held	-	-	-	-
Cash at the beginning of the financial year	-	-	-	-
Cash at the end of the financial year	-	-	-	-

7.5 Other financial matters

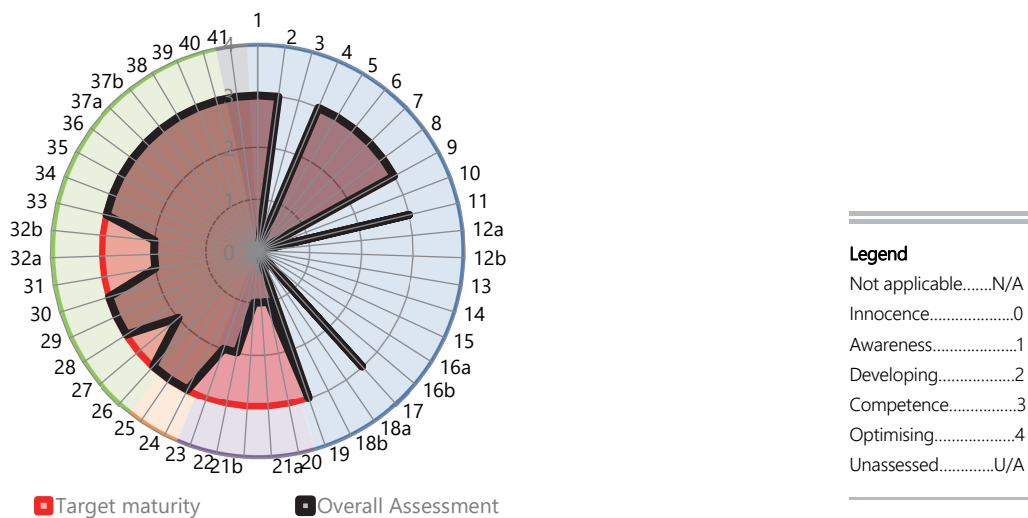
Asset Management Accountability Framework (AMAF) maturity assessment

The following section summarises our assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF).

We have assessed our target maturity rating as 'competence', meaning systems and processes are fully in place, consistently applied and systematically meeting the AMAF requirements, including a continuous improvement process to expand system performance above AMAF minimum requirements.

The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements, published at www.dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework.

FIGURE 7J: **AMAF maturity assessment**



Source: VAGO.

FIGURE 7K: **AMAF maturity outcome**

AMAF mandatory requirements Outcome assessment

AMAF mandatory requirements	Outcome assessment
Leadership and Accountability (requirements 1–19)	We have met our target maturity level under the requirements within this category, where applicable.
Planning (requirements 20–23)	There is no material non-compliance reported in this category. We did not need to comply with the requirement for developing an asset management strategy as we did not assess any of our assets as critical (i.e. any failures would not result in the incapability to deliver important services).
Acquisition (requirements 24 and 25)	We have met our target maturity level under the requirements within this category.
Operation (requirements 26–40)	There is no material non-compliance reported in this category. Given we have not assessed any of our assets as critical, we have not established a process to identify potential asset performance failures, or a formal asset maintenance program.
Disposal (requirement 41)	We have met our target maturity level under the requirements within this category.

Local Jobs First

Under section 3 of the *Financial Management Act 1994*, we are required to apply the Local Jobs First policy in all projects valued at \$3 million or more in Metropolitan Melbourne or for state-wide projects, or \$1 million or more for projects in regional Victoria, and for strategic projects with a budget of \$50 million or more.

Local Jobs First Strategic

We have one Local Jobs First Strategic Project in progress, which commenced in 2020–21, valued in excess of the \$50 million threshold, to refresh our Financial Audit Services Panel. The project is based in metropolitan Melbourne representing 97 per cent of estimated local content, as advised by the Minister for Industry Support and Recovery.

In 2023–24, the outcomes reported from the implementation of the policy where information was provided was an average of at least 97 per cent of local content.

All projects valued at \$50 million or above are automatically classified as **Strategic Projects**, or as declared by the Minister for Industry Support and Recovery.

Performance audit consultants

In 2023–24, we paid \$121,900 to 7 consultants for performance audit related services (2022–23: \$171,600 to 5 consultants).

FIGURE 7L: **Payments to performance audit consultants**

Performance audit consultants	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Alex Dordevic	32	-
Cube Group	11	-
Frontier Economics Pty Ltd	-	79
Jeneva Pty Ltd	-	59
Hof Consulting	34	-
Tundra Interactive Pty Ltd	26	23
Villamanta Disability Rights Legal Service Inc	11	-
Other – 2 (2022–23: 2)	8	11
Total	122	172

Financial audit contracted audit services

In 2023–24, we paid \$19.9 million to 16 audit firms and consultants that provided financial and performance statement audit related services (2022–23: \$16.9 million to 18 audit firms and consultants).

FIGURE 7M: **Payments to financial audit contracted audit service providers**

Audit service provider (ASP) and consultants	2023–24 (\$ thousand)	2022–23 (\$ thousand)
ASP panel members		
BDO Services Pty Ltd	578	410
Crowe Audit Australia	1,840	2,083
Crowe Horwath Albury	1,027	796
Crowe Horwath Vic	677	819
Ernst & Young	2,059	1,594
HLB Mann Judd (VIC Partnership)	3,482	2,818
Johnsons MME	373	344
KPMG	787	476
RSD Audit	3,608	3,277
RSM Australia Pty Ltd	3,917	3,413
Consultants		
AFS & Associates Pty Ltd	-	12
Bateup Actuarial & Consulting Services Pty Ltd	20	-
Cumpston Sarjeant Pty Ltd	13	20
Frontier Economics Pty Ltd	126	95
Pitcher Partners Corporate Pty Ltd	46	45
Protiviti Pty Ltd	1,301	678
The Heron Partnership Pty Ltd	20	24
Other – 0 (2022–23: 2)	-	2
Total	19,874	16,906

Other consultancies

In 2023–24, we engaged 10 consultants with a total fee payable greater than \$10,000 (excluding GST) (2022–23: 19 consultants).

We did not engage any consultants where the total fee payable was less than \$10,000 (excluding GST) (2022–23: 4 consultants totalling \$20,400).

FIGURE 7N: **Consultancies – payments in excess of \$10,000 (excluding GST)**

Consultant	Purpose of consultancy	Start date	End date	Approved project fee (\$ thousand)	Expenditure 2023–24 (\$ thousand)	Future expenditure (\$ thousand)
Office of the Auditor-General						
ContentSmith Group Pty Ltd	Digital marketing services	22-Aug-23	22-Aug-23	61	61	-
Orima Research Pty Ltd	Client survey program	28-Nov-23	23-Jan-24	84	42	42
Orima Research Pty Ltd	Client survey program	19-Sept-22	30 Sep-23	116	47	-
SEC Newgate Australia	Strategic communication support	1-Dec-23	2-Apr-24	47	47	-
Financial Audit						
BDO Services Pty Ltd	Technical advisory services	1-May-23	1-Apr-24	36	35	1
Cube Group	Management consulting	19-Jun-23	31-Jul-23	45	45	-
PricewaterhouseCoopers Consulting (Australia) Pty Ltd	Enhancing FA Capability	14-Nov-22	31-May-23	724	25	-
Shane Garner Consulting	Executive consulting	9-Jun-23	31-Jul-23	16	16	-
Corporate						
ContentSmith Group Pty Ltd	Digital marketing services	15-Dec-23	30-Jun-24	160	128	32
CXC Corporate Services Pty Ltd	Executive consulting	28-Aug-23	26-Nov-23	149	109	-
Future Leadership Pty Ltd	Executive consulting	8-Nov-23	3-Dec-23	50	50	-
Indigenous Cultural Connections	Reconciliation Action Plan	1-Nov-22	31-Oct-24	41	8	25

Review expenditure

In 2023–24, there were 8 reviews undertaken with the total cost of \$243,900 (excluding GST). Details of reviews have been combined and outlined below.

Review	Purpose of review	Scope	Anticipated outcomes	Estimated cost 2023–24 (\$ thousand)	Final cost if completed (\$ thousand)	Publicly available
Quality assurance review	To undertake engagement quality assurance reviews	Evaluate compliance with the <i>Audit Act 1994</i> and other mandatory requirements	External/peer reviews finding no material departures from professional and regulatory standards	133	150	No

Review	Purpose of review	Scope	Anticipated outcomes	Estimated cost 2023–24 (\$ thousand)	Final cost if completed (\$ thousand)	Publicly available
IT security environment review	To harden user access to Azure Resources, Azure Resource Groups, Azure DevOps Projects, Power BI Workspaces, and other environments that host and support our in-house audit analytics tool, Empower	Perform a security review of: <ul style="list-style-type: none"> VAGO's Azure Environment that support Empower VAGO's Azure DevOps environment within VAGO's Azure tenancy Security configuration of 'Specialised Access Workstations' 	Implement recommendations arising from IT security environment review	36	36	No
IT security review	To determine the appropriateness of IT security over 5 VAGO ASPs and VAGO itself	Perform a security audit on 5 VAGO ASPs and VAGO itself, and conclude on a grading for each	A grading (Inconclusive, Not Implemented, Partially Implemented, Implemented) for 5 VAGO ASPs and VAGO itself	15	18	No
Executive remuneration review	To undertake executive remuneration benchmarking	Perform executive remuneration benchmarking to market data	Report of findings and insights on market and current executive remuneration data	60	60	No

Whole-of-government financial statements

Figure 10 is a comprehensive operating statement for the parliament portfolio that provides a comparison between our actual financial statements and the budgeted financial information as published in the *Statement of Finances 2023–24: Budget Paper No.5*. The financial data has been prepared on a consolidated basis and includes all general government sector entities within the portfolio. Financial transactions and balances are classified into either controlled or administered categories, in the context of the published statements in Budget Paper No.5.

Figure 10 is not subject to audit and is prepared on the same basis as Budget Paper No.5. Budget figures are as published in Budget Paper No.5 (shown in \$ millions).

FIGURE 70: Comprehensive operating statement for parliament (including VAGO) for the financial year ended 30 June 2024

	Budget		Parliament (including VAGO) (\$ thousand)	Actual ⁽ⁱ⁾ VAGO (\$ thousand)	Variance ⁽ⁱⁱ⁾ VAGO (\$ thousand)
	Parliament (excluding VAGO) (\$ thousand)	VAGO (\$ thousand)			
Income from transactions					
Output appropriations	260,459	50,724	311,183	57,506	6,782
Special appropriations	52,237	647	52,884	647	-

	<i>Budget</i>		<i>Actual⁽ⁱ⁾</i>		<i>Variance⁽ⁱⁱ⁾</i>
	Parliament (excluding VAGO) (\$ thousand)	VAGO (\$ thousand)	Parliament (including VAGO) (\$ thousand)	VAGO (\$ thousand)	VAGO (\$ thousand)
Sale of goods and services (including other income)	-	-	-	5	5
Fair value of services received free of charge or for nominal consideration	-	42	42	46	4
Total income from transactions	312,696	51,413	364,109	58,204	6,791
Expenses from transactions					
Employee benefits	207,033	28,668	235,701	33,236	(4,568)
Depreciation	40,521	991	41,512	1,012	(21)
Interest expense	2,090	50	2,140	47	3
Other operating expenses	64,791	21,704	86,495	24,809	(3,105)
Total expenses from transactions	314,435	51,413	365,848	59,104	(7,691)
Net result from transactions (net operating balance)	(1,739)	-	(1,739)	(900)	(900)
Other economic flows – other comprehensive income					
Other	-	-	-	6	6
Total other economic flows – other comprehensive income	-	-	-	6	6
Comprehensive result	(1,739)	-	(1,739)	(894)	(894)

Note:

(i) This funding has been fully spent/applied in the current financial year.

(ii) The variance from the budgeted output appropriations in 2023–24 was due to the variability in financial audit fees charged based on completion of performance obligations, and retained as per the section 29 agreement.

7.6 Financial statements

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7.6.1 Notes to the financial statements

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1.1 Basis of preparation and compliance	2.1 Summary of compliance with annual parliamentary and special appropriations	3.1 Employees and contractors	4.1 Property plant and equipment
	2.2. Disaggregated financial information	3.2 Contracted audit services	4.2 Other non-financial assets
		3.3 Other operating expenses	4.3 Fair value determination
			4.4 Right-of-use assets and lease liabilities
5. Other assets and liabilities	6. How we financed our operations	7. Risks and valuation judgements	8. Other disclosures
5.1 Receivables	6.1 Cash flow information	7.1 Financial instruments	8.1 Responsible persons
5.2 Payables	6.2 Commitments for expenditure		8.2 Remuneration of executives
			8.3 Related parties
			8.4 Remuneration of auditors
			8.5 Subsequent events
			8.6 Australian Accounting Standards issued but not yet effective
			8.7 Glossary of technical terms
			8.8 Style conventions

Declaration in the financial statements

The attached financial statements for the Victorian Auditor-General's Office have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2024 and financial position of the Victorian Auditor-General's Office at 30 June 2024.

At the time of signing, we are not aware of any circumstance that would render any particulars included in the financial statements to be misleading or inaccurate.

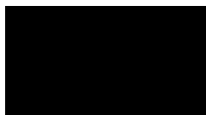
We authorise the attached financial statements for issue on 3 September 2024.



Dave Barry

Deputy of the Auditor-General
Victorian Auditor-General's Office

Melbourne
3 September 2024



Anh Ha

Chief Financial Officer
Victorian Auditor-General's Office

Melbourne
3 September 2024

Independent Auditor's Opinion



PKF Melbourne Audit & Assurance
Pty Ltd ABN 75 600 749 184
Level 15, 500 Bourke Street
Melbourne, Victoria 3000

T: +61 3 9679 2222
F: +61 3 9679 2288
info@pkf.com.au
pkf.com.au

Independent Auditor's Report to the Victorian Auditor-General's Office

Opinion

We have audited the accompanying financial statements of the Victorian Auditor-General's Office (the Entity), which comprise the Balance Sheet as at 30 June 2024, the Comprehensive Operating Statement, Cash Flow Statement, and Statement of Changes in Equity for the year then ended, notes to the financial statements, including material accounting policy information, and the declaration in the financial statements.

In our opinion the financial statements present fairly, in all material respects, the financial position of the Victorian Auditor-General's Office as at 30 June 2024 and of its financial performance for the year then ended in accordance with Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements, and the financial reporting requirements of the *Financial Management Act 1994*.

Basis for opinion

We conducted our audit in compliance with the *Audit Act 1994*, and accordingly in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The Auditor-General is responsible for the other information. The other information comprises the information included in the Victorian Auditor-General's Office's annual report for the year ended 30 June 2024 but does not include the financial statements and our auditor's report thereon, nor the performance statement and our review report thereon.

Our opinion on the financial statements does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Auditor-General's Responsibility for the Financial Statements

The Auditor-General is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Auditor-General determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Auditor-General is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate the Entity or to cease operations, or there is no realistic alternative but to do so.

PKF Melbourne Audit & Assurance Pty Ltd is a member of PKF Global, the network of member firms of PKF International Limited, each of which is a separately owned legal entity and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s). Liability limited by a scheme approved under Professional Standards Legislation.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the *Audit Act 1994* and Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Auditor-General.
- Conclude on the appropriateness of the Auditor-General's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Auditor-General regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Auditor-General with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



PKF
Melbourne, 3 September 2024



Kenneth Weldin
Partner

Comprehensive Operating Statement for the financial year ended 30 June 2024⁽ⁱ⁾

	Note	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Income from transactions			
Output appropriations	2.1	57,506	52,125
Special appropriations	2.1	647	616
Sale of services and other income		51	47
Total income from transactions		58,204	52,788
Expenses from transactions			
Employees and contractors	3.1.1	33,236	28,067
Contracted audit services	3.2	19,985	17,675
Other operating expenses	3.3	5,883	6,359
Total expenses from transactions		59,104	52,101
Net result from transactions (net operating balance)		(900)	687
Other economic flows included in net result			
Net gain/(loss) on non-financial assets ⁽ⁱⁱ⁾	6.1.1	-	(15)
Other gains/(losses) from other economic flows		6	(12)
Total other economic flows included in net result		6	(27)
Net result		(894)	660
Comprehensive result		(894)	660

The accompanying notes form part of these financial statements.

Note:

(i) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

(ii) 'Net gain/(loss) on non-financial assets' includes unrealised and realised gains/(losses) from disposals of all non-financial assets.

Balance Sheet as at 30 June 2024⁽ⁱ⁾

	Note	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Assets			
Financial assets			
Cash	6.1	-	-
Receivables	5.1	24,894	26,301
Total financial assets		24,894	26,301
Non-financial assets			
Property, plant and equipment	4.1	2,424	3,234
Other non-financial assets	4.2	1,044	902
Total non-financial assets		3,468	4,136
Total assets		28,362	30,437
Liabilities			
Payables	5.2	2,372	3,700
Lease liabilities	4.4.1	1,897	2,442
Employee related provisions	3.1.2	6,119	5,427
Total liabilities		10,388	11,569
Net assets		17,974	18,868
Equity			
Accumulated surplus		13,044	13,938
Contributed capital		4,930	4,930
Net worth		17,974	18,868

The accompanying notes form part of these financial statements.

Note:

(i) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Cash Flow Statement for the financial year ended 30 June 2024⁽ⁱ⁾

	Note	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Cash flows from operating activities			
Receipts			
Appropriation receipts from government		62,296	54,002
Receipts from other entities		647	616
Total receipts		62,943	54,618
Payments			
Payments to suppliers and employees		(61,307)	(52,985)
Goods and Services Tax paid to the ATO ⁽ⁱⁱ⁾		(773)	(573)
Interest and other costs of finance paid		(47)	(58)
Total payments		(62,127)	(53,616)
Net cash flows from/(used in) operating activities	6.1.1	816	1,002
Cash flows from investing activities			
Purchases of non-financial assets		(271)	(526)
Net cash flows from/(used in) investing activities		(271)	(526)
Cash flows from financing activities			
Repayment of lease liabilities		(545)	(476)
Net cash flows from/(used in) financing activities		(545)	(476)
Net increase/(decrease) in cash held		-	-
Cash at the beginning of the financial year		-	-
Cash at the end of the financial year	6.1	-	-

The accompanying notes form part of these financial statements.

Note:

(i) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

(ii) Goods and Services Tax paid to the Australian Taxation Office (ATO) is presented on a net basis.

Statement of Changes in Equity for the financial year ended 30 June 2024⁽ⁱ⁾

	Accumulated surplus (\$ thousand)	Contributed capital (\$ thousand)	Total
Balance at 1 July 2022	13,278	4,930	18,208
Net result for the year	660	-	660
Balance at 30 June 2023	13,938	4,930	18,868
Net result for the year	(894)	-	(894)
Balance at 30 June 2024	13,044	4,930	17,974

The accompanying notes form part of these financial statements.

Note:

(i) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Notes to financial statements

1. About this report

The Victorian Auditor-General's Office (VAGO) and the Auditor-General's mandate are established pursuant to:

- the *Constitution Act 1975*, which establishes the role of the Auditor-General and authorises the Auditor-General's complete discretion in the performance and exercise of their functions and powers
- the *Audit Act 1994* (the Act), which establishes the Auditor-General's mandate, provides the legal basis for their powers, and identifies his responsibilities.

A description of VAGO's operations, principal activities and objectives is included in the Report of Operations, which does not form part of these financial statements.

1.1 Basis of preparation and compliance

These general-purpose financial statements:

- are prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS) including Interpretations issued by the Australian Accounting Standards Board (AASB). They are presented consistent with the requirements of *AASB 1049 Whole of Government and General Government Sector Financial Reporting*
- apply AAS paragraphs applicable to not-for-profit entities, where appropriate
- cover VAGO as an individual reporting entity and include all of its controlled activities
- are in Australian dollars and use the historical cost convention unless a different measurement basis is specifically disclosed in the associated notes
- apply an accrual basis of accounting whereby assets, liabilities, equity, income and expenses are recognised in the reporting period they relate to, regardless of when cash is received or paid
- have been rounded to the nearest \$1,000, unless otherwise stated.

Judgements, estimates and assumptions are made about financial information presented.

- Significant judgements applied are disclosed in Note 2,
- Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors believed reasonable under the circumstances. Actual results may differ from these estimates.

Material accounting policies applied are disclosed in the respective notes of these financial statements and ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

VAGO is an administrative agency acting on behalf of the Crown. Our address is: Level 31, 35 Collins Street, Melbourne, VIC, 3000.

2. Funding delivery of our services

2.1 Summary of compliance with annual parliamentary and special appropriations

Output appropriations

Income from the outputs VAGO provides to Parliament is recognised when the outputs have been delivered and the Assistant Treasurer and Treasurer have certified delivery of the outputs in accordance with specified performance criteria as outlined in the Department of Treasury and Finance budget papers.

Provision for outputs is disclosed as 'controlled' activities of VAGO.

Annual Parliamentary appropriations are controlled by VAGO when applied by the Treasurer and recognised as income for the purposes defined under the *Appropriation Act 2016*.

	<u>Appropriations Act</u> Annual appropriation (\$ thousand)	<u>Financial Management Act</u> section 29 (\$ thousand)	Total Parliamentary authority (\$ thousand) ⁽ⁱ⁾	Appropriations applied (\$ thousand)	Variance ⁽ⁱ⁾
2023–24 controlled					
Provision for outputs	19,269	32,496	51,765	57,506	(5,741)
Total 2023–24	19,269	32,496	51,765	57,506	(5,741)
2022–23 controlled					
Provision for outputs	18,759	30,766	49,525	52,125	(2,600)
Recovery of cost of parliamentary reports	-	5	5	-	5
Total 2022–23	18,759	30,771	49,530	52,125	(2,595)

Note:

(i) This funding has been fully spent/applied in the current financial year. The variance from estimate of 'Provision for outputs' in 2023–24 was due to the variability in financial audit fees charged based on completion of performance obligations, and retained as per the section 29 agreement.

Special appropriations

Under section 94A(6) of the *Constitution Act 1975*, income related to remuneration and on-costs associated with the Auditor-General's position, are recognised when the amount appropriated for that purpose is due and payable to VAGO.

Authority	Purpose	<u>Appropriations applied</u>	
		2023–24 (\$ thousand)	2022–23 (\$ thousand)
The <i>Constitution Act 1975</i> , section 94A(6)	Costs associated with the Auditor-General	647	616

FMA section 29 annotated income agreements

Administered transactions are those undertaken on behalf of the State of Victoria where VAGO has no control or discretion.

The income which forms part of a section 29 agreement is recognised by VAGO as an administered item and the receipts paid into the consolidated fund. The relevant appropriation item will be increased by the equivalent amount of income recognition.

Financial audit fees are measured based on the consideration and terms specified in the engagement letter with the audit client. VAGO recognises income progressively over time as the performance obligations for the services to the audit client are satisfied.

FMA section 29 annotated income agreements are approved by the Treasurer.

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Fee for services		
Audit fees	32,496	30,766
Recovery of cost of parliamentary reports	-	5
Total annotated income agreements	32,496	30,771

2.2. Disaggregated financial information

Judgement is required in allocating income and expenditure to specific outputs. The following judgements were made in making the allocations:

- Output appropriation income is allocated directly to the output funded by the appropriation.
- Expenses are either allocated directly to the output where identifiable, otherwise on the basis that management estimates of the in-house revenue of each output. There were no amounts unallocated.

The distinction between controlled and administered items is based on VAGO's ability to deploy the resources in question for its own benefit (controlled items) or on behalf of the State (administered). VAGO remains accountable for transactions involving administered items but does not recognise them in its financial statements, except by way of note disclosure.

2.2.1 Departmental outputs

For a description of the VAGO's outputs, refer to *Report of Operations*.

Controlled income and expenses for the year ended 30 June 2024

	<i>Parliamentary reports and services (\$ thousand)</i>		<i>Audit opinions on financial and performance statements (\$ thousand)</i>		<i>Total (\$ thousand)</i>	
	2023–24	2022–23	2023–24	2022–23	2023–24	2022–23
Income from transactions						
Output appropriations	19,269	18,759	38,237	33,366	57,506	52,125
Special appropriations	324	328	323	288	647	616
Sale of services and other income	25	25	26	22	51	47
Total income from transactions	19,618	19,112	38,586	33,676	58,204	52,788
Expenses from transactions						
Employee expenses	15,357	12,922	17,879	15,145	33,236	28,067
Contracted audit services	121	154	19,864	17,521	19,985	17,675
Other operating expenses	2,484	3,387	3,399	2,972	5,883	6,359
Total expenses from transactions	17,962	16,463	41,142	35,638	59,104	52,101
Net result from transactions (net operating balance)	1,656	2,649	(2,556)	(1,962)	(900)	687
Other economic flows included in net result						
Net gain/(loss) on non-financial assets	-	(8)	-	(7)	-	(15)
Other gains/(losses) from other economic flows	3	(6)	3	(6)	6	(12)
Total other economic flows included in net result	3	(14)	3	(13)	6	(27)
Net result	1,659	2,635	(2,553)	(1,975)	(894)	660
Comprehensive result	1,659	2,635	(2,553)	(1,975)	(894)	660

Controlled assets and liabilities as at 30 June 2024

	Parliamentary reports (\$ thousand)		Financial statement audit and assurance reports (\$ thousand)		Total (\$ thousand)	
	2023–24	2022–23	2023–24	2022–23	2023–24	2022–23
Assets						
Financial assets	7,565	8,313	17,329	17,988	24,894	26,301
Non-financial assets	1,054	1,307	2,414	2,829	3,468	4,136
Total assets	8,619	9,620	19,743	20,817	28,362	30,437
Liabilities						
Total liabilities	3,157	3,657	7,231	7,912	10,388	11,569
Net assets	5,462	5,963	12,512	12,905	17,974	18,868

2.2.2 Administered items

Administered income includes recovery of audit costs incurred for performing financial and performance statement audits. VAGO does not control the income and assets arising from audit fees and collects these amounts on behalf of the State. The income and related assets are disclosed as Administered Items. As VAGO has an annotated income agreement for financial audit fees, the output appropriation, used to fund the costs of financial audit services (see Note 2.1), is increased by an equivalent amount.

Controlled and administered items of VAGO are consolidated into the financial statements of the State.

Administered expenses include payments made on behalf of the State and payments into the Consolidated Fund. Administered assets include government income earned but not yet collected. Administered liabilities include government expenses incurred but not yet paid.

Administered (non-controlled) items for the financial year ended 30 June 2024

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Administered income from transactions		
Reimbursement of audit costs charged	38,087	33,366
Total administered income from transactions	38,087	33,366
Administered expenses from transactions		
Payments into the Consolidated Fund	38,087	33,366
Total administered expenses from transactions	38,087	33,366
Total administered net result from transactions (net operating balance)	-	-
Administered other economic flows included in administered net result		
Net gain / (loss) on non-financial assets	-	-
Total administered comprehensive result	-	-
Administered assets		
Financial assets ⁰	2,049	1,916

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Non-financial assets (accrued income) ⁽ⁱ⁾	15,832	11,339
Total administered assets	17,881	13,255
Administered liabilities		
Amounts owing to the state	17,881	13,255
Total administered liabilities	17,881	13,255
Total administered net assets	-	-

Note:

(i) Receivables comprise financial statement audit debtors and are deemed wholly collectable.

(ii) A change in the timing and frequency of our billing process for the 2023 and onwards audit cycle has resulted in the increase of our accrued income (work in progress) balance.

3. The cost of delivering our services

3.1 Employees and contractors

Employee expenses (as defined in Note 8.7) include all costs related to employment, including superannuation.

3.1.1 Employee benefits included in the Comprehensive Operating Statement

	Note	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Salaries and wages, annual leave and long service leave		30,493	25,765
Defined contribution superannuation expense	3.1.3	2,693	2,253
Defined benefit superannuation expense	3.1.3	50	49
Total employee expenses		33,236	28,067

3.1.2 Employee benefits provisions in the Balance Sheet

A provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

Salaries and wages, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised:

- as current liabilities because VAGO does not have an unconditional right to defer settlement of these liabilities
- at remuneration rates which are current at the reporting date and measured at undiscounted amounts as it is expected the wages and salaries liabilities will be wholly settled within 12 months of reporting date.

Employment on-costs such as payroll tax, the mental health and wellbeing surcharge, workers compensation and superannuation are not employee benefits.

Superannuation comprises employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

No provision has been made for sick leave as it is non-vesting and not considered probable that the average sick leave taken in the future will be greater than the benefits accrued.

They are disclosed separately as a component of the provision for employee benefits when the employment they relate to has occurred.

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Current provisions		
Annual leave		
Unconditional and expected to settle within 12 months	1,505	1,367
Unconditional and expected to settle after 12 months	495	465
Long service leave		
Unconditional and expected to settle within 12 months	396	455
Unconditional and expected to settle after 12 months	2,156	2,044
Total provision for on-costs	896	777
Total current provisions for employee benefits	5,448	5,108
Non-current provisions		
Total non-current provisions for employee benefits	671	319
Total provisions for employee benefits	6,119	5,427
Reconciliation of movement in on-cost provision		
Opening balance	826	
Additional provisions recognised	181	
Closing balance	1,007	
Current	896	
Non-current	111	
Total provisions for on-costs	1,007	

Long-service leave

If	Then classified as	Because	Measured at
Unconditional	Current liability even where VAGO does not expect to settle within 12 months	VAGO does not have an unconditional right to defer settlement of the entitlement should an employee take leave within 12 months	<ul style="list-style-type: none"> Undiscounted value where VAGO expects to wholly settle within 12 months Present value where VAGO does not expect to wholly settle within 12 months
Conditional	Non-current liability	There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service	Present value

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates which are recognised as an 'other economic flow', in the net result.

3.1.3 Superannuation contributions

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement.

	<i>Paid contribution for the year</i>		<i>Contribution outstanding at year end</i>	
	2023–24 (\$ thousand)	2022–23 (\$ thousand)	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Defined benefit plans				
State Superannuation Fund	50	49	-	-
Defined contribution plans				
Aware Super	1,275	1,170	-	-
Other employee nominated plans	1,453	1,101	-	-
Total⁽ⁱ⁾	2,778	2,320	-	-

Note:

(i) The total paid excludes accruals brought forward at 1 July 2023, and accruals carried forward at 30 June 2024, and therefore does not equal the totals in Note 3.1.1.

3.2 Contracted audit services

VAGO contracts certain audit services to external professional firms. Costs incurred under such contracts are recognised as an expense in the reporting period in which they are incurred. At the end of the reporting period, an estimate is made on the value of audit services provided to VAGO not yet invoiced. The value of un-invoiced work is recognised as an accrual in the Balance Sheet (Note 5.2), and as an expense in the Comprehensive Operating Statement.

3.3 Other operating expenses

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
IT operating costs	1,748	1,924
Depreciation and amortisation	1,012	1,010
Consultants	1,006	1,716
Recruitment	662	428
Training	509	558
Lease payments (accommodation)	285	244
Motor vehicles and travel costs	139	98
Interest	47	58
Other office expenses	475	323
Total other operating expenses	5,883	6,359

Other operating expenses represent day-to-day running costs incurred in normal operations and are recognised as an expense in the reporting period in which they are incurred.

4. Key assets to support our output delivery

Property, plant and equipment

Property, plant and equipment (PPE) are measured initially at cost. They are subsequently measured at fair value less accumulated depreciation and impairment.

Fair value measurement

Assets carried at fair value and how their fair values were determined are disclosed in Note 4.3 and Note 4.4.

Fair value is normally determined by reference to the asset's current replacement cost.

4.1 Property, plant and equipment

	Gross carrying amount (\$ thousand)		Accumulated depreciation (\$ thousand)		Net carrying amount (\$ thousand)	
	2023–24	2022–23	2023–24	2022–23	2023–24	2022–23
Right-of-use asset – property	3,757	3,757	(2,374)	(1,899)	1,383	1,858
Right-of-use asset – vehicles	-	71	-	(28)	-	43
Leasehold improvements	1,722	1,722	(1,219)	(1,047)	503	675
Furniture, fittings and equipment	128	128	(128)	(128)	-	-
Computer software and equipment	1,542	1,431	(1,004)	(773)	538	658
Total property, plant and equipment	7,149	7,109	(4,725)	(3,875)	2,424	3,234

4.1.1 Reconciliation of movements in carrying amount of property, plant and equipment

	Right-of-use asset – property (\$ thousand)	Right-of-use asset – vehicles (\$ thousand)	Leasehold improvements (\$ thousand)	Computer software and equipment (\$ thousand)	Total (\$ thousand)
Balance at 1 July 2022	2,332	53	847	758	3,990
Additions	-	-	-	125	125
Disposals	-	-	-	(15)	(15)
Depreciation	(474)	(10)	(172)	(210)	(866)
Balance at 30 June 2023	1,858	43	675	658	3,234
Additions	-	-	-	111	111
Disposals	-	(39)	-	-	(39)
Depreciation	(475)	(4)	(172)	(231)	(882)
Balance at 30 June 2024	1,383	-	503	538	2,424

4.2 Other non-financial assets

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Intangible assets ⁽ⁱ⁾	518	488
Prepayments	526	414
Total other non-financial assets	1,044	902

Note:

(i) \$161,000 was capitalised in 2023–24 relating to Empower, our in-house audit analytic tool and a total gross carrying amount of \$559,500 depreciated from 17 February 2024.

4.3 Fair value determination

Fair value determination requires judgement and the use of assumptions. Changes to assumptions could have a material impact on the results and financial position of VAGO.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities (initial recognition at fair value and subsequently measured at amortised cost)
- plant and equipment.

Fair value hierarchy

For those assets and liabilities for which fair values are determined, the following disclosures have been included:

- a reconciliation of the movements in fair values from the beginning of the year to the end
- details of significant unobservable inputs used in the fair value determination.

4.3.1 Fair value determination of financial assets and liabilities

The carrying amounts of financial assets and financial liabilities recognised at the balance date, consisting of cash, receivables, payables and borrowings, represent approximate fair value, due to:

- their short-term nature
- the expectation that they will be paid in full by the end of the 2024–25 reporting period
- fair value not materially differing from the carrying amount.

4.3.2 Fair value determination: non-financial physical assets

All non-financial physical assets are classified as Level 3 in the fair value hierarchy. There have been no transfers between levels during the period.

Note 4.1.1 provides a reconciliation of movements in the carrying amount of property, plant and equipment, all of which have been classified as Level 3.

Significant unobservable inputs have remained unchanged since 30 June 2023.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

4.3.3 Description of significant unobservable inputs to Level 3 valuations

2023–24 and 2022–23	Valuation technique	Significant unobservable inputs
Right-of-use asset – property	Current replacement cost	<ul style="list-style-type: none"> Current replacement cost per unit Useful life of Right-of-use asset – property
Leasehold improvements	Current replacement cost	<ul style="list-style-type: none"> Current replacement cost per unit Useful life of Leasehold improvements
Furniture, fittings and equipment Computer software and equipment	Current replacement cost	<ul style="list-style-type: none"> Current replacement cost per unit Useful life of Furniture, fittings and equipment, and Computer software and equipment

4.4 Right-of-use assets and lease liabilities

VAGO as a lessee

VAGO recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost (and subject to revaluation) and comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received
- any initial direct costs incurred
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate as provided by Treasury Corporation of Victoria (TCV). Generally, VAGO uses an appropriate incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable
- variable payments based on an index or rate, initially measured using the index or rate at the commencement date
- amounts expected to be payable under a residual value guarantee
- payments arising from purchase and termination options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

4.4.1 Lease liabilities

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Maturity analysis – contractual undiscounted cash flows		
Less than one year	576	593
One to 5 years	1,390	1,967
More than 5 years	-	-
Total undiscounted lease liabilities	1,966	2,560
Less: future finance charges	(69)	(118)
Present value of minimum lease payments	1,897	2,442
Lease liabilities included in the Balance Sheet		
Current	540	545
Non-current	1,357	1,897
Total lease liabilities	1,897	2,442

5. Other assets and liabilities

5.1 Receivables

Receivables consist of statutory receivables which are recognised and measured similarly to contractual receivables (except for the need for impairment) but are not classified as financial instruments as they do not arise from contracts. AASB 9 applies to the initial measurement of the statutory receivables and, as a result, statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Contractual		
Other receivables	85	24
Statutory		
Amounts owing from Victorian Government ⁽ⁱ⁾	24,809	26,277
Total receivables	24,894	26,301
Represented by		
Current receivables	8,003	8,860
Non-current receivables	16,891	17,441
Total receivables	24,894	26,301

Note:

(i) The total amount recognised as owing from the Victorian Government and likely to be drawn down in the next financial year is \$8,003,000 (2022–23: \$8,860,000), and reported as a current receivable. The amount recognised as owing from the Victorian Government comprises previously applied Parliamentary appropriations not yet drawn down. The balance is represented by accumulated surpluses, payables, movements in provisions and accumulated depreciation and amortisation net of asset acquisition.

5.2 Payables

Payables consist of:

- contractual payables, classified as financial instruments, measured at amortised cost. Accounts payable represent liabilities for goods and services provided prior to the end of the financial year that are unpaid.
- statutory payables are recognised and measured similarly to contractual payables, but not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

For the maturity analysis of contractual payables, see Note 7.1.2.

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Contractual		
Supplies and services ⁽ⁱ⁾	2,033	3,110
Amounts payable to government agencies	16	13
Lease incentive ⁽ⁱⁱ⁾	493	663
Other payables	17	7
Statutory		
GST (receivable)/payable	(423)	(276)
FBT payable	4	5
Other taxes payable ⁽ⁱⁱⁱ⁾	232	178
Total payables	2,372	3,700

The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements and as they are not legislative payables, they are not classified as financial instruments.

Payables for supplies and services have an average credit period of 30 days.

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Represented by		
Current payables	2,048	3,207
Non-current payables	324	493
Total payables	2,372	3,700

Note:

(i) Supplies and services principally comprise payables due for contracted audit services.

(ii) Lease incentive payable relates to funding provided by the lessor of VAGO's premises. This is amortised over the term of the lease and credited to the lease liability.

(iii) Excludes GST and FBT payable to government.

6. How we financed our operations

6.1 Cash flow information

Due to the State's investment policy and funding arrangements, VAGO does not hold a cash reserve in its bank accounts. Cash received from generation of income is paid into the State's bank account ('public account'). Similarly, VAGO's expenditure is paid via the public account. The public account remits to VAGO the cash required when payments to suppliers have cleared in VAGO's bank account.

6.1.1 Reconciliation of net result for the period to cash flow from operating activities

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Net result for the period	(894)	660
Non-cash movements		
Loss/(gain) on disposal of non-current assets	39	15
Depreciation of non-current assets	1,012	1,010
Movements in assets and liabilities		
(Increase) /decrease in receivables	1,407	(735)
(Increase)/decrease in other non-financial assets	(112)	(49)
Increase/(decrease) in payables	(1,328)	98
Increase/(decrease) in provisions	692	3
Net cash flows from/(used in) operating activities	816	1,002

6.2 Commitments for expenditure

Commitments for future expenditure include operating commitments arising from contracts. These commitments are recorded at their nominal value inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

6.2.1 Commitments

Contract audit service commitments relate to fees payable to professional firms for the conduct of financial statement audits on behalf of VAGO, and do not relate to leases accounted under *AASB 16 Leases*.

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Lease commitments payable		
Less than 1 year	269	253
Longer than 1 year but not longer than 5 years	562	1,103
Total lease commitments payable	831	1,356
Contract audit service commitments payable		
Less than 1 year	9,703	12,207
Longer than 1 year but not longer than 5 years	15,197	20,575
Total contract audit service commitments payable	24,900	32,782
Total commitments (inclusive of GST)	25,731	34,138
Less GST recoverable from the Australian Taxation Office	(2,339)	(3,103)
Total commitments (exclusive of GST)	23,392	31,035

7. Risks and valuation judgements

7.1 Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Certain financial assets and financial liabilities arise under statute rather than a contract (i.e. taxes). Such assets and liabilities do not meet the definition of financial instruments in *AASB 132 Financial Instruments: Presentation*.

Categories of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by VAGO to collect the contractual cash flows
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

VAGO recognises cash and receivables (excluding statutory receivables) in this category.

VAGO applies AASB 9 *Financial Instruments* and classifies its financial assets based on the business model for managing the assets and its contractual terms.

Categories of financial liabilities

Financial liabilities at amortised cost are initially recognised on the date they originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability using the effective interest rate method. VAGO recognises the following liabilities in this category:

- payables (excluding statutory payables)
- lease liabilities.

Impairment of financial assets

VAGO records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's expected credit loss approach. Subject to AASB 9, impairment assessment include VAGO's contractual receivables and statutory receivables.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

7.1.1 Financial instruments: Categorisation

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Contractual financial assets		
Receivables⁽ⁱ⁾		
Other receivables	85	24
Total contractual financial assets	85	24
Contractual financial liabilities at amortised cost		
Payables⁽ⁱ⁾		
Supplies and services	2,033	3,110
Amounts payable to government and agencies	16	13
Lease incentive	493	663
Other payables	17	7
Borrowings		
Lease liabilities	1,897	2,442
Total contractual financial liabilities	4,456	6,235

Note:

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable). Statutory financial assets will be used to cover payment of contractual financial liabilities.

7.1.2 Financial risk management objectives and policies

VAGO's financial risk management program seeks to manage exposures to financial risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instruments are disclosed in the notes to the financial statements.

The main purpose in holding financial instruments is to prudently manage VAGO's financial risks within the legislative and government policy parameters.

VAGO's main financial risks include credit risk.

VAGO uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Accountable Officer.

Financial instruments: Credit risk

Credit risk associated with VAGO's contractual financial assets is minimal because the main debtor is the Victorian Government.

The following table discloses the contractual maturity analysis for VAGO's contractual financial liabilities:

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due.

Maturity analysis of contractual financial assets and liabilities

2023–24	Carrying amount (\$ thousand)	Nominal amount (\$ thousand)	Less than 1 month (\$ thousand)	1–3 months (\$ thousand)	3 months–1 year (\$ thousand)	1–5 years (\$ thousand)
Receivables						
Other receivables	85	85	85	-	-	-
Total contractual receivables	85	85	85	-	-	-
Payables						
Supplies and services	2,033	2,033	2,033	-	-	-
Amounts payable to government and agencies	16	16	16	-	-	-
Lease incentive	493	493	14	28	127	324
Other payables	17	17	17	-	-	-
Borrowings						
Lease liabilities	1,897	1,897	44	89	407	1,357
Total contractual financial liabilities	4,456	4,456	2,124	117	534	1,681
Receivables						
Other receivables	24	24	24	-	-	-
Total contractual receivables	24	24	24	-	-	-

2023–24	Carrying amount (\$ thousand)	Nominal amount (\$ thousand)	Less than 1 month (\$ thousand)	1–3 months (\$ thousand)	3 months–1 year (\$ thousand)	1–5 years (\$ thousand)
Payables						
Supplies and services	3,110	3,110	3,110	-	-	-
Amounts payable to government and agencies	13	13	13	-	-	-
Lease incentive	663	663	15	28	127	493
Other payables	7	7	7	-	-	-
Borrowings						
Lease liabilities	2,442	2,442	84	83	378	1,897
Total contractual financial liabilities	6,235	6,235	3,229	111	505	2,390

8. Other disclosures

8.1 Responsible persons

The following disclosures are made relating to the Accountable Officer in accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994*.

Remuneration

Remuneration received or receivable by the Accountable Officer during the reporting period was in the following range:

	2023–24 No.	2022–23 No.
\$560,000–\$569,999	-	1
\$600,000–\$609,999	1	-

Given the independent relationship of the Auditor-General with the Parliament, no government minister has any direct responsibility for the operations of VAGO.

Andrew Greaves, Auditor-General, held the Accountable Officer Position in relation to VAGO for the full year.

8.2 Remuneration of executives

The number of executive officers, other than the Accountable Officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalent provides a measure of full-time equivalent executive officers over the reporting period.

Remuneration of executive officers⁽ⁱ⁾

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Short-term employee benefits	5,577	4,945
Post-employment benefits	539	495
Other long-term benefits	97	63

Total remuneration	6,213	5,503
Total number of executives⁽ⁱⁱ⁾	32	29
Total annualised employee equivalents⁽ⁱⁱⁱ⁾	22.2	23.8

Note:

(i) Definitions for remuneration categories are disclosed in Note 8.7, and are measured as required by AASB 119 *Employee Benefits*.

(ii) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 *Related Party Disclosures* and are also reported in Note 8.3.

(iii) Annualised employee equivalent is based on the time fraction worked over the reporting period.

8.3 Related parties

VAGO is a wholly owned and controlled entity of the State of Victoria. Related parties of VAGO include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over)
- all cabinet ministers and their close family members
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into at an arm's length basis.

Significant transactions with government-related entities

VAGO received funding and made payments to the Consolidated Fund of \$58.2 million (2022–23: \$52.8 million) and \$38.1 million (2022–23: \$33.4 million).

During the year, VAGO had the following government-related entity transactions:

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Income from financial statement audits		
Department of Treasury and Finance	1,287	1,157
Department of Justice and Community Safety	778	639
Department of Transport and Planning	589	705
Department of Education	561	587
Department of Health	647	325
Department of Jobs, Skills, Industry and Regions	545	457
Department of Families, Fairness and Housing	543	429
Other government related parties ⁽ⁱ⁾	28,947	24,434
Total significant transactions with government-related entities	33,897	28,733

Note:

(i) Transactions with other related parties are collectively, but not individually significant.

Key management personnel (KMP)

KMP of VAGO include the Accountable Officer and members of the Senior Management Group (SMG), comprising:

- David Barry, Deputy Auditor-General
- Roberta Skliros, Assistant Auditor-General, Financial Audit
- Megan Kirchner, Assistant Auditor-General, Performance Audit
- Rachel Challis, Director, Strategic Governance and Risk (commenced 12 February 2024)

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Compensation of KMP		
Short-term employee benefits	1,709	1,441
Post-employment benefits	118	100
Other long-term benefits	-	37
Total⁽ⁱ⁾	1,827	1,578

Note:

(i) KMP are also reported in the disclosure of responsible persons (Note 8.1) and remuneration of executives (Note 8.2).

Transactions and balances with key management personnel and other related parties

There were no related party transactions that involved key management personnel, their close family members and their personal business interests in the current reporting period.

8.4 Remuneration of auditors

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
PKF Melbourne		
Audit of the financial statements	42	39
Review of the performance statement	4	4
Total	46	43

The auditor of VAGO is appointed by Parliament and paid by the Public Accounts and Estimates Committee in accordance with the *Audit Act 1994*.

As the remuneration of the auditor is paid by the Public Accounts and Estimates Committee, the amount disclosed above is equal to the fair value of services received free of charge or for nominal consideration.

8.5 Subsequent events

VAGO had no events that occurred between the end of the reporting period and the date when the financial statements are authorised for issue that would require adjustment to the financial statements.

We note the *Victorian Public Service Enterprise Agreement 2024* was formally approved by the Fair Work Commission on 12 August 2024, however as there is no constructive or legal obligation as at 30 June 2024, no liabilities have been recognised to the financial statements. The estimated value of these liabilities is \$1.7 million, which have been recognised in 2024–25.

8.6 Australian Accounting Standards issued that are not yet effective

A number of new and revised accounting standards will become effective for reporting periods commencing after 1 July 2024, including:

- [AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities](#)
- [AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities](#)

8.7 Glossary of technical terms

The following is a summary of the major technical terms used in this report.

Actuarial gains or losses on superannuation defined benefit plans are changes in the present value of the superannuation defined benefit liability resulting from:

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- the effects of changes in actuarial assumptions.

Administered item refers to VAGO lacking the capacity to benefit from that item in the pursuit of its objectives and to deny or regulate the access of others to that benefit.

Assets include property, plant and equipment and certain intangible assets. Intangible assets comprise of internally developed software assets.

Commitments include those operating and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Comprehensive result is the amount in the operating statement representing total change in net worth other than transactions with owners as owners.

Controlled item refers to the capacity of VAGO to benefit from that item in the pursuit of its objectives and to deny or regulate the access of others to that benefit.

Depreciation is an expense that arises from the consumption through wear or time of a physical or intangible asset. This expense is classified as a 'transaction' and reduces the 'net result from transactions'.

Employee benefits expenses include all costs related to employment including salaries and wages, mental health and wellbeing charges, fringe benefits tax, leave entitlements, termination payments, WorkCover premiums, defined benefits superannuation plans, and defined contribution superannuation plans.

Financial asset is any asset that is:

- cash
- a contractual right
- to receive cash or another financial asset from another entity
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another entity.

Financial liability is any liability that is:

- a contractual obligation
- to deliver cash or another financial asset to another entity
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial statements comprise:

- a Balance Sheet as at the end of the period
- a Comprehensive Operating Statement for the period
- a Statement of Changes in Equity for the period
- a Cash Flow Statement for the period
- notes of significant accounting policies and other explanatory information
- comparative information in respect of the preceding period

Interest expense represents costs incurred in connection with borrowings. It includes interest components of lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Leases are rights conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Net operating balance or net result from transactions is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'. A positive net result represents a **surplus**, whilst a negative result is a **deficit**.

Net worth is calculated as assets less liabilities.

Non-financial assets are all assets that are not financial assets. It includes plant and equipment, intangible assets, prepayments and accrued income.

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. They include gains and losses from disposals, impairments of non-current physical and intangible assets; and gains and losses arising from the revaluation of the long service leave liability.

Other long-term benefits include long service leave.

Payables includes short and long-term accounts payable, taxes and interest payable.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Receivables include amounts owing from government through appropriation receivable, short and long-term accounts receivable, and taxes receivable.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Supplies and services represent the day-to-day running costs, including maintenance costs, incurred in the normal operations of VAGO.

8.8 Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts. The notation used in the tables is as follows:

-	zero, or rounded to zero
(xx<XX>)	negative numbers
202x–2x	year period

The financial statements and notes are presented based on the illustration for a government department in the *2023–24 Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the VAGO's annual reports.