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The Parliament of Victoria enacts as follows:

PART 1—PRELIMINARY

1. Purpose
The purpose of this Act is to amend the Financial Management Act 1994 and the Audit Act 1994 to provide for the enhanced disclosure of financial and budget information by the Victorian Government and the review of estimated financial statements by the Auditor-General.
2. Commencement

This Act comes into operation on the day after the day on which it receives the Royal Assent.
PART 2—FINANCIAL MANAGEMENT ACT 1994

3. New section 4 inserted

After section 3 of the Financial Management Act 1994 insert—

"4. Act binds the Crown

This Act binds the Crown not only in right of Victoria but also, so far as the legislative power of the Parliament permits, the Crown in all its other capacities.".

4. New Part 5 substituted

For Part 5 of the Financial Management Act 1994 substitute—

'PART 5—FINANCIAL RESPONSIBILITY

Division 1—Introduction

23A. Definitions

In this Part—

"budget" means the State budget;

"current financial policy objectives and strategies statement"—

(a) in relation to the estimated financial statements for a financial year, means the financial policy objectives and strategies statement prepared under section 23E in association with the budget for that financial year;

(b) in relation to a budget update for a financial year, means the financial policy objectives and strategies statement prepared under section
23E in association with the budget update;

(c) in relation to a pre-election budget update, means the financial policy objectives and strategies statement prepared under section 23E in association with the most recent budget or budget update (as the case may be);

"Government" means the Government of the State of Victoria;

"quarter" of a financial year, means the period of 3 months ending on 30 September, 31 December, 31 March and 30 June in that year;

"Secretary" means Secretary to the Department of Treasury and Finance.

23B. Application of Part

This Part applies in respect of the financial year 2000/2001 and each subsequent financial year.

Division 2—Principles of Sound Financial Management

23C. Government to operate in accordance with principles of sound financial management

It is the intention of the Parliament that the Government establish and maintain a budgeting and reporting framework that is consistent with the principles of sound financial management so as to form a basis for the provision of sustainable social and economic services and infrastructure fairly to all Victorians.
23D. **Principles of sound financial management**

(1) The principles of sound financial management are that the Government must—

(a) manage financial risks faced by the State prudently, having regard to economic circumstances;

(b) pursue spending and taxing policies that are consistent with a reasonable degree of stability and predictability in the level of the tax burden;

(c) maintain the integrity of the Victorian tax system;

(d) ensure that its policy decisions have regard to their financial effects on future generations;

(e) provide full, accurate and timely disclosure of financial information relating to the activities of the Government and its agencies.

(2) The financial risks referred to in sub-section (1)(a) include—

(a) risks arising from the level of the State's general government sector debt;

(b) commercial risks arising from ownership of public non-financial corporations and public financial corporations;

(c) risks arising from changes in the structure of the Victorian tax base;

(d) risks arising from management of assets and liabilities of the State.
Division 3—Financial Policy Objectives and Strategies Statements

23E. Financial policy objectives and strategies statement

(1) The Minister must prepare two financial policy objectives and strategies statements for each financial year.

(2) The first financial policy objectives and strategies statement for a financial year must be—

(a) prepared in association with the budget for that financial year;

(b) laid before each House of the Parliament in accordance with section 27E.

(3) The second financial policy objectives and strategies statement for a financial year must be—

(a) prepared in association with the budget update for that financial year;

(b) laid before, or given to the clerk of, each House of the Parliament in accordance with section 27D.

23F. Purpose of statement

The purpose of a financial policy objectives and strategies statement is to make transparent the Government's financial strategies and to establish a benchmark for evaluating the Government's conduct of financial policy.
23G. **Content of statement**

(1) A financial policy objectives and strategies statement must—

(a) specify the Government’s long-term financial objectives within which financial policy for the financial year to which the budget or budget update relates and the following 3 financial years will be framed;

(b) explain the broad strategic priorities on which the budget or budget update is based;

(c) specify the key financial measures that the Government has identified as being important and against which financial policy will be set and assessed;

(d) specify, for the financial year to which the budget or budget update relates and the following 3 financial years—
   (i) the Government’s short-term financial objectives;
   
   (ii) the targets for each specified key financial measure;

(e) explain how the financial objectives and strategic priorities specified or explained in paragraphs (a), (b) and (d) relate to the principles of sound financial management;

(f) specify any financial policy actions taken or to be taken by the Government that are temporary in nature, state the reasons for taking them and indicate the process for their revision;
(g) identify the reporting basis on which subsequent Government financial reports will be prepared;

(h) state the reasons for any changes from the previous financial policy objectives and strategies statement.

(2) A financial policy objectives and strategies statement must be based on the principles of sound financial management.

(3) If particular information required to be included in a financial policy objectives and strategies statement is unchanged from information set out in full in an earlier statement, the statement may instead summarise the information and state that it is unchanged from what was set out in the earlier statement.

Division 4—Estimated Financial Statements and Budget Update

23H. Estimated financial statements

(1) The Minister must prepare estimated financial statements for each financial year in association with the budget for that financial year.

(2) Estimated financial statements must be laid before each House of the Parliament in accordance with section 27E.

23I. Purpose of estimated financial statements

The purpose of estimated financial statements is to set out the projected financial results for the Victorian budget sector calculated on the basis of the Government's stated financial policies and assumptions.
23J. **Content of estimated financial statements**

(1) Estimated financial statements comprise—

(a) for the financial year in respect of which they are prepared and the following 3 financial years—

   (i) an estimated statement of financial performance of the Victorian budget sector for the year;

   (ii) an estimated statement of financial position of the Victorian budget sector at the end of the year;

   (iii) an estimated statement of cash flows of the Victorian budget sector for the year;

(b) a statement of the accounting policies on which the statements required by paragraph (a) are based and explanatory notes.

(2) The information in the estimated financial statements must take into account Government decisions and other circumstances that may have a material effect on the estimated financial statements.

(3) Estimated financial statements must be based on—

(a) the current financial policy objectives and strategies statement;

(b) generally accepted accounting principles.

23K. **Accompanying statement**
(1) The Minister must prepare an accompanying statement in association with each set of estimated financial statements.

(2) An accompanying statement comprises—

(a) a statement of the material economic and other assumptions that have been used in preparing the estimated financial statements;

(b) a discussion of the sensitivity of the estimated financial statements to changes in those economic and other assumptions;

(c) an overview of the estimated tax expenditures for the financial years covered by the estimated financial statements;

(d) a statement of the risks, quantified where feasible, that may have a material effect on the estimated financial statements, including—

(i) contingent liabilities;

(ii) publicly announced Government commitments that are not yet included in the estimated financial statements.

(3) The information in an accompanying statement must take into account Government decisions and other circumstances that may have a material effect on the estimated financial statements.

(4) An accompanying statement must be laid before each House of the Parliament with the estimated financial statements to which it relates in accordance with section 27E.
23L. **Budget update**

(1) The Minister must prepare a budget update for each financial year.

(2) A budget update must be laid before, or given to the clerk of, each House of the Parliament in accordance with section 27D.

23M. **Purpose of budget update**

The purpose of a budget update is to provide updated information to allow the assessment of the Government’s financial performance against the financial policy objectives and strategies set out in its current financial policy objectives and strategies statement.

23N. **Content of budget update**

(1) A budget update comprises—

   (a) updated estimated financial statements;

   (b) Victorian budget sector financial statements for the 4 months to the end of October, although the Minister may instead include financial statements covering a longer period of the financial year if they are available.

(2) The updated estimated financial statements must—

   (a) take into account Government decisions and other circumstances that may have a material effect on them;

   (b) state the date on which the updating was undertaken.

(3) A budget update must be based on—
(a) the current financial policy objectives and strategies statement;
(b) generally accepted accounting principles.

(4) If particular information required to be included in a budget update is unchanged from information set out in full in the estimated financial statements, the update may instead summarise the information and state that it is unchanged from what was set out in the estimated financial statements.

Division 5—Disclosure of Financial Results

24. Annual financial report

(1) The Minister must prepare an annual financial report for each financial year.

(2) The annual financial report—
(a) must be prepared in the manner and form determined by the Minister;
(b) must present fairly the financial position of the State and the Victorian budget sector at the end of the financial year and—
   (i) the transactions on the Public Account;
   (ii) the transactions of the Victorian budget sector;
   (iii) other financial transactions of the State—
      in respect of the financial year;
(c) must include details of amounts paid into Working Accounts under section 23;
(d) must include details of amounts allocated to departments during the financial year under section 28;

(e) must include details of money credited under section 29 to an item in a Schedule to an appropriation Act for that financial year;

(f) must include particulars of amounts transferred in accordance with determinations under section 30 or 31;

(g) must include details of—
   (i) amounts appropriated in respect of the financial year as a result of a determination under section 32 in the preceding financial year;
   (ii) the application during the financial year of amounts to which any such determination applies;

(h) must include—
   (i) details of expenses and obligations met from money advanced to the Minister under section 35(1) during the financial year;
   (ii) a statement of the reasons for carrying forward any part of an unused advance to the next financial year under section 35(4);

(i) must include details of payments made during the financial year out of money advanced to the Treasurer in an annual appropriation Act for that year to meet urgent claims;
(j) must include details of—

(i) payments made during the financial year in fulfilment of any guarantee by the Government under any Act;

(ii) money received or recovered by the Minister or Treasurer during the financial year in respect of any guarantee payments;

(k) must include details, as at the end of the financial year, of—

(i) the liabilities (including contingent liabilities under guarantees and indemnities or in respect of superannuation payments and all other contingent liabilities) and assets of the State; and

(ii) prescribed assets and prescribed liabilities of prescribed bodies;

(l) may include any other information the Minister considers appropriate;

(m) must be audited by the Auditor-General.

(3) The Minister must cause a copy of each annual financial report to be given to the Auditor-General on or before 20 September next following the financial year to which it relates.

(4) An audited annual financial report must be laid before, or given to the clerk of, each House of the Parliament in accordance with section 27D.
25. Mid-year report

(1) The Minister must prepare a mid-year report for each financial year.

(2) The mid-year report—

(a) must be prepared in the manner and form determined by the Minister;

(b) must present fairly the financial position of the State and the Victorian budget sector at midnight on 31 December in the financial year and—

(i) the transactions on the Public Account;

(ii) the transactions of the Victorian budget sector;

(iii) other financial transactions of the State—

in respect of the period of 6 months ending on that day;

(c) may include any other information the Minister considers appropriate.

(3) A mid-year report must be laid before, or given to the clerk of, each House of the Parliament in accordance with section 27D.

26. Quarterly financial report

(1) The Minister must prepare a quarterly financial report for each quarter of each financial year.

(2) A quarterly financial report comprises—
(a) a statement of financial performance of the Victorian budget sector for the quarter;
(b) a statement of financial position of the Victorian budget sector at the end of the quarter;
(c) a statement of cash flows of the Victorian budget sector for the quarter;
(d) a statement of the accounting policies on which the statements required by paragraphs (a), (b) and (c) are based;
(e) any other information the Minister considers appropriate.

(3) The quarterly financial report for the quarter ending on 31 March in a financial year must include, in addition to the statements referred to in sub-section (2)(a) to (d) for that quarter, those statements for the period of 9 months ending on that 31 March.

(4) A quarterly financial report must be laid before, or given to the clerk of, each House of the Parliament in accordance with section 27D.

**Division 6—Pre-election Budget Update**

27. **Pre-election budget update**

If a writ is issued for a general election of members of the Legislative Assembly, the Secretary must prepare a pre-election budget update in accordance with this Division.

27A. **Purpose of pre-election budget update**

The purpose of a pre-election budget update is to provide updated information on the estimated financial statements.
27B. *Contents of pre-election budget update*

(1) A pre-election budget update comprises—

(a) updated estimated financial statements for the Victorian budget sector for the financial year in respect of which they are prepared and the following 3 financial years;

(b) a statement of the material economic and other assumptions that have been used in preparing the updated statements;

(c) discussion of the sensitivity of the updated statements to changes in those economic and other assumptions;

(d) a statement of the risks, quantified where feasible, that may have a material effect on the updated statements, including—

(i) contingent liabilities;

(ii) publicly announced Government commitments that are not yet included in the updated statements.

(2) The information in a pre-election budget update must take into account, to the fullest extent possible, all Government decisions and all other circumstances that may have a material effect on the estimated financial statements.

(3) A pre-election budget update must be based on—
(a) the current financial policy objectives and strategies statement;
(b) generally accepted accounting principles.

(4) If particular information required to be included in a pre-election budget update is unchanged from information set out in full in earlier estimated financial statements and accompanying statement or an earlier budget update, the pre-election budget update may instead summarise the information and state that it is unchanged from what was set out in the earlier statements or budget update.

27C. Release of pre-election budget update

The Secretary must publicly release the pre-election budget update within 10 days after the issue of the writ for the election.

Division 7—Release of Reports, Statements and Updates

27D. General provision for release of documents

(1) This section applies to—
(a) an audited annual financial report;
(b) a mid-year report;
(c) a quarterly financial report;
(d) a budget update;
(e) the financial policy objectives and strategies statement prepared in association with a budget update.

(2) Subject to this section, the Minister must cause a document to which this section applies to be laid before—
(a) the Legislative Assembly on or before the release day for that document; and

(b) the Legislative Council on the same day that it is laid before the Legislative Assembly or, if the Council is not then sitting, on the next sitting day of the Council.

(3) If—

(a) a document to which this section applies is not laid before the Legislative Assembly before the release day for that document; and

(b) the Legislative Assembly is not sitting on that day; and

(c) the Legislative Council is sitting on that day—

the Minister must cause the document to be laid before the Council on that day and the Assembly on the next sitting day of the Assembly.

(4) If—

(a) a document to which this section applies is not laid before the Legislative Assembly before the release day for that document; and

(b) neither House of the Parliament is sitting on that day—

the Minister must, on that day, give the document to the clerk of each House of the Parliament.

(5) In this section, "release day" for a document specified in column 1 of the table means the day specified in column 2 of the table opposite that document.
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<td>budget update for a financial year and financial policy objectives and strategies statement prepared in association with it</td>
<td>15 January in that financial year</td>
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### 27E. Release of estimated financial statements and budget financial policy objectives and strategies statement

The Minister must cause the estimated financial statements for a financial year and accompanying statement and the financial policy objectives and strategies statement...
prepared in association with the budget for that financial year to be laid before—

(a) the Legislative Assembly on or before the day on which the second readings of the annual appropriation Bills for that year are moved; and

(b) the Legislative Council on the same day that they are laid before the Legislative Assembly or, if the Council is not sitting on that day, on the next sitting day of the Council.

27F. Release of documents when Parliament is not sitting

(1) If a document is given to the clerk of a House of the Parliament under section 27D, the clerk must cause—

(a) a copy of the document to be given to each member of the House; and

(b) the document to be laid before the House on the next sitting day of the House.

(2) If a document is given to the clerk of a House of the Parliament under section 27D—

(a) a person may read, make a copy of, take an extract from or take notes of the document;

(b) a person does not incur any civil or criminal liability for the doing by the person or another person of anything referred to in paragraph (a).
5. Consequential amendment of Financial Management Act

(1) In the Financial Management Act 1994—

(a) in section 35(4), omit ",", and must include a statement of the reasons for doing so in the statement of operations under Part 5 in respect of the financial year";

(b) section 41 is repealed.

(2) After section 62A(2) of the Financial Management Act 1994 insert—

"(3) Despite the commencement of the Financial Management (Financial Responsibility) Act 2000, Part 5 and section 35(4), as in force immediately before that commencement, continue to apply in respect of the financial year 1999/2000.".
PART 3—AUDIT ACT 1994

6. New Part 3A inserted

After Part 3 of the Audit Act 1994 insert—

'PART 3A—REVIEW OF ESTIMATED FINANCIAL STATEMENTS

16B. Review and report to Parliament on estimated financial statements

(1) The Auditor-General must review each set of estimated financial statements prepared under section 23H of the Financial Management Act 1994 and make a report to the Parliament as to whether it appears that—

(a) the statements have been prepared on a basis consistent with the accounting policies on which they are stated to be based;

(b) the statements are consistent with the targets specified in the current financial policy objectives and strategies statement for each key financial measure specified in that statement;

(c) the statements have been properly prepared on the basis of the assumptions contained in the accompanying statement prepared in association with the statements under section 23K of the Financial Management Act 1994;

(d) the methodologies used to determine those assumptions are reasonable.
(2) The Auditor-General must give each report under this section to the Minister a reasonable time before it is required to be laid before each House of the Parliament under sub-section (3).

(3) The Minister must cause each report under this section to be laid before each House of the Parliament with the estimated financial statements to which it relates.

(4) For the purposes of a review and report under this section, the Minister must provide the Auditor-General with access to any documents requested by the Auditor-General, including any drafts of the estimated financial statements.

(5) Nothing in this section entitles the Auditor-General to question the merits of policy objectives of the Government.

(6) In this section—

"current financial policy objectives and strategies statement", in relation to a set of estimated financial statements for a financial year, means the financial policy objectives and strategies statement prepared under section 23E of the Financial Management Act 1994 in association with the budget for that financial year;

"Minister" means the Minister who prepares the estimated financial statements;

"policy objectives" has the same meaning as in section 16(9)."
7. Consequential amendment of Audit Act

(1) In the Audit Act 1994—

(a) in section 1, after paragraph (a) insert—

"(ab) the review of the Government's estimated financial statements by the Auditor-General; and";

(b) in section 1(b) after "audits" insert "and reviews";

(c) in section 16A(1), for "financial statement" substitute "annual financial report".

(2) In section 16A of the Audit Act 1994, for subsection (4) substitute—

"(4) The Auditor-General must cause a copy of each report under this section to be transmitted to each House of the Parliament as soon as practicable after the day on which the audited annual financial report to which it relates is laid before, or given to the clerk of, that House under section 27D of the Financial Management Act 1994 and in any event within 7 sitting days after that day.".

8. New section 27 inserted

After section 26 of the Audit Act 1994 insert—

"27. Annual financial statement

Despite the commencement of section 7 of the Financial Management (Financial Responsibility) Act 2000, section 16A, as in force immediately before that commencement, continues to apply in respect of the financial year 1999/2000."."
NOTES

†  *Minister's second reading speech—*

  *Legislative Assembly: 2 March 2000*

  *Legislative Council: 4 April 2000*

The long title for the Bill for this Act was "to amend the *Financial Management Act 1994* and the *Audit Act 1994* to provide for the enhanced disclosure of financial and budget information by the Victorian Government and the review of estimated financial statements by the Auditor-General and for other purposes."

1 The Minister is also required, under section 16B of the *Audit Act 1994*, to cause the report of the Auditor-General's review of the estimated financial statements under that section to be laid before each House of the Parliament with the estimated financial statements.

2 Section 27E of the *Financial Management Act 1994* requires the Minister to cause the estimated financial statements for a financial year to be laid before the Legislative Assembly on or before the day that the second readings of the annual appropriation Bills for that year are moved and the Legislative Council on that day or the next sitting day.