

Accessing Emergency Funding to Meet Urgent Claims

November 2020

Independent assurance report to Parliament
2020–21: 8



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Accessing Emergency Funding to Meet Urgent Claims

Independent assurance report to Parliament

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The Hon Nazih Elasmr MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Colin Brooks MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of the *Audit Act 1994*, I transmit my report *Accessing Emergency Funding to Meet Urgent Claims*.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Andrew Greaves", with a long, sweeping flourish extending to the right.

Andrew Greaves
Auditor-General

24 November 2020

The Victorian Auditor-General's Office acknowledges Australian Aboriginal peoples as the traditional custodians of the land throughout Victoria. We pay our respect to all Aboriginal communities, their continuing culture and to Elders past, present and emerging.

Contents

Review snapshot.....	1
1. Context for this review.....	6
1.1 The legal framework that governs public finances	7
1.2 Treasurer's Advance application and approval process and related roles and responsibilities	11
1.3 Review objective and approach	16
2. Application, assessment and approval.....	17
2.1 Background.....	18
2.2 Funding request applications	18
2.3 DTF's assessments and advice to the Treasurer	21
2.4 Urgent and unforeseen claims.....	23
3. Transparency and accountability.....	28
3.1 2019–20 Treasurer's Advances.....	29
3.2 Reporting on departments' use of Treasurer's Advances.....	30
APPENDIX A. Submissions and comments	32
APPENDIX B. Acronyms	44
APPENDIX C. About this assurance review.....	45
APPENDIX D. Treasurer's Advance approvals for 2019–20	46
APPENDIX E. Analysis of selected advances	58

Review snapshot

Have government departments met their legislative obligations when accessing emergency funding?

Why this review is important

The Treasurer's Advance gives parliamentary and legal authority to the government to access funds to meet urgent expenditure claims.

By its nature, it is not aligned to any agency or output. Consequently, it is not subject to the parliamentary scrutiny that applies to the rest of the budget before it is spent.

Instead, Parliament can only authorise its use after any funds are spent. Due to this, there should be strong processes and controls over access to this funding and clear accountability to Parliament and the community on its use.

What we examined

We performed a limited assurance review engagement under section 20 of the *Audit Act 1994*.

We reviewed Treasurer's Advance payments to departments, which were disclosed in the state's *2019–20 Annual Financial Report*.

Our review examined:

- the adequacy of the processes that departments used to request and gain access to the Treasurer's Advance for 2019–20
- evidence that those processes operated for selected advances, which represent over 59 per cent of the value of the 2019–20 approvals.

What we concluded

Nothing has come to our attention that causes us to believe that, in all material respects, there were any advances made for the period 1 July 2019 to 30 June 2020 that:

- were not approved by the Treasurer
- did not meet the criteria established in the Appropriation Acts that they were urgent claims that arose before Parliamentary sanction was obtained.

What we recommend

We recommend process improvements and also greater transparency in disclosing Treasurer's Advance spending.

Key Facts

Departments' use of the Treasurer's Advance

300+
funding requests considered
for the Treasurer's Advance



Of the
\$10b
in Treasurer's
Advance authority
available for
COVID-19
responses

\$2.4b
\$2.6b

\$12.8b
in total Treasurer's
Advance authority
available for use by
the Treasurer
2019–20

\$4.9b
\$5.3b

Of the
\$2.8b
in Treasurer's Advance authority
available for non-COVID-19 purposes

\$2.5b
\$2.7b

Drawn down by departments
Approved in Treasurer's Advances

What we found and recommend

We consulted with the relevant agencies subject to this review and considered their views when reaching our conclusions. Their full responses are in Appendix A.

Following documented processes and controls

Most Treasurer's Advance approvals for 2019–20 did not result from requests specifically seeking Treasurer's Advance funding

Typically, most Treasurer's Advance approvals resulted from funding requests that were considered and approved by the government where the Treasurer's Advance was identified as the source of funding after the event.

In this review we examined 33 funding requests out of around 300 and found that:

- the Department of Treasury and Finance (DTF) provided evidence to support all funding requests and its assessments of these requests
- 12 of these requests followed the process outlined in the Resource Management Framework (RMF) for Treasurer's Advance requests. We noted some exceptions where not all the mandatory information requirements were explicitly addressed
- the other 21 requests were initiated as general funding requests where the Treasurer's Advance was subsequently identified as the appropriate funding source after the event.

The RMF does not explicitly require all requests or approvals to be processed under its requirements and the Appropriation Acts and the *Financial Management Act 1994* (FMA) do not specify any process or requirements for accessing the Treasurer's Advance.

Because most requests funded by Treasurer's Advances did not follow the RMF process, and therefore the key requirements specified in the RMF did not apply, there was less clarity about matters like urgency in these requests and in DTF's advice and recommendations to the Treasurer.

All Treasurer's Advances disclosed in the state's *Annual Financial Report 2019–20* (AFR) were approved by the Treasurer as Treasurer's Advances. While most requests were not initiated to seek access to the Treasurer's Advance, they ended as such and were approved accordingly.

The **RMF** process applies where a minister or department submits a request to the Treasurer specifically seeking access to Treasurer's Advance funding. The RMF sets out the mandatory requirements for such requests, including the need to address if the funding requests relate to urgent and unforeseen matters.

DTF has accepted that funding requests are 'urgent' when there is no alternative appropriation funding

DTF advised us that it is a long-standing practice to accept funding requests as urgent when recommending the use of Treasurer's Advance.

This is because after the annual Appropriation Act is passed:

- any additional funding approved by the government that is over and above the amounts appropriated for departments is deemed 'urgent'
- any additional in-year funding that the government approves for a department, is funded from the Treasurer's Advance, unless there is an obvious alternative funding source available.

DTF's practice of referring to the annual Appropriation Act's purpose 'to meet urgent claims that may arise before parliamentary sanction is obtained' instead of applying a literal definition of 'urgent' when assessing funding requests is appropriate.

Consistent with DTF's advice to the Treasurer, this is because not supporting the recommended Treasurer's Advance allocations would result in departments breaching the *Constitution Act 1975* and the annual Appropriation Act by drawing funds from the Consolidated Fund without authority.

For the funding requests we examined, DTF's assessments did not always explicitly address the urgency of the funding request at its initial approval, even where it was an RMF request. However, DTF did address urgency as part of its advice to the Treasurer on the final funding requirements and requests for the Treasurer's Advance in June 2020.

Some requests did not address the RMF requirement of being 'unforeseen'

DTF advised that in the context of assessing requests for the Treasurer's Advance, 'unforeseen' should be interpreted to mean that an item was not included in an appropriation bill in that year, irrespective of the reason for exclusion. 'Unforeseen' is not defined by what government should have known about an issue at the time of making a decision, or when the Treasurer approves a Treasurer's Advance.

Some funding requests did not meet the RMF requirement of being 'unforeseen' because they provided ongoing budget supplementation rather than one-off funding for unforeseen events.

From the selection of requests we reviewed, the Treasurer's Advance of \$121.3 million provided to support Victoria Police operations in 2019–20 continued a pattern established in recent years where Treasurer's Advance funding is used for this purpose. It would be beneficial for DTF to undertake an annual review of the nature of expenditure that the Treasurer's Advance supports to identify opportunities to minimise its use for reasonably foreseeable spending. An annual review could also monitor and advise on any underlying budgeting, financial management or cost pressures that may contribute to the need for such requests.

Approval and authorisation

Treasurer's Advance payments disclosed in the AFR were within parliamentary authority and approved by the Treasurer.

Before COVID-19 was declared a pandemic in early 2020, the government had \$2.8 billion in Treasurer's Advance funding available under the *Appropriation (2019–2020) Act 2019* to meet departments' urgent claims in 2019–20.

Parliament responded to the pandemic by approving an additional \$24.5 billion in Treasurer's Advance funding—\$10 billion for 2019–20 and \$14.5 billion for 2020–21—under the *Appropriation (Interim Act) 2020*, largely intended to support the government's public health, social and economic responses.

Of the \$5.3 billion in Treasurer's Advances approved by the Treasurer for 2019–20, \$4.9 billion was used. Of this, only \$2.4 billion was used for the government's COVID-19 response.

We saw no evidence that payments from the Treasurer's Advance were more than the relevant approvals.

Transparency and accountability

The Treasurer's Advance disclosures in the AFR are complete, accurate and fairly represent performance

Accountability for use of the Treasurer's Advances is achieved by disclosing details of payments to departments against these advances in the state's AFR for the year, and also in the subsequent Annual Appropriation Act.

DTF provided transparency in the AFR by separately disclosing if individual Treasurer's Advance items for 2019–20 were attributable to the government's COVID-19 response.

The payments shown in the AFR against individual Treasurer's Advances reflects advice from departments to DTF on the amounts that they actually drew down. DTF compares aggregate information relating to departments' drawdowns to relevant aggregate information entered by departments in the State Resource Information Management System (SRIMS), which is the state's central ledger system, to check if they match in aggregate.

Departments' chief finance officers provide a separate attestation to DTF to confirm that all amounts included in SRIMS are consistent with their audited accounts. However, departments' accounts do not typically include separate disclosures that show the actual amounts spent against Treasurer's Advances.

According to the RMF, **SRIMS** supports DTF in its 'head office' role to provide the government with financial and performance information from departments and agencies. This information supports whole-of-government decision-making and accountability obligations.

In terms of actual expenditure:

- DTF does not seek confirmation from departments on their actual spending or commitments against individual Treasurer's Advance approvals
- departments disclose the total amount approved for all Treasurer's Advances as part of a note on compliance with annual parliamentary and special appropriations in their audited financial reports. However, they do not separately disclose their actual expenditure against Treasurer's Advances either individually or in aggregate.

Our limited assurance review did not extend to verifying that the funds reported as drawn down by departments were actually expended.

Departments could enhance transparency around Treasurer's Advance expenditure if their financial reports included separate disclosures on the amounts they spent against Treasurer's Advance initiatives.

This would also provide greater assurance that the amounts reported as drawn down were actually expended in the financial year. This is important because the Treasurer's Advance authority lapses at the end of each year and unused amounts cannot be carried forward.

Recommendations

We recommend that:

Response

Department of Treasury and Finance	1. updates the Resource Management Framework to: <ul style="list-style-type: none">• acknowledge that Treasurer's Advance funding approvals can initiate from multiple funding request pathways• clarify what mandatory information is required with each funding request pathway• clarify the meaning of urgent and unforeseen in relation to requests for Treasurer's Advance funding	Accepted
	2. assesses whether all funding requests to be met with the Treasurer's Advance meet the mandatory requirements in the Resource Management Framework	Accepted
	3. discloses both the final in principle approval and drawn down values of Treasurer's Advances in the state's annual financial report	Not Accepted
	4. updates the Model Financial Report for Victorian Government Departments to require departments to separately disclose their actual expenditure against each approved Treasurer's Advance in their audited annual financial report.	Accepted

1.

Context for this review

Appropriation Acts give the Treasurer the legal authority to make payments from the state's Consolidated Fund.

An amount for the Treasurer's Advance is authorised in each annual Appropriation Act. This advance gives the government the necessary flexibility to meet funding needs that were not (or not fully) provided for when departments' annual appropriation authorities were set.

The unused balance of the advances approved for departments lapses at year end.

This chapter provides essential background information about:

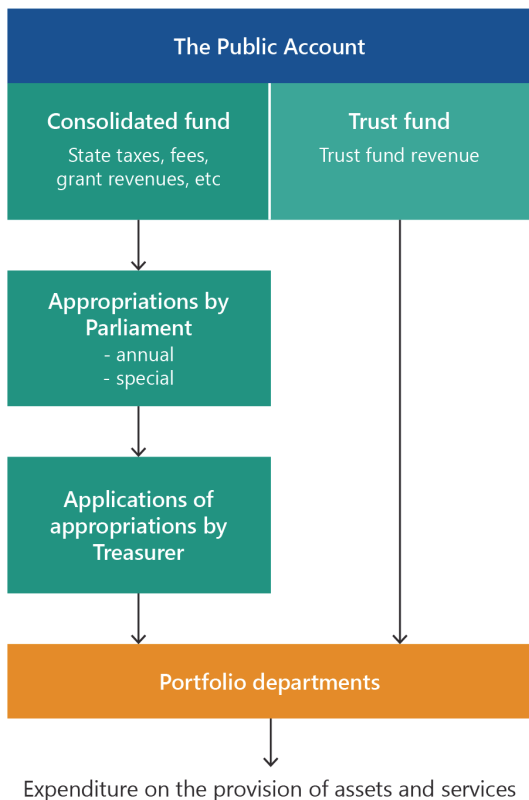
- The legal framework for public finances
 - The process requirements for Treasurer's Advance applications and approvals, including roles and responsibilities
 - Our review objectives and approach
-

1.1 The legal framework that governs public finances

The *Constitution Act 1975*, annual Appropriation Acts and FMA provide the legislative framework for administering public finances, including the government's financial management and accountability obligations.

Figure 1A summarises the public finance and appropriations framework established by these Acts in Victoria.

FIGURE 1A: **Public finance and appropriations framework in Victoria**



Source: VAGO.

Constitution Act 1975

The *Constitution Act 1975* outlines the framework that Parliament must operate within. It also includes important financial provisions that establish Parliament's role in controlling public finances. In particular, that:

'... all taxes, imposts, rates and duties and all territorial casual and other revenues of the Crown in right of the State of Victoria (including royalties) which the Parliament has power to appropriate shall form one Consolidated Revenue ...'.

The Act also states that:

- this revenue can only be appropriated for specific purposes that Parliament directs through legislation
- the government cannot issue money from the consolidated fund unless authorised by warrants approved by the Governor.

With the FMA's complementary requirement, these provisions establish further constitutional control over the government's expenditure of consolidated revenue.

The Treasurer must prepare warrants, which are examined by the Auditor-General, to access money from the Consolidated Fund. These warrants determine if the requested funds are legally available. The Governor reviews and approves endorsed warrants.

The **Consolidated Fund** is the account that all consolidated revenue is paid into.

Annual Appropriation Acts

The annual Appropriation Acts enable Parliament to exercise control over state finances by allocating public money to departments and the Treasurer.

The Appropriation Acts give the Treasurer the authority to issue funds from the Consolidated Fund for departments to:

- provide outputs, which involves producing or acquiring goods and services
- add to the net asset base, which involves acquiring or constructing assets or injecting capital funding
- make payments on behalf of the state, including transfer payments, central financing costs and other expenditure that is not directly related to the state's purchase of goods and services.

Transfer payments are payments, such as grants or subsidies, to third parties outside of government for which no goods or services are provided in return.

Appropriations are provided on an accrual basis and cover all costs incurred in providing services.

Appropriation amounts must be within the upper limits of authority specified for each department's appropriation. The Treasurer cannot exceed these limits without Parliament's authority.

Contingencies

Appropriation amounts may include contingency provisions. DTF manages central contingency funding for future expenditure to support:

- service growth
- new initiatives in future budgets
- cost pressures on capital projects
- urgent and unforeseen expenditure.

The Appropriation Acts also give the Treasurer the authority to issue:

- additional money out of the Consolidated Fund to meet increased salary and related costs that arise from legislation or determinations if departments' annual appropriations are insufficient to meet these costs
- funds from the Treasurer's Advance to meet departments' urgent claims for funding in excess of what the annual Appropriation Act authorises.

The Treasurer's Advance

The appropriations schedule in the Annual Appropriation Acts includes a specific appropriation called the Treasurer's Advance, which is made available to the Treasurer as part of DTF's appropriation. The Treasurer's Advance enables the Treasurer 'to meet urgent claims that may arise before Parliamentary sanction is obtained, which will afterwards be submitted for Parliamentary authority'.

Parliamentary sanction, or approval, for Treasurer's Advance expenditure is obtained through tabling the subsequent financial year's annual Appropriation Bill. This bill includes a schedule with all payments made against the Treasurer's Advance in the previous financial year. Payments made against the Treasurer's Advance are also disclosed in the state's AFR.

The Treasurer's Advance gives the government the necessary flexibility to meet funding needs that were not (or not fully) provided for when the annual appropriation authorities for departments were set.

The number and value of Treasurer's Advances approved each year varies depending on the extent of urgent and unplanned for spending by departments.

Figure 1B shows the amounts advanced to the Treasurer under the annual Appropriation Acts since 2014–15. It also shows the aggregate of Treasurer's Advance payments to departments as disclosed in the state's AFR.

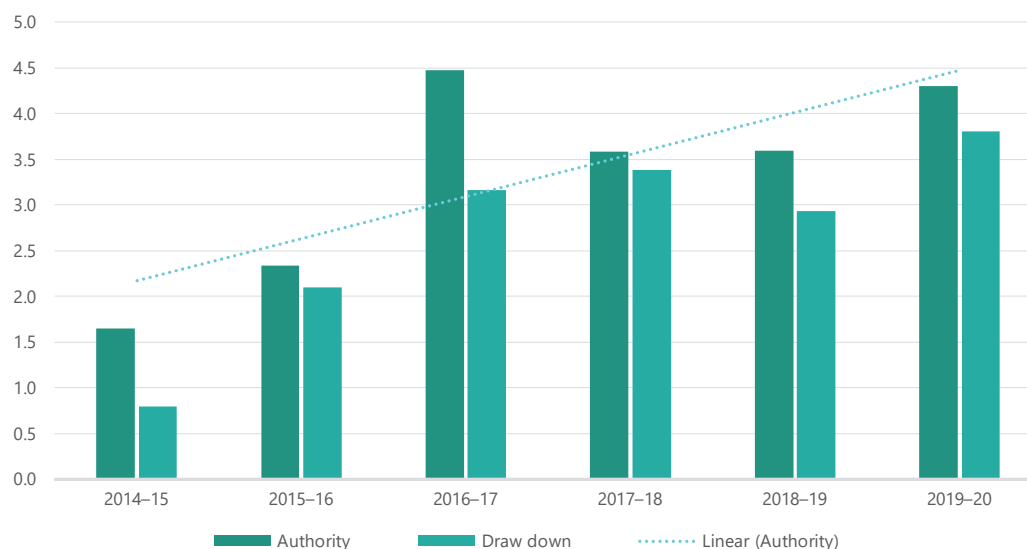
FIGURE 1B: **Treasurer's Advance authority and payments 2014–15 to 2019–20**

Financial year	Authority for Treasurer's Advance (\$ million)	Authority as proportion of total appropriations (per cent)	Payments to departments (\$ million)	Payments as proportion of total appropriations (per cent)
2014–15	681.1	1.65	325.5	0.79
2015–16	991.2	2.34	892.8	2.10
2016–17	2 219.4	4.47	1 571.2	3.16
2017–18	1 966.9	3.58	1 861.3	3.38
2018–19	2 148.5	3.59	1 753.7	2.93
2019–20:				
<i>Appropriation (2019–2020) Act</i> 2019—non-COVID-19 Treasurer's Advances	2 806.4	4.30	2 475.2	3.80
<i>Appropriation (Interim Act) 2020—</i> COVID-19 Treasurer's Advances	10 000.0	27.73	2 423.7	6.72

Source: VAGO, based on relevant annual Appropriation Acts and the State of Victoria's AFRs.

Figure 1C shows that the value of Treasurer's Advances has increased as a proportion of total appropriations since 2014–15.

FIGURE 1C: **The Treasurer's Advance as a percentage of annual appropriations**



Note: The data for 2019–20 does not include the Treasurer's Advance authority for COVID-19-related purposes authorised in the *Appropriation (Interim Act) 2020* because this was a response to unusual circumstances.

Source: VAGO, using data extracted from the annual Appropriation Acts and the State of Victoria's AFRs.

Financial Management Act 1994

The FMA requires the government, departments and public bodies to soundly manage and be accountable for public sector financial resources. The FMA establishes:

- a framework for the government to budget, collect, spend and manage public money and other public resources
- a requirement for the government to table Budget Papers in Parliament as supplementary information to support the annual Appropriation Acts
- financial accountability responsibilities for the government and individual public sector agencies relating to administering and managing public resources.

The FMA's budget-management provisions do not deal with the Treasurer's Advance. However, they do include provisions that enable the government to make temporary advances to meet urgent claims.

Temporary advances

Section 35 of the FMA permits the Treasurer to make temporary advances—distinct from Treasurer's Advances under the Appropriation Acts—to meet urgent funding claims before obtaining parliamentary sanction. Total advances approved by the Treasurer under section 35 cannot exceed 0.5 per cent of the total amount appropriated by the annual Appropriation Act for each financial year.

These temporary advances are loans. In this respect they differ from Treasurer's Advances because all money advanced under section 35 must be paid back into the Public Account immediately once parliamentary sanction is obtained. In 2019–20, \$325.3 million was available under this provision.

The state's AFR for the year and the annual Appropriation Act for the subsequent year, which disclose the details of temporary advances, provide accountability for advances made by the Treasurer under section 35.

The Resource Management Framework

DTF issues the RMF to help departments understand and apply the legal and policy framework that underpins public sector resource management, budgeting and reporting processes.

The RMF is mandated for departments by the Assistant Treasurer's *Standing Directions 2018 under the Financial Management Act 1994*. These directions include mandatory requirements and guidance for departments on matters relating to the department funding model, objectives and outputs, appropriation funding, trust accounts, carryovers, reporting and other matters, including requests for the Treasurer's Advance.

Departments' accountable officers must attest to their compliance with the RMF's mandatory requirements as part of their annual compliance attestation against Victoria's financial management compliance obligations.

As defined in section 42 of the FMA, **accountable officers** are public sector bodies' department heads and chief executive officers.

1.2 Treasurer's Advance application and approval process and related roles and responsibilities

Neither the Appropriation Acts nor the FMA specify any processes or requirements for accessing the Treasurer's Advance.

The RMF outlines the mandatory requirements for requesting a Treasurer's Advance when a minister is requesting budget supplementation directly from the Treasurer. It also describes DTF's role in assessing these requests and the Treasurer's role in approving them.

DTF advised that the RMF requirements do not apply to ministerial submissions to Cabinet and its committees. While there are prescribed templates and guides for ministerial submissions issued by the Cabinet Secretariat and DTF, these submissions can take many forms and can be based on what ministers consider appropriate for decision making. Many of these decisions would ultimately involve the use of the Treasurer's Advance.

The RMF's application pathway and requirements

The RMF states that:

- a minister may submit a letter of request to the Treasurer to apply for budget supplementation from the Treasurer's Advance
- DTF assesses each request and provides advice to the Treasurer
- the Treasurer determines whether to fund the request or not

- the Treasurer's Advance may be applied to output or asset funding requests. This is determined by the Treasurer, who is informed by advice from DTF
- additional warrant authority, beyond that included in the warrant for the relevant budget, is not required to access the Treasurer's Advance.

The RMF also states that the Treasurer's Advance capacity is limited to the amount specified in the Appropriation Act. Due to this, the Treasurer only initially provides 'in-principle' approval for successful funding requests. DTF then reviews the final source of funding and confirms it with the Treasurer towards the end of the financial year. DTF considers the total capacity of the Treasurer's Advance and other available sources of departmental appropriation authority during this review.

As Figure 1D shows, the RMF requires Treasurer's Advance applicants to submit a documented request that contains specified minimum information, including the reasons for the request and if it is urgent and unforeseen.

FIGURE 1D: RMF mandatory information requirements

Managing requests for the Treasurer's Advance

When a department intends to request access to the Treasurer's Advance its accountable officer must ensure that the request is discussed with DTF, including the amount of funding sought, before preparing any correspondence for the request.

The relevant minister must then submit a letter to the Treasurer that includes:

- the reasons for the funding request, including whether the request is urgent and unforeseen
- the amount of the funding sought
- confirmation that there are no other sources available to fund the request
- how the funding request aligns with the government's objectives
- adjustments to output and financial performance targets arising from the request
- funding variations previously approved by the Treasurer or the relevant Cabinet committee for the program or output seeking the advance.

Reporting on Treasurer's Advance expenditure

Departments must report all expenses and obligations that they applied a Treasurer's Advance to in the financial year that the advance was made in.

Restrictions on the Treasurer's Advance

Any unapplied component of a Treasurer's Advance lapses at the end of the year. Accountable officers are not permitted to carry over a Treasurer's Advance to the following year.

Source: The RMF effective from 1 July 2019.

The RMF also includes non-mandatory requirements for DTF and the Treasurer on assessing, determining and advising departments on Treasurer's Advance requests.

Application and approval process

The RMF outlines a clear process for submitting, assessing and determining ministerial Treasurer's Advance requests.

The requests that specifically seek access to the Treasurer's Advance in the first instance are typically for funding responses to unforeseen events. This could include natural disasters and public health or other emergencies that require government interventions, and other urgent funding needs that were not foreseen when setting departmental budgets.

However, not all requests that the Treasurer's Advance funds follow the processes described in the RMF. This is because ministers also submit requests for funding without first identifying an appropriation source. Such requests may be for:

- supplementary funding for existing activities
- new funding for new initiatives
- accessing funds held by DTF in contingency, which typically represent amounts that the government has approved but not released in previous funding decisions. Departments need to apply to justify releasing these funds.

The government considers and approves these funding requests with supporting advice from DTF as part of its usual decision-making processes. The Treasurer's Advance is identified as the source of funding after the event.

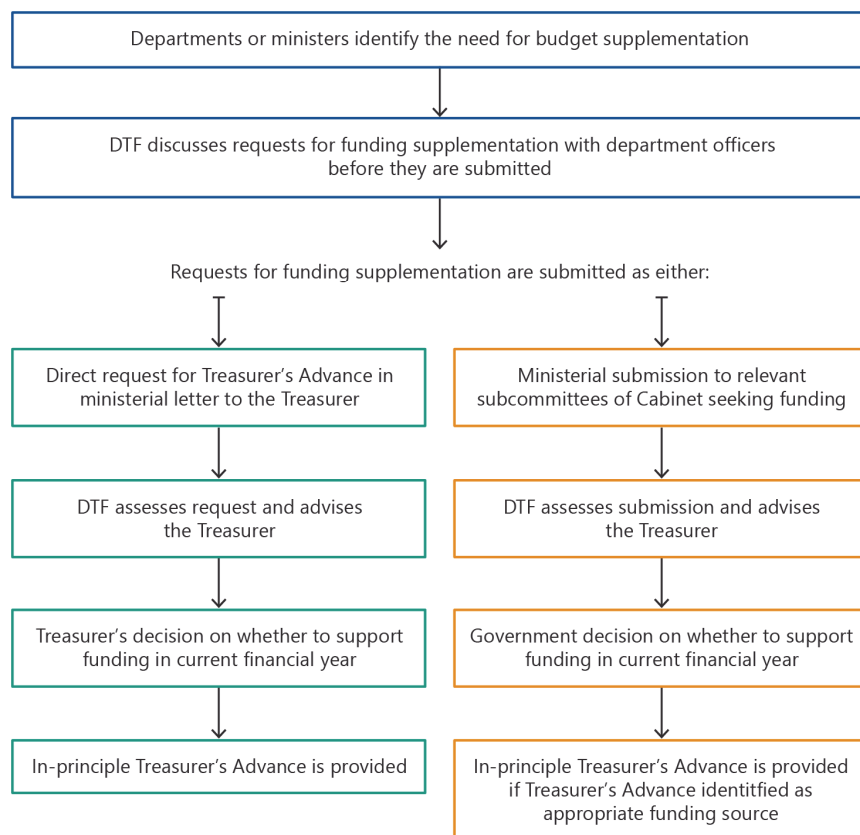
Initial in-principle approval

Because Treasurer's Advance capacity is limited to the amount specified in the annual Appropriation Act, the Treasurer only initially approves successful funding requests in principle.

Figure 1E shows the initial 'in principle' approval stage of the Treasurer's Advance application and approval process as it is applied in practice. This stage applies to:

- funding requests that are designated as requests for the Treasurer's Advance from the outset and follow the process set out in the RMF
- general funding requests that are met from the Treasurer's Advance but do not follow the process set out in the RMF.

FIGURE 1E: **Initial in-principle approval stage**



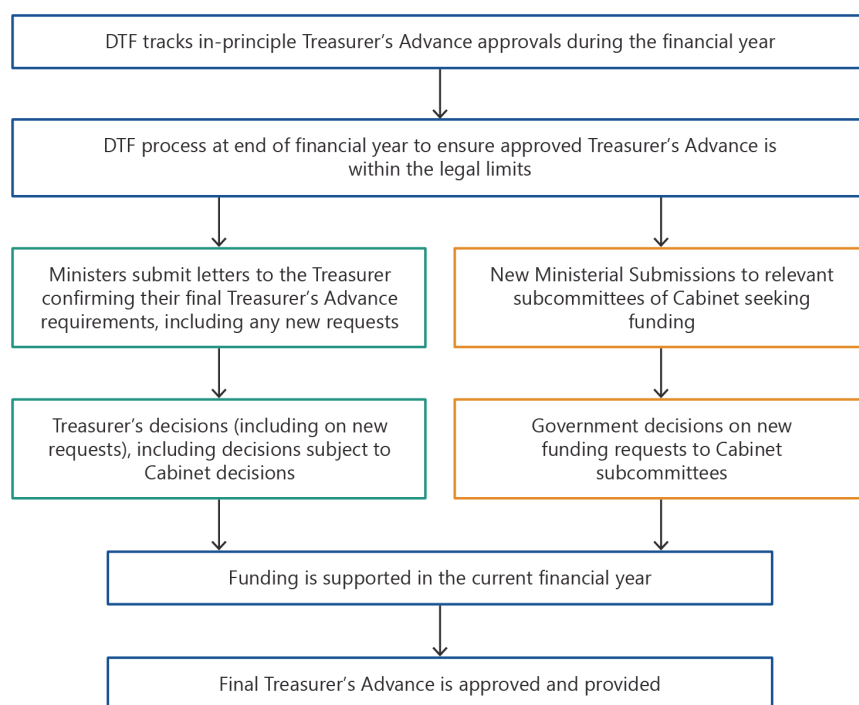
Source: VAGO, based on information provided by DTF.

DTF records decisions on the Treasurer's in-principle approvals of Treasurer's Advance requests and the government's funding decisions. The Treasurer writes to the relevant Minister on the in-principle outcome of direct requests for Treasurer's Advances.

Final in-principle approval

As Figure 1F shows, DTF reviews the final funding source and the Treasurer confirms it after the end of the financial year. DTF and the Treasurer consider the total Treasurer's Advance capacity and other available funding sources through departmental appropriation authority during this stage.

FIGURE 1F: **Final in-principle approval stage**



Source: VAGO, based on information provided by DTF.

DTF advised that this final approval stage remains in-principle and represents the upper limit of funding available until departments confirm their final drawdowns against each Treasurer's Advance. It is these final drawn down, or payment, amounts against each Treasurer's Advance that are disclosed in the state's AFR and are approved by the Treasurer. The final amount drawn down is the final amount approved for each Treasurer's Advance.

Special circumstances that impacted the Treasurer's Advance process during the 2020 COVID-19 pandemic

Special circumstances applied during 2019–20 because the Treasurer's Advance was available through two different Appropriation Acts:

- the *Appropriation (2019–2020) Act 2019*, which allocated \$2.8 billion in Treasurer's Advances to meet urgent funding requests from departments and agencies in 2019–20 before the COVID-19 pandemic emerged in early 2020
- the *Appropriation (Interim) Act 2020*, which authorised a further \$10 billion in Treasurer's Advances in 2019–20, largely intended to respond to the COVID-19 pandemic.

In addition, several government decisions were still to be made in late June 2020 when DTF was preparing the year-end brief to the Treasurer on Treasurer's Advance funding. This meant that DTF needed to ensure that its recommendations to the

Treasurer included the amounts subject to further government decisions and that total amounts remained within the available Treasurer's Advance capacity under each authority.

Figure 1G shows the Treasurer's Advance and other amounts authorised and allocated for 2019–20. In this review we focused on the Treasurer's Advance.

FIGURE 1G: **Treasurer's Advance and other funding: 2019–20**

	Authority available (\$ million)	Amounts allocated (\$ million)	Purpose
Treasurer's Advance in place pre-COVID-19 (per <i>Appropriation (2019–2020) Act 2019</i>)	2 806.4	2 475.2	Non-COVID-19 related
Additional Treasurer's Advance for COVID-19 responses (per <i>Appropriation (Interim) Act 2020</i>)	10 000.0	2 423.7	COVID-19 related
Funding available under section 35 of the FMA	325.3	287.3	Various
Total	13 131.7	5 186.2	

Source: VAGO, based on information provided by DTF.

We provide more detailed information on Treasurer's Advance funding applied for, approved and used in 2019–20 in Appendix D.

1.3 Review objective and approach

We undertook a limited assurance review engagement under section 20 of the *Audit Act 1994* to determine whether government departments met their legislative obligations when accessing emergency funding in 2019–20.

A review engagement provides meaningful assurance, but less assurance than an audit. Our review examined:

- the adequacy of the processes that departments used to request and gain access to the Treasurer's Advance for 2019–20
- evidence that those processes operated for selected advances, which represent over 59 per cent of the value of the 2019–20 approvals.

We provide more detail on our review in Appendix C.

2.

Application, assessment and approval

Conclusion

We found no evidence that the processes for accessing and allocating the Treasurer's Advance in 2019–20 were inconsistent with legislation.

Most Treasurer's Advances did not result from requests that specifically sought funding from the Treasurer's Advance.

While this is consistent with legislation, it means that the RMF's mandatory documentation requirements for Treasurer's Advance requests, including that they address if they are urgent and unforeseen, are not always made explicit. This does not mean that there is non-compliance with the RMF, but there would be benefits if all funding requests that are intended to be met from Treasurer's Advance are assessed against the RMF requirements.

This chapter discusses:

- The process for accessing the Treasurer's Advance and how it could be improved
 - DTF's assessments and advice to the Treasurer on the Treasurer's Advance in 2019–20
 - How DTF interpreted and applied the 'urgent' and 'unforeseen' criteria
-

2.1 Background

As discussed in Chapter 1, the FMA and Appropriation Acts do not specify any processes or requirements for accessing the Treasurer's Advance.

The RMF includes mandatory requirements for funding requests that specifically seek access to the Treasurer's Advance. It also describes DTF's and the Treasurer's role in assessing and approving these requests.

In this review we examined 33 funding requests that represented \$2.8 billion, or 58 per cent, of Treasurer's Advance payments in 2019–20.

For these advances, we sought evidence of:

- the initial funding requests, including funding requests that both specifically sought access to the Treasurer's Advance and funding requests that initially did not
- DTF's assessments and advice that supported the initial, or primary, funding decisions
- DTF's advice and the Treasurer's decisions on:
 - the initial in-principle Treasurer's Advance funding approvals in June and July 2020
 - the final in-principle Treasurer's Advance funding approvals in September 2020.

2.2 Funding request applications

The RMF's mandatory information requirements, which we outline in Figure 1D, only apply when a funding request specifically seeks access to the Treasurer's Advance from the Treasurer.

DTF advised us that in practice, Treasurer's Advance approvals arise from:

- budget decisions on general funding requests as part of Cabinet subcommittees' decision-making processes
- releasing centrally held contingencies that the government and/or the Treasurer can approve
- requests for Treasurer's Advances, which the Treasurer determines under the RMF process.

Budget decisions on general funding requests as part of Cabinet subcommittees' decision-making processes

DTF told us that general funding requests, or budget bids, are not required to identify an appropriation source and are assessed on their own policy merits. DTF scrutinises the costing and proposed phasing of expenditure, including whether requested funding is likely to be spent in the current year.

General funding requests that are met with the Treasurer's Advance but do not follow the RMF process can arise where departments require funding:

- for purposes that were anticipated but require funding over and above the appropriated amounts, which the government approved without specifying a funding source
- to implement new government-approved services or asset initiatives that were not provided for in the Appropriation Act but have financial implications in the current year
- to access contingency amounts provided for in previous funding decisions by the government, which is common for major capital projects. DTF controls a central pool of contingency funding
- to respond to unforeseen events, such as natural disasters and public health or other emergencies that require government interventions.

Once the government agrees to provide additional funding to a department in the current year, it is assumed that this will be funded from the Treasurer's Advance unless a more appropriate funding source is identified.

Releasing centrally held contingencies

To request funds held in central contingency, ministers or departments must seek access to contingency funding that has been approved in a previous government decision.

While contingency funding requests still require approval by the Treasurer, they follow a simpler approval process. This process usually requires departments to demonstrate that they have met certain criteria before the funding is released.

DTF and/or the Treasurer may designate such funding releases as Treasurer's Advances.

Requests for Treasurer's Advances

DTF advised us that the RMF requirements for Treasurer's Advance requests are:

- intended to address requests for urgent and unforeseen funding needs that do not go through a government decision-making body, such as a Cabinet subcommittee, and are not related to centrally held contingencies
- not applicable for assessing budget bids that come through central government or requests to access funds held in central contingency.

Funding requests we examined

Twelve of the 33 Treasurer's Advance requests we examined followed the RMF process for Treasurer's Advance requests. The other 21 were general funding requests.

DTF was able to provide documentation and information to support all funding requests. This evidence clearly demonstrated that DTF assessed and advised on all requests and that general funding requests were considered by the government, with the Treasurer deciding on requests that specifically sought access to the Treasurer's Advance.

For the requests we examined that followed the RMF process, we noted exceptions where some requests did not explicitly address all of the mandatory information requirements set out in the RMF.

For example, the Minister for Energy, Environment and Climate Change's request for \$390 million in Treasurer's Advance funding to cover the Department of Environment, Land, Water and Planning (DELWP), Department of Jobs, Precincts and Regions (DJPR), Department of Health and Human Services (DHHS), Department of Justice and Community Safety's (DJCS) and portfolio entities expenditure incurred during the emergency response to the 2019–20 bushfire season did not meet all of the mandatory requirements for Treasurer's Advance applications. Specifically:

- the request letter did not include an explicit reason why the spending was urgent and unforeseen
- the letter did not directly reference or confirm that DELWP or the other departments and agencies had reviewed and exhausted other funding sources for the request
- the letter did not address any adjustments to output and financial performance targets arising from the request.

However, we accept that, in substance, DELWP established the urgency of the spending, which was the subject of this request. The request clearly referenced the challenging and unprecedented bushfire season and DELWP's role in responding to the state of disaster declared between 3 January and 11 January 2020.

DELWP asserted that the spending had already occurred as part of its immediate and direct responses to the bushfires. We also accept that the 'unforeseen' element was satisfied due to the significance of the bushfire events and related expenditure.

DTF advised us that DELWP discussed the lack of alternative funding sources with it before formally submitting the request.

COVID-19 funding requests that did not follow the RMF process

A number of the 21 general funding requests we examined that did not follow the RMF process were for government responses to COVID-19. These significant requests, which included the Business Support Fund and funding for the hotel quarantine program, were initially considered and approved by the government and subsequently met by Treasurer's Advance approvals.

Our review confirmed that DTF assessed and made recommendations to the Treasurer on both the initial funding requests and subsequent Treasurer's Advance approvals. Appendix E contains our analysis of a selection of funding requests relating to the:

- Business Support Fund
- bushfire response and recovery
- COVID-19 emergency accommodation program that included hotel quarantine.

Improvement opportunities

The alternate funding request pathways for most Treasurer's Advances mean that key information requirements and criteria set out in the RMF are not always transparently established in funding applications or explicitly addressed in DTF's assessments and recommendations to the Treasurer.

DTF advised that the minister's request was consistent with the established process for funding fire and emergency response activities. Bushfire-related funding requests have been dealt with using Treasurer's Advance due to the underlying uncertainty over the duration and severity of bushfire seasons. The process involves DELWP tracking and reporting actual and estimated spend to DTF throughout a fire season and seeking a final Treasurer's Advance capturing these unanticipated costs, after fire suppression activities are complete. This process is intended to avoid delays in funding authorisation for the fire-fighting services.

It is reasonable to conclude that DTF designed and specified the RMF's mandatory requirements for direct ministerial requests to the Treasurer for the Treasurer's Advance to elicit information it considers important when assessing such requests and making recommendations to the Treasurer.

We found that most requests do not proceed through the RMF process, but are submitted to government and assessed by DTF and determined under the Cabinet decision-making process. The RMF requirements do not apply to these funding requests even if they are ultimately met from Treasurer's Advance.

In some cases, even requests that do follow the RMF process do not address mandatory information requirements. There are therefore opportunities for DTF to improve the process by:

- requiring departments to submit a formal request under the RMF process for all funding claims that are intended to be met by the Treasurer's Advance
- ensuring that it assesses the extent to which all funding requests that are expected to be met by the Treasurer's Advance explicitly address the RMF's mandatory requirements.

Initial in-principle Treasurer's Advance decisions and approvals were made throughout 2019-20 and finalised in June and July 2020 based on DTF's review of the available appropriation authority. The final in-principle approvals for all Treasurer's Advance requests were made in early September. There is therefore enough time available for these steps to occur in future. DTF advised us that departments already provide updates on all new and supplementary funding requests in June each year to inform DTF's advice on Treasurer's Advances.

DTF could implement these improvements by updating the RMF to:

- acknowledge that the Treasurer's Advance is used to meet funding requests that occur through multiple pathways
- clarify the RMF requirements and when they apply
- require DTF to assess if all funding requests that are proposed to be funded by the Treasurer's Advance meet the RMF's mandatory requirements and seek additional information from departments when necessary.

2.3 DTF's assessments and advice to the Treasurer

For the requests we examined, DTF provided evidence to support its assessments and advice to the Treasurer for the initial, or primary, funding decisions, including:

- its briefs to the Treasurer on requests that specifically sought Treasurer's Advance funding under the RMF process
- general funding requests that did not specifically seek access to the Treasurer's Advance and were determined by relevant government decision-making processes, such as Cabinet subcommittee deliberations.

DTF also provided evidence for its advice to the Treasurer for the initial and final in-principle approval stages for 2019-20 Treasurer's Advances.

For the requests we examined in this review that followed the RMF process, we noted some exceptions where DTF's assessments and advice to the Treasurer did not explicitly address all of the mandatory information requirements set out in the RMF.

Initial in-principle approvals

The funding available under the Treasurer's Advance is limited to the amount specified in the annual Appropriation Act. Given this, the Treasurer only initially provides in-principle approval for successful funding requests to retain flexibility to meet urgent claims that arise late in the financial year and ensure that the approved authority for the Treasurer's Advance is not exceeded.

There is clear evidence that DTF manages the Treasurer's Advance and requests for budget supplementation with knowledge of the budget situation, including the availability of appropriation funding, centrally controlled contingency allocations and the Treasurer's Advance.

DTF provided clear evidence of its advice to the Treasurer on the initial in-principle Treasurer's Advance funding approvals in June and July 2020. DTF's initial brief in late June 2020 indicated that the Treasurer had \$13 131.7 million in supplementary funding available consisting of:

- \$10 000 million in Treasurer's Advance authority under the *Appropriation (Interim) Act 2020* for the government's COVID-19 response
- \$2 806.4 million in Treasurer's Advance authority in the *Appropriation (2019–20) Act 2019*
- \$325.3 million in temporary advances allowed under section 35 of the FMA.

DTF also identified \$6 062.6 million of departments' budget supplementation requests in 2019–20, which included \$1 422.8 million of urgent new Treasurer's Advance requests.

DTF noted that its advice to the Treasurer was based on draft, rather than final, requests from several departments. It also stated that its recommendations to support funding for several requests were subject to future Crisis Council of Cabinet decisions or Treasurer's approvals based on separate briefs or the outcomes of Commonwealth funding requests.

DTF's initial brief in June 2020 recommended that the Treasurer approve \$6 027.3 million of total budget supplementation funding, including contingency releases, for 2019–20 sourced from:

- the Treasurer's Advance (\$5 332.1 million, including \$2 691.9 million for non-COVID-19-related responses and \$2 640.2 million for COVID-19 responses)
- unapplied appropriation funding (\$374.1 million)
- temporary advances under section 35 of the FMA (\$321.0 million).

The Treasurer approved DTF's recommendations on 30 June 2020.

DTF provided a further brief to the Treasurer in early July. This brief:

- recommended approving a further \$129.6 million in Treasurer's Advances for departments, including \$92.6 million for COVID-19 responses and \$36.9 million for other funding needs

- included a recommendation to confirm \$25 million of funding sought as part of the earlier June brief for additional operating and maintenance costs claimed by Metro Trains Melbourne, resulting from new metropolitan rail assets forming part of the rail network.

The Treasurer approved these recommendations from DTF on 13 July 2020.

In total, the Treasurer approved initial in principle Treasurer's Advances of \$5 436.7 million for 2019–20.

Final assessments and approvals

Departments provided updated advice on their final requirements and expected drawdowns of Treasurer's Advance funding for 2019–20 following DTF's final advice on initial in-principle approvals for Treasurer's Advances in July 2020. The Crisis Council of Cabinet and the Treasurer went on to make further funding decisions. Overall, these changes decreased the amount of funding required from the Treasurer's Advance.

In early September 2020, DTF briefed the Treasurer on the final position of the Treasurer's Advance for 2019–20. As part of this advice, DTF:

- recommended approving an additional \$2.7 million in final Treasurer's Advance funding
- recommended approving some reclassifications of Treasurer's Advances as COVID-19 responses and non-COVID-19 responses
- recommended that the Treasurer sign letters to ministers on the final outcomes of Treasurer's Advance funding requests, which approved a total of \$5 328.9 million of Treasurer's Advances in aggregate for 2019–20
- indicated that departments were expected to draw down a total of \$4 898.9 million in Treasurer's Advance in 2019–20, with \$2 423.7 million relating to the state's COVID-19 response and \$2 475.2 million for non-COVID-19 initiatives.

The Treasurer approved the final in principle Treasurer's Advance amounts that DTF recommended and provided letters to ministers on 3 September 2020, which confirmed the amounts for all funding requests met by the Treasurer's Advance in 2019–20.

2.4 Urgent and unforeseen claims

While the Appropriation Acts indicate that the Treasurer's Advance should be used to meet urgent claims, they make no reference to 'unforeseen' claims. The RMF introduces the concept of 'unforeseen' in relation to the Treasurer's Advance.

We found that few funding requests that are met by the Treasurer's Advance and few DTF briefs on these requests explicitly address the criteria of urgent and unforeseen because:

- most funding requests that end up being met by Treasurer's Advance are submitted as general funding requests and not as direct requests for Treasurer's Advances. The RMF requirements do not apply to general funding requests.

- DTF interprets the urgency criteria as satisfied if there is no alternative appropriation funding available.

Urgency criteria

DTF advised us that its interpretation of urgency is consistent with longstanding practice for Treasurer's Advance use. This is because after the Annual Appropriations Act is passed:

- irrespective of the literal meaning of 'urgent', urgency in practice relates to any additional funding the government approves that is over and above the amounts appropriated for departments
- once the government approves additional funding for a department in the current financial year, it is funded from the Treasurer's Advance because that is the relevant provision in the annual Appropriation Act for such decisions, unless there is an obvious alternative funding source identified by departments or DTF, such as special appropriations, unused appropriations, or prior year surpluses.

DTF's practice of referring to the purpose of the Treasurer's Advance that the Annual Appropriation Acts describe, which is '... to meet urgent claims that may arise before Parliamentary sanction is obtained', instead of applying a literal definition of urgent when assessing requests is appropriate.

DTF advised us that in this context, parliamentary sanction refers to a future appropriation bill, which means that the funding pressure cannot wait until then and must be dealt with in the current financial year.

This means that only funding requests that specifically seek access to the Treasurer's Advance under the RMF process need to explicitly establish their urgency.

For the funding requests we examined, DTF's advice did not typically explicitly address the urgency of the funding request at the initial approval stage, even where it was an RMF request.

However, DTF did address urgency in its advice to the Treasurer on the final requirements and requests for Treasurer's Advances in June 2020. Specifically, DTF advised that not supporting the recommended Treasurer's Advance allocations would result in departments having spent appropriated funds without authority, which breaches section 90 of the *Constitution Act 1975* and section 3 of the Appropriation Act. These sections stipulate that funds cannot be drawn from the Consolidated Fund without the appropriate authority.

We also saw examples where DTF did not support providing Treasurer's Advance for funding requests on the grounds that the planned expenditure was not regarded as urgent or unforeseen.

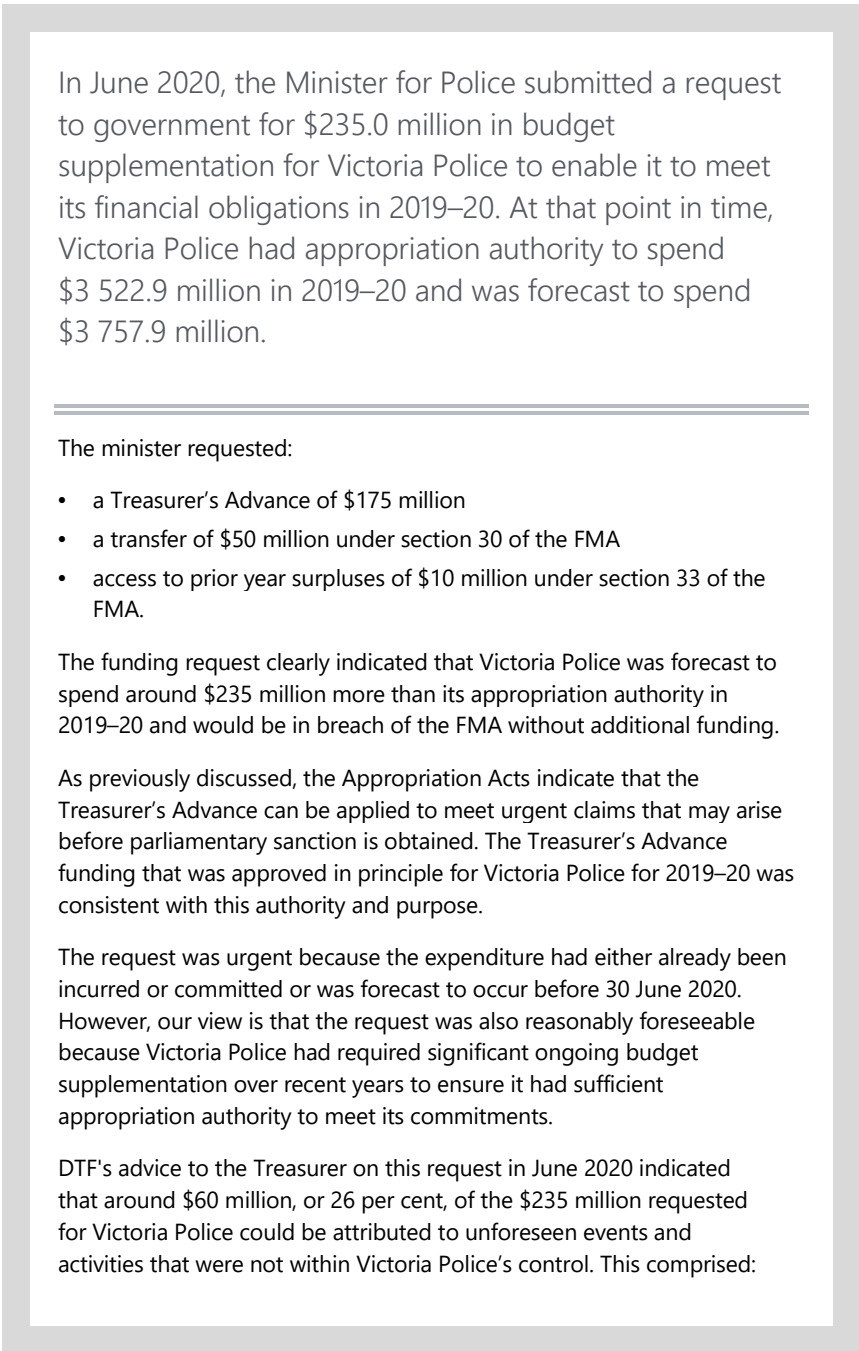
Unforeseen criteria

DTF advised us that in the context of assessing requests for Treasurer's Advance, 'unforeseen' is interpreted to mean that an item was not included in an appropriation bill in that year, irrespective of the reason for exclusion. 'Unforeseen' is not defined by what government should have known about an issue at the time of making a decision, or when the Treasurer approves a Treasurer's Advance.

In our review, we identified instances where the Treasurer’s Advance has been used to fund expenditure that recurs year after year. For example, to provide additional funding for Victoria Police to address budget shortfalls.

Figure 2A provides more detail on this issue in relation to the Treasurer’s Advance provided to Victoria Police in 2019–20 to support its operations.

FIGURE 2A: **Victoria Police case study**



Section 30 of the FMA allows transfers between items of departments’ appropriation where the amount to be transferred is not required for the purposes of that item and can be assigned for another purpose where access to funds is insufficient.

- \$38.9 million for its involvement in and response to the Royal Commission into the Management of Police Informants
- \$10.8 million for COVID-19 response costs
- \$10.4 million for its involvement in responding to the 2019–20 bushfire season.

DTF indicated that Victoria Police also faced unavoidable cost pressures relating to unfunded progression payments to officers, long service leave costs from previous enterprise bargaining agreements and WorkCover premiums.

DTF assessed that other cost pressures related to either business as usual expenses, or expenses driven by actions and decision-making within Victoria Police, such as:

- accommodation and leasing costs
- utility costs
- costs arising from recruiting more personnel than its funded staffing profile.

DTF indicated that external reviews of Victoria Police's expenditure in 2017 and 2020 had identified significant ongoing budget challenges resulting largely from staffing and resource allocation issues.

DTF supported the minister's Treasurer's Advance application, but noted that Victoria Police did not have a sufficient balance in prior year surpluses under section 33 of the FMA to support the \$10 million of funding requested from that source. Given this, DTF recommended and the Treasurer approved a Treasurer's Advance of \$185 million rather than \$175 million.

DTF indicated that other funding sources may become available as part of the end of year process, which would reduce the final Treasurer's Advance amount that Victoria Police required. DTF also stated that it is having ongoing discussions with Victoria Police on its financial sustainability and that savings and reform initiatives would be presented to the government in a future financial sustainability submission.

In September 2020, DTF confirmed and the Treasurer approved and advised the relevant minister on a final in-principle Treasurer's Advance authority of \$185.0 million for Victoria Police for 2019–20. Victoria Police drew down \$175.2 million.

Source: VAGO, based on information from DTF.

We also identified Treasurer's Advances that were approved for spending described as 'scheduled asset replacement' or depreciation funding that would seem foreseeable given the clear and long-standing requirements for asset management in the Victorian public sector.

It is acknowledged that there may be good and valid reasons for holding funding back from an agency until such time that its required. It would be beneficial for DTF to undertake an annual review of the nature of expenditure that the Treasurer's Advance supports to identify opportunities to minimise the use of Treasurer's Advances for reasonably foreseeable spending, and to monitor and advise on underlying budgeting, financial management or cost pressures that may contribute to such requests.

3.

Transparency and accountability

Conclusion

The Treasurer's Advance disclosures in the state's *Annual Financial Report* for 2019–20 are complete, accurate and fairly presented.

DTF enhanced transparency and accountability by disclosing if individual Treasurer's Advance items for 2019–20 were attributable to government COVID-19 responses.

Agencies could further enhance transparency by disclosing the amounts they spend against each approval in their financial reports.

This chapter discusses:

- A summary of Treasurer's Advances approved in 2019–20
 - Reporting on the use of the advance
-

3.1 2019–20 Treasurer's Advances

The State of Victoria's AFR discloses payments made against the Treasurer's Advance during that financial year. The Annual Appropriation Act for the following financial year also discloses these payments.

Figures 3A and 3B summarise the outcomes of departments' COVID-19-related and non-COVID-19 requests to access the Treasurer's Advance during 2019–20.

FIGURE 3A: **Summary of COVID-19-related Treasurer's Advance requests in 2019–20**

Department	Requested (\$ 000)	Alternate funds (\$ 000)	Treasurer's approval (\$ 000)	Drawn down (\$ 000)	Unused (\$ 000)
Courts	4 311	0	4 311	1 504	2 807
Education and Training	95 240	5 000	90 240	88 975	1 265
Environment, Land, Water and Planning	17 904	0	16 404	16 104	300
Health and Human Services	1 005 622	0	1 005 622	886 672	118 950
Jobs, Precincts and Regions	1 186 343	500	1 167 091	1 134 302	32 789
Justice and Community Safety	22 160	0	20 880	15 650	5 230
Premier and Cabinet	20 783	0	20 783	20 110	673
Transport	243 301	0	242 390	234 720	7 670
Treasury and Finance	43 300	0	43 300	25 690	17 610
Total	2 638 964	5 500	2 611 021	2 423 727	187 294

Note: Some figure totals may not add up due to rounding.

Note: Unused departmental Treasurer's Advance funding lapses and cannot be carried over into the subsequent financial year.

Note: The amounts shown for 'requested' are sourced from DTF's briefings to the Treasurer on Treasurer's Advance at the end of the financial year and so may differ from the initial requests made earlier in the financial year. The approval amounts are sourced from the Treasurer's final in-principle approvals in September 2020.

Source: VAGO, using data supplied by DTF.

FIGURE 3B: **Summary of non-COVID-19 Treasurer's Advance requests in 2019–20**

Department	Requested (\$ 000)	Alternate funds (\$ 000)	Treasurer's approval (\$ 000)	Drawn down (\$ 000)	Unused (\$ 000)
Courts	9 671	0	9 671	9 439	232
Education and Training	478 172	225 769	252 403	250 978	1 425
Environment, Land, Water and Planning	461 719	0	461 719	423 791	37 928
Health and Human Services	672 410	0	672 410	516 199	156 211
Jobs, Precincts and Regions	139 335	0	139 333	135 073	4 260
Justice and Community Safety	817 689	215 398	592 010	580 017	11 993
Parliament	5 263	0	5 263	4 909	354
Premier and Cabinet	97 381	0	97 381	85 793	11 588
Transport	631 658	158 246	469 609	451 516	18 093
Treasury and Finance	18 409	250	18 159	17 507	652
Total	3 331 707	599 663	2 717 959	2 475 224	242 735

Note: Some figure totals may not add up due to rounding.

Note: Unused departmental Treasurer's Advance funding lapses and cannot be carried over into the subsequent financial year.

Note: The amounts shown for 'requested' are sourced from DTF's briefings to the Treasurer on Treasurer's Advance at the end of the financial year and so may differ from the initial requests made earlier in the financial year. The approval amounts are sourced from the Treasurer's final in-principle approvals in September 2020.

Source: VAGO, using data supplied by DTF.

Figures 3A and 3B show that DTF initially explores if alternative funding sources are available when considering these requests. As a result, around 10 per cent of requests were funded from alternate sources.

These figures also demonstrate that the actual amounts reported as drawn down by departments in total were less than or equal to the Treasurer's final in principle approval.

3.2 Reporting on departments' use of Treasurer's Advances

In 2019–20, the 196 individual line items disclosed the AFR in notes 8.2.13 *Payments from advance to the Treasurer exclusive of those attributable to COVID-19 for the financial year ended 30 June* and 8.2.14 *Payments from advance to the Treasurer attributable to COVID-19 for the financial year ended 30 June* (pages 163–167) represent over 300 individual Treasurer's Advance decisions.

DTF merges or amalgamates related Treasurer's Advance requests for disclosure purposes. We reconciled evidence on individual Treasurer's Advance approvals for 2019–20 to relevant disclosures in the AFR and found no material issues.

Verifying the amounts drawn down and spent

The disclosure of payments against individual Treasurer's Advances in the state's AFR and Annual Appropriation Acts reflects advice from departments to DTF on the amounts that they actually drew down against approved Treasurer's Advances to the end of the relevant financial year.

DTF compares aggregate information relating to departments' drawdowns to relevant aggregate information entered by departments in the state's central ledger system SRIMS to check if they match in aggregate.

Departments' chief finance officers provide a separate attestation to DTF to confirm that all amounts included in SRIMS are consistent with their audited accounts.

However, DTF does not seek confirmation from departments on their actual spending against each advance.

Additionally, departments only disclose the total approval authority they receive for Treasurer's Advances as part of a note on compliance with annual parliamentary and special appropriations in their audited financial reports. They do not separately disclose their actual expenditure against Treasurer's Advances either individually or in aggregate.

Departments could further enhance transparency by including separate disclosures of the amounts they have spent against Treasurer's Advances in their financial reports.

APPENDIX A

Submissions and comments

We have consulted with DTF, Department of Education and Training (DET), DELWP, DHHS, DJCS, DJPR, Department of Transport (DoT), Department of Premier and Cabinet (DPC) and Victoria Police, and we considered their views when reaching our conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

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

Responses were received as follows:

DTF	33
DET	35
DELWP	36
DHHS	37
DJCS	38
DJPR	39
DoT	40
DPC	41
Victoria Police	42



Department of Treasury and Finance

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D20/230690

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

Dear Mr Greaves

**RESPONSE TO THE ASSURANCE REVIEW: ACCESSING EMERGENCY FUNDING
TO MEET URGENT CLAIMS**

Thank you for your letter of 30 October 2020 seeking my response to your Assurance review report *Accessing emergency funding to meet urgent claims* before its finalisation and transmission to Parliament.

I note the report concluded that there were no issues found from the review with respect to the Treasurer approving Treasurer's Advances in line with the requirements under legislation.

I also acknowledge the process and transparency improvement opportunities that have been identified through the specific recommendations made in the Report. I provide specific responses below as they all pertain to the Department of Treasury and Finance.

Recommendation	DTF Response
That the Department of Treasury and Finance: 1. updates the Resource Management Framework to: a. acknowledge that Treasurer's Advance funding approvals can initiate from multiple funding request pathways b. clarify what mandatory information is required with each funding request pathway c. clarify the meaning of urgent and unforeseen in relation to requests for Treasurer's Advance funding.	This recommendation is agreed.
2. assesses whether all funding requests to be met with the Treasurer's Advance meet the mandatory requirements in the Resource Management Framework	This recommendation is agreed.



Response provided by the Secretary, DTF—continued

<p>3. discloses both the final in principle approval and drawn down values of Treasurer's Advances in the state annual financial report</p>	<p>This recommendation is not agreed.</p> <p>DTF understands that the purpose of this recommendation is to publicly report that the Treasurer's in-principle approval of TAs does not exceed available authority. DTF notes that year-end TA approval processes are designed to ensure that total TA authorised for use is within the amount appropriated by Parliament. As such, DTF (in its advice to the Treasurer) would not recommend an amount which is higher than the legislative authority.</p> <p>DTF notes that the nature and purpose of the statutory TA disclosures in the State's annual financial report is to demonstrate compliance with legislation. In this context, it is the final drawdown of the TA that is the relevant disclosure, rather than the final in-principle approval provided as part of year-end processes. The proposed disclosure adds no substantive value in accountability against the application of legislative authority.</p>
<p>4. updates the Model Financial Report for Victorian Government Departments to require departments to separately disclose their actual expenditure against each approved Treasurer's Advance in their audited annual financial report.</p>	<p>This recommendation is agreed.</p>

While we do not agree with recommendation 3, we would support the introduction of additional audit procedures to your yearly audit of the State's financial report to confirm that year-end TA approvals do not exceed the available legislative authority.

I would also like to thank your staff for the collaborative approach taken during the review.

Yours sincerely



David Martine
Secretary

12 / 11 / 2020



Department of
Education and Training

Office of the Associate Secretary

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COR 2063597

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

Dear Mr Greaves

Proposed report: Accessing emergency funding to meet urgent claims

Thank you for your letter to the Secretary, Department of Education and Training (the Department) on 30 October 2020, and the opportunity to comment on the proposed report on *Accessing emergency funding to meet urgent claims*. The Secretary has asked that I respond to you on her behalf.

The Department is committed to adhering to strong processes and controls over access to emergency funding and ensuring accountability to Parliament and the community on the use of this funding. The Department has reviewed the proposed report, notes that none of the proposed actions are directed to the Department and as such, I confirm that we have no feedback to provide.

If your team would like to discuss this response further, please contact Cynthia Lahiff, Chief Financial Officer, Financial Services Division, Department of Education and Training, on 03 7022 2204 or by email via Cynthia.Lahiff@education.vic.gov.au

Yours sincerely

Tony Bates
Associate Secretary

9/11/2020

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





Department of Environment,
Land, Water and Planning

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

Ref: SEC014873



Dear Mr Greaves

**PROPOSED REPORT ON ASSURANCE REVIEW: ACCESSING EMERGENCY FUNDING TO
MEET URGENT CLAIMS**

Thank you for your correspondence of 30 October 2020 and the opportunity to comment on the proposed report on the above-mentioned assurance review.

The Department of Environment, Land, Water and Planning (DELWP) has reviewed the draft report and acknowledges its findings and recommendations. DELWP notes that the Department of Treasury and Finance (DTF) will respond to the recommendations.

While there are no specific recommendations for DELWP, the department is committed to implementing any actions arising from DTF's response to the recommendations.

Should you wish to discuss any matters further, please contact Xavier Hinckson, Executive Director, Finance, DELWP, on 0417 783 602 or email Xavier.Hinckson@delwp.vic.gov.au.

Yours sincerely

John Bradley
Secretary

10 / 11 / 2020

Any personal information about you or a third party in your correspondence will be protected under the provisions of the *Privacy and Data Protection Act 2014*. It will only be used or disclosed to appropriate Ministerial, Statutory Authority, or departmental staff in regard to the purpose for which it was provided, unless required or authorized by law. Enquiries about access to information about you held by the Department should be directed to foi.unit@delwp.vic.gov.au or FOI Unit, Department of Environment, Land, Water and Planning, PO Box 500, East Melbourne, Victoria 8002.





Secretary

Department of Health and Human Services

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BAC-BR-1468

Andrew Greaves
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Level 31, 35 Collins Street
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Via email: [REDACTED]

Dear Mr Greaves

Thank you for your letter of 30 October 2020 providing the Department of Health and Human Services with the Proposed report for the assurance review: *Accessing emergency funding to meet urgent claims*.

We welcome the assurance review process and accept the findings of the report. My department will work with the Department of Treasury and Finance to implement the recommendations of the report.

I would like to acknowledge and thank your staff for their work and the professional manner in which they engaged with departmental staff.

Yours sincerely

Kym Peake
Secretary

09/11/2020



OFFICIAL



Department of Justice and Community Safety

Secretary

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Mr Andrew Greaves
Auditor-General
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Dear Mr Greaves

Thank you for your letter of 30 October 2020 enclosing the Proposed Report on the Assurance review: *Accessing emergency funding to meet urgent claims*, and the invitation to provide a response.

I note that there are no recommendations that are the direct responsibility of the Department of Justice and Community Safety, but I welcome the opportunity to continue to work with the Department of Treasury and Finance as the government responds to the recommendations identified in this report.

Thank you again for providing me with a copy of this report.

Yours sincerely

Rebecca Falkingham
Secretary

12/11/2020





Department of Jobs, Precincts and Regions

Ref: CSEC-2-20-6231

GPO Box 4509
Melbourne,
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Telephone: +61 3 9651 9999
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Mr Andrew Greaves
Auditor-General of Victoria
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Greaves

VAGO's draft and proposed reports – Accessing Emergency Funding to Meet Urgent Claims

Thank you for your correspondence of 20 October and 30 October 2020, inviting the department to provide submissions or comments to be included in VAGO's draft and proposed reports on Accessing Emergency Funding to Meet Urgent Claims. The department concurs with VAGO's view that there should be strong processes and controls over access to the Treasurer's Advance and clear accountability to Parliament and the community on its use.

The department has reviewed the reports and our comments are enclosed. We note that the comments on the draft report were previously provided to VAGO, in draft, to assist with the preparation of the proposed report.

If you require further information, please contact Sri Indra, Chief Audit Executive on 8392 8865 or sri.indra@ecodev.vic.gov.au.

Yours sincerely

Penelope McKay
Associate Secretary

9 / 11 / 2020



Note: We considered and addressed DJPR's comments in the final report.



Department of Transport

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Ref: BSEC-1-20-4830R

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

Dear Mr Greaves

Victorian Auditor-General's Office - Proposed Report - Accessing Emergency Funding to Meet Urgent Claims

Thank you for your letter of 30 October 2020 and for providing the Department of Transport with an opportunity to provide feedback and comments on VAGO's limited assurance review proposed report titled 'Accessing Emergency Funding to Meet Urgent Claims'.

We appreciate the opportunity to participate in this audit and acknowledge the importance in providing Parliament and the public with information regarding whether the Department has met its legislative obligations regarding the Resource Management Framework, when accessing emergency funding.

The Department has reviewed the proposed report and has no specific feedback and comments. If you require further information, the nominated contact is Shaun Condon, Chief Financial Officer (shaun.condon@transport.vic.gov.au).

Yours sincerely


Paul Younis (DoT)
Secretary - Department of Transport

Date: 06/11/2020





Department of
Premier and Cabinet

1 Treasury Place
Melbourne, Victoria 3002 Australia
Telephone: 03 9651 5111
dpc.vic.gov.au

D20/158456

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

Dear Mr Greaves

I am writing in response to your proposed report on the Assurance Review: Accessing Emergency Funding to Meet Urgent Claims.

Thank you for the opportunity to comment on the proposed report. The Department of Premier and Cabinet (DPC) accepts and understands the basis of the recommendations contained in the report noting that the recommendations are directed to the Department of Treasury and Finance.

DPC will ensure it complies with the expected updates to the Resource Management Framework and the further disclosure of information requirements which are recommended in the proposed report.

If you require any further information, please contact Andrew Davis, Chief Financial Officer, DPC at andrew.davis@dpc.vic.gov.au.

Thank you again for providing the opportunity to comment.

Yours sincerely

Jeremi Moule
Secretary

09/11/2020

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





VICTORIA
POLICE FORCE

Shane Patton APM
Chief Commissioner of Police

Victoria Police Centre
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3008 Australia

Telephone +61 3 8335 6400

P.O. Box 913
Melbourne Victoria 3001 Australia

Our Ref: FF-186593

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
31/35 Collins Street
Melbourne VIC 3000

Dear Mr Greaves,

Victoria Police submission on Proposed Report on Assurance review: Accessing emergency funding to meet urgent claims.

Thank you for your correspondence dated 30 October 2020 inviting Victoria Police to provide a submission, or comment, on the *"Proposed Report on Assurance review: Accessing emergency funding to meet urgent claims"* (Proposed Report).

Thank you for incorporating aspects of Victoria Police's earlier feedback on the draft report excerpt provided to us.

Some aspects of our feedback were not incorporated, and it is important these be drawn to your attention.

I note that Victoria Police has lodged submissions for government consideration on key strategies designed to reduce cost or support organisational reform to support financial sustainability and has sought additional ongoing funding for some of the deficit drivers identified in the report including funding for long service leave and progression.

Victoria Police is actively pursuing strategies to ensure long term financial sustainability. These strategies include:

- completion of a detailed forensic financial audit of the organisation's historical and forecast budget deficits at ERC's request, which established multi-year financial forecasts agreed with DTF
- implementing a Financial Sustainability Program
- strengthening financial governance by establishing the Financial Sustainability Program Office and an internal Cost Control Board
- establishing the Financial Sustainability Advisory Board (FSAB). FSAB draws membership from senior executive officers of DPC, DTF, DJCS and Victoria Police and is independently chaired

Response provided by the Chief Commissioner, Victoria Police—continued

Victoria Police has been in ongoing discussions with DTF since 2017 regarding the level of supplementation provided and agrees that an adjustment to ongoing funding rather than seeking an annual Treasurer's Advance would be an appropriate outcome, whilst continuing the organisation's work on cost reduction and financial sustainability.

Thank you for the opportunity to comment on the Proposed Report.

Yours sincerely


Shane Patton APM
Chief Commissioner

9/11/2020

Cc: [REDACTED] Director, VAGO
[REDACTED] Senior Manager, VAGO
Mr David Butler, Executive Director, Governance & Assurance
Mr Byron Crawford, Executive Director, Financial Services (CFO)

APPENDIX B

Acronyms

Acronyms

AFR	Annual Financial Report (of the State of Victoria)
DET	Department of Education and Training
DELWP	Department of Environment, Land, Water and Planning
DHHS	Department of Health and Human Services
DJCS	Department of Justice and Community Safety
DJPR	Department of Jobs, Precincts and Regions
DoT	Department of Transport
DPC	Department of Premier and Cabinet
DTF	Department of Treasury and Finance
FMA	<i>Financial Management Act 1994</i>
RMF	Resource Management Framework
SRIMS	State Resource Information Management System
VAGO	Victorian Auditor-General's Office

APPENDIX C

About this assurance review

Review objectives, scope and approach

Who we reviewed	What we assessed	What the review cost
DET, DELWP, DHHS, DJCS, DJPR, DoT, DPC, DTF	We assessed whether applications by accountable officers to use the Treasurer's Advance and approvals to use the Treasurer's Advance (regardless of the source of the request) complied with the prescribed processes and were lawfully drawn down.	The review cost \$175 000, which includes preparation of this report.

We conducted this limited assurance review in accordance with the *Audit Act 1994* and Australian Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

A review is a limited assurance engagement that is less in scope than an audit conducted in accordance with Australian Auditing Standards. Consequently, it does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Our specific procedures included reviewing:

- whether DTF had comprehensive information to support its advice and recommendations on the initial and final in-principle approvals of all Treasurer's Advances in 2019–20
- all approved Treasurer's Advances over \$100 million for 2019–20. DTF was able to quickly provide evidence to support these Treasurer's Advances' applications, assessments and approvals and we examined this evidence for a sample of them
- a further sample of Treasurer's Advances below \$100 million to ensure coverage of all departments and different types of Treasurer's Advance purposes and funding decision pathways.

We also sought advice and explanations from DTF on the Treasurer's Advance process and controls and how it implements these for specific Treasurer's Advances.

APPENDIX D

Treasurer's Advance approvals for 2019–20

Figure D1 itemises departments' use of Treasurers Advances in their response to the COVID-19 pandemic. The most significant items in this list include:

- \$784.7 million for the Business Support Fund (DJPR)
- \$715.8 million (multiple items) for additional resources for health services and the health system for COVID-19 responses (DHHS)
- \$145.8 million to support the metropolitan public transport network and services (DoT)
- \$142.2 million to quarantine returning international travellers (DJPR)
- \$108.9 million for the Working for Victoria Fund (DJPR).

FIGURE D1: **Itemised requests for COVID-19-related Treasurer's Advances by entity**

Entity	Requested (\$)	Alternate funds (\$)	Treasurer's approval (\$)	Drawn down (\$)	Unused (\$)
Courts	4 311 000	0	4 311 000	1 504 419	2 806 581
Victorian Civil and Administrative Tribunal remote hearing services	4 311 000	0	4 311 000	1 504 419	2 806 581
Education and Training	95 240 000	5 000 000	90 240 000	88 975 354	1 264 646
COVID-safe training for hospitality businesses and local government	1 000 000	0	1 000 000	1 000 000	0
Kindergarten Viability during COVID-19	25 340 000	5 000 000	20 340 000	19 075 354	1 264 646

Entity	Requested (\$)	Alternate funds (\$)	Treasurer's approval (\$)	Drawn down (\$)	Unused (\$)
TAFE and Training sector COVID-19 Response and Viability	68 900 000	0	68 900 000	68 900 000	0
Environment, Land, Water and Planning	17 904 000	0	16 404 000	16 104 000	300 000
Delivery of Development Facilitation Initiatives to Support COVID-19 Recovery (VPA development facilitation)	8 600 000	0	8 600 000	8 600 000	0
Financial support—Alpine Resort Management Board	3 600 000	0	2 100 000	1 800 000	300 000
Financial support for Committees of Management	1 230 000	0	1 230 000	1 230 000	0
Financial support for portfolio entities	4 400 000	0	4 400 000	4 400 000	0
Targeted support for Victorians struggling with energy bills	74 000	0	74 000	74 000	0
Health and Human Services	1 005 621 649	0	1 005 621 649	886 671 507	118 950 141
Additional support for Victoria's mental health system	7 080 500	0	7 080 500	7 080 500	0
COVID-19 Response Extra funding boost for Victoria's health system*	296 059 000	0	296 059 000	282 643 556	13 415 444
COVID-19 support for people with disability	6 010 000	0	6 010 000	4 250 000	1 760 000
COVID-19 support for the children and families system	20 600 000	0	20 600 000	17 474 402	3 125 598
Elective surgery blitz	50 000 000	0	50 000 000	50 000 000	0
Emergency accommodation program	17 080 000	0	17 080 000	17 080 000	0
Food relief program	2 700 000	0	2 700 000	1 840 000	860 000
Health procurement and supply chain	3 400 000	0	3 400 000	3 400 000	0
Increase testing, tracing and response capacity*	33 595 914	0	33 595 914	33 195 914	400 000
Treasurer's Advances approved but not used	19 182 000	0	19 182 000	0	19 182 000
Peter Doherty Institute COVID- 19 Research	6 000 000	0	6 000 000	6 000 000	0
Rent relief scheme	30 527 000	0	30 527 000	30 527 000	0

Entity	Requested (\$)	Alternate funds (\$)	Treasurer's approval (\$)	Drawn down (\$)	Unused (\$)
COVID-19 Response Additional support for the health system with additional equipment and ICU capacity*	513 387 235	0	513 387 235	433 180 135	80 207 099
Jobs, Precincts and Regions	1 186 343 000	500 000	1 167 091 000	1 134 301 544	32 789 456
Economic Survival Package— Business Support Fund*	787 100 000	0	787 100 000	784 671 123	2 428 877
Economic Survival Package— Working for Victoria Fund	115 000 000		115 000 000	108 954 679	6 045 321
Emergency Accommodation Framework— additional funding for accommodation for family violence victim survivors and perpetrators	20 000 000	0	20 000 000	20 000 000	0
Emergency Support For Victoria's International Students	24 300 000	0	24 300 000	20 830 672	3 469 328
Experience Economy Survival Package	60 675 000	0	59 005 000	45 960 457	13 044 543
International Quarantine of Travellers*	167 118 000	0	150 036 000	142 234 614	7 801 386
Melbourne Convention and Exhibition Trust	11 650 000	0	11 650 000	11 650 000	0
Treasurer's Advance requests that did not proceed	500 000	500 000	0	0	0
Justice and Community Safety	22 160 000	0	20 880 000	15 650 060	5 229 940
Additional legal assistance services and ICT upgrades	9 180 000	0	9 180 000	9 179 996	4
Supporting people with disability in Victoria	900 000	0	900 000	614 878	285 122
Treasurer's Advance request that DTF did not support	1 280 000	0	0	0	0
Victoria Police COVID-19 Response*	10 800 000	0	10 800 000	5 855 186	4 944 814
Premier and Cabinet	20 783 367	0	20 783 367	20 110 474	672 893
Anzac Appeal, Legacy and Victorian Veterans Council	1 550 000	0	1 550 000	1 550 000	0
COVID-19 response— Multicultural and faith communities	2 516 000	0	2 516 000	2 240 087	275 913

Entity	Requested (\$)	Alternate funds (\$)	Treasurer's approval (\$)	Drawn down (\$)	Unused (\$)
COVID-19 response—Public Health Communications campaign	6 500 000	0	6 500 000	6 500 000	0
COVID-19 response—Victoria Together	850 000	0	850 000	453 457	396 453
COVID-19 response—Victoria Together (music component)*	721 000	0	721 000	721 000	0
Good Friday Appeal	8 560 000	0	8 560 000	8 559 563	437
Support for South Sudanese disadvantaged youth during COVID 19	86 367	0	86 367	86 367	0
Transport	243 301 000	0	242 390 000	234 719 865	7 670 135
Additional metropolitan and regional public transport cleaning costs	17 162 000	0	16 200 000	16 173 000	27 000
Treasurer's Advances approved but not used	1 230 000	0	1 230 000	0	1 230 000
Registration and licensing services resourcing	12 900 000	0	12 900 000	12 768 865	131 135
Rent relief supplementation	12 700 000	0	12 700 000	7 768 000	4 932 000
Support for the metropolitan public transport network and services	145 809 000	0	145 860 000	145 810 000	50 000
Support for public transport rail partnerships	26 500 000	0	26 500 000	25 200 000	1 300 000
Support for the regional public transport network and services	27 000 000	0	27 000 000	27 000 000	0
Treasury and Finance	43 300 000	0	43 300 000	25 690 206	17 609 794
Economic Survival Package—Implementation	300 000	0	300 000	300 000	0
Economic Survival Package—Refund of Liquor Licenses*	30 000 000	0	30 000 000	22 590 206	7 409 794
Cenitex to support remote working*	13 000 000	0	13 000 000	2 800 000	10 200 000
Grand Total	2 638 964 016	5 500 000	2 611 021 016	2 423 727 431	187 293 585

Note: *Indicates the requests we examined.

Note: Some totals may not add up due to rounding.

Note: The amounts shown for 'requested' are sourced from DTF's briefings to the Treasurer on Treasurer's Advance at the end of the financial year and so may differ from the initial requests made earlier in the financial year. The approval amounts are sourced from the Treasurer's final in-principle approvals in September 2020.

Note: Unused Treasurer's Advance funding lapses and cannot be carried over into the subsequent financial year.

Source: VAGO using data supplied by DTF.

Figure D2 itemises the non-COVID-19 purposes that the Treasurer's Advance was used for in 2019–20. The most significant items in this list include:

- \$660.897 million for bushfire responses (various agencies)
- \$336.831 million for the Level Crossing Removal Authority (DoT)
- \$121.284 million to support Victoria Police (DJCS)
- \$118.150 million for additional resources for health services (DHHS)
- \$112.638 million for essential maintenance and compliance in schools (DET).

FIGURE D2: **Itemised requests for non-COVID-19-related Treasurer's Advances by entity**

Entity	Requested (\$)	Alternate funds (\$)	Treasurer's approval (\$)	Drawn down (\$)	Unused (\$)
Courts	9 671 000	0	9 671 000	9 439 100	231 900
Aboriginal Justice Agreement Phase Four	1 508 000	0	1 508 000	1 385 620	122 380
Bourke Street Coronial Inquest	2 030 000	0	2 030 000	1 990 210	39 790
Judicial Commission of Victoria resourcing	1 700 000	0	1 700 000	1 635 205	64 795
Royal Commission into the Management of Police Informants	830 000	0	830 000	828 065	1 935
Additional depreciation equivalent funding following an asset revaluation*	3 603 000	0	3 603 000	3 600 000	3 000
Education and Training	478 171 792	225 768 866	252 402 926	250 977 926	1 425 000
Camps, Sports and Excursions Fund	37 583 000	1 000 000	36 583 000	36 183 000	400 000
English as an Additional Language	25 737 000	0	25 737 000	25 737 000	0
Kindergarten Enrolment Based Funding	3 404 000	0	3 404 000	2 379 000	1 025 000
Treasurer's Advance requests that did not proceed	193 639 792	193 639 792	0	0	0
School Enrolment Based Funding	74 041 000	0	74 041 000	74 041 000	0
Essential Maintenance and Compliance in schools*	143 767 000	31 129 074	112 637 926	112 637 926	0
Environment, Land, Water and Planning	461 718 529	0	461 718 529	423 790 984	37 927 545
Additional aviation resources for firefighting	14 133 000	0	14 133 000	14 133 000	0
Alpine Resorts—Southern Alpine Resort Management Board*	7 070 000	0	7 070 000	7 070 000	0

Entity	Requested (\$)	Alternate funds (\$)	Treasurer's approval (\$)	Drawn down (\$)	Unused (\$)
Bushfire response and recovery*	340 909 529	0	340 909 529	318 681 571	22 227 958
Cladding rectification program	37 915 000	0	37 915 000	37 915 000	0
Drought response	5 875 000	0	5 875 000	5 875 000	0
Early works for transport infrastructure projects*	660 000	0	660 000	660 000	0
Enhanced preparedness for the 2019–20 fire season	8 900 000	0	8 900 000	8 900 000	0
Fencing upgrades to help landholders recover from fire	3 200 000	0	3 200 000	3 200 000	0
Immediate support for Victoria's Wildlife and Biodiversity	7 000 000	0	7 000 000	7 000 000	0
Improve access to emergency water supply points	500 000	0	500 000	500 000	0
Local Government service support payment	5 240 000	0	5 240 000	5 240 000	0
Treasurer's Advances approved but not used	14 986 000	0	14 986 000	0	14 986 000
Power saving bonus extension	13 000 000	0	13 000 000	12 286 413	713 587
Recycling industry support	2 330 000	0	2 330 000	2 330 000	0
Health and Human Services	672 410 196	0	672 410 196	516 198 950	156 211 246
Additional resources for health services*	118 150 000	0	118 150 000	118 150 000	0
Bushfire response*	7 582 622	0	7 582 622	7 307 786	274 836
Civil claims for historical institutional child abuse	19 152 000	0	19 152 000	19 152 000	0
Elective surgery Blitz	40 000 000	0	40 000 000	40 000 000	0
Family violence Central Information Point	19 394 833	0	19 394 833	16 988 984	2 405 849
Implementation of recommendations from the Royal Commission into Victoria's Mental Health System	7 001 000	0	7 001 000	4 887 388	2 113 612
Increased support for children with complex disabilities	10 196 000	0	10 196 000	10 196 000	0
Joan Kirner Women's and Children's Hospital	21 800 000	0	21 800 000	21 800 000	0

Entity	Requested (\$)	Alternate funds (\$)	Treasurer's approval (\$)	Drawn down (\$)	Unused (\$)
National Disability Insurance Scheme—Home and Community Care	661 000	0	661 000	661 000	0
National Disability Insurance Scheme—Transfer of disability accommodation and respite services	70 550 000	0	70 550 000	70 550 000	0
Treasurer's Advances approved but not used	4 879 000	0	4 879 000	0	4 879 000
Responses to drought and dry seasonal conditions	1 650 000	0	1 650 000	1 650 000	0
Supplementation for the hospital and charities fund*	239 370 741	0	239 370 741	92 832 792	146 537 949
Walter and Eliza Hall Institute for medical research	18 000 000	0	18 000 000	18 000 000	0
Scheduled asset replacement in the health sector	94 023 000	0	94 023 000	94 023 000	0
Jobs, Precincts and Regions	139 335 013	0	139 333 279	135 073 319	4 259 960
Beckley Park racing precinct	1 997 000	0	1 997 000	1 997 000	0
AgriBio Centre for AgriBioscience	673 597	0	673 597	673 597	0
Building the visitor economy: tourism marketing campaign*	14 635 000	0	14 635 000	14 635 000	0
Bushfire Response*	4 802 611	0	4 800 877	4 800 877	0
Community Cricket Program	500 000	0	500 000	500 000	0
Community Sports Infrastructure Loans	342 279	0	342 279	292 780	49 499
Drought response	24 873 516	0	24 873 516	24 710 182	163 334
Eureka Sport Precinct	3 880 000	0	3 880 000	3 880 000	0
Globally Connected Investment and Trade	48 000	0	48 000	48 000	0
Ikon Park upgrades	3 800 000	0	3 800 000	3 800 000	0
Job fairs in Melbourne's north and west	93 673	0	93 673	93 673	0
Legal costs associated with litigation	570 000	0	570 000	417 691	152 309
Melbourne Markets	482 000	0	482 000	482 000	0

Entity	Requested (\$)	Alternate funds (\$)	Treasurer's approval (\$)	Drawn down (\$)	Unused (\$)
National Biosecurity Control Agreements	1 881 857	0	1 881 857	1 881 857	0
Treasurer's Advances approved but not used	410 000	0	410 000	0	410 000
Regent Theatre	468 000	0	468 000	468 000	0
Reid Oval	1 750 000	0	1 750 000	1 750 000	0
Repowering and cash advance facility	47 470 647	0	47 470 647	47 470 647	0
Royal Melbourne Showgrounds	161 833	0	161 833	161 833	0
Ryan's Reserve upgrades	750 000	0	750 000	750 000	0
Victoria: The Basketball Capital of Australia—Melbourne Arena upgrades	6 500 000	0	6 500 000	6 500 000	0
Victorian Forestry Plan	15 930 000	0	15 930 000	14 451 181	1 478 819
Victorian Home of Golf and National High Performance Centre*	2 297 000	0	2 297 000	2 297 000	0
Whitten Oval preliminary design	1 000 000	0	1 000 000	1 000 000	0
Worker Transfer Scheme	3 173 000	0	3 173 000	1 742 000	1 431 000
Young Farmers Scholarship Program	125 000	0	125 000	125 000	0
Shareholding management and advisory costs related to Carbon Revolution	720 000	0	720 000	145 000	575 000
Justice and Community Safety	817 689 078	215 397 965	592 010 295	580 017 334	11 992 961
Best practice integrity oversight	25 000	0	25 000	22 273	2 727
Bushfire Case Support Program for the Department of Health and Human Services—Natural Disaster Financial Assistance	7 900 000	0	7 900 000	7 900 000	0
Bushfire Community Recovery Package and Clean-up Program	161 000 000	0	161 000 000	161 000 000	0
Bushfire Financial Assistance Grant Programs	59 247 113	0	59 247 113	59 247 113	0
Bushfire suppression*	38 000 000	0	38 023 182	37 249 604	773 578
Crime Prevention Initiatives	5 000 000	0	5 000 000	4 903 193	96 807

Entity	Requested (\$)	Alternate funds (\$)	Treasurer's approval (\$)	Drawn down (\$)	Unused (\$)
Emergency Services Telecommunications Authority funding supplementation	6 795 000	0	6 795 000	6 795 000	0
Fire Services Reform implementation	9 176 000	0	9 176 000	9 176 000	0
Fiskville and Regional Victoria funding to Country Fire Authority	37 255 000	0	37 255 000	37 255 000	0
Funding supplementation for Tattersalls duty payments to other jurisdictions	6 000 000	0	6 000 000	2 793 454	3 206 546
Inspector General for Emergency Management inquiry into Victoria's 2019–20 Fire Season	850 000	0	850 000	845 279	4 721
Mobile camera replacement program	10 674 000	0	10 674 000	9 182 502	1 491 498
Port Campbell Surf Life Saving Club	440 000	0	440 000	440 000	0
Reducing incarceration of women	2 387 000	0	2 387 000	1 791 144	595 856
Resource funding for Metropolitan Fire Brigade and Country Fire Authority	29 320 000	0	29 320 000	29 320 000	0
Royal Commission into the Management of Police Informants*	67 985 000	0	67 985 000	67 317 717	667 283
Summer fire information and education program	9 680 000	0	9 680 000	9 428 212	251 788
Support to progress agreements under the Traditional Owner Settlement Act 2010	4 000 000	0	4 000 000	4 000 000	0
Support Victoria Police's operations*	124 900 000	0	124 900 000	121 284 467	3 615 533
Treasurer's Advance requests that did not proceed	216 005 965	215 397 965	0	0	0
Victoria State Emergency Service facilities	4 900 000	0	4 900 000	4 900 000	0
Victorian Inspectorate resourcing	530 000	0	530 000	452 480	77 520
Victorian Ombudsman funding supplementation	3 519 000	0	3 519 000	2 309 895	1 209 105
Working with Children Check*	12 000 000	0	2 304 000	2 304 000	0
Fire Services Statement funding to Country Fire Authority towards new station at Newborough	100 000	0	100 000	100 000	0

Entity	Requested (\$)	Alternate funds (\$)	Treasurer's approval (\$)	Drawn down (\$)	Unused (\$)
Parliament	5 263 000	0	5 263 000	4 908 858	354 142
Electorate Office Relocations & Refurbishments*	2 400 000	0	2 400 000	2 400 000	0
Implementation of Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards legislation	1 276 000	0	1 276 000	1 056 999	219 001
Parliamentary Advisers	1 587 000	0	1 587 000	1 451 859	135 141
Premier and Cabinet	97 381 328	0	97 381 328	85 793 457	11 587 871
75th anniversary of the end of World War 2	200 000	0	200 000	200 000	0
Additional support for former Premiers	400 000	0	400 000	400 000	0
Addressing Security and workplace requirements	1 164 238	0	1 164 238	1 164 000	238
Bushfire Disaster appeal fund	2 000 000	0	2 000 000	2 000 000	0
Bushfire Recovery Victoria—Bushfire recovery activities—support to local councils	7 300 000	0	7 300 000	7 300 000	0
Bushfire Recovery Victoria—Council Assistance Fund	10 000 000	0	10 000 000	10 000 000	0
Bushfire Recovery Victoria—Establishment	25 000 000	0	25 000 000	15 160 115	9 839 885
Bushfire Recovery Victoria—mental health package	8 500 000	0	8 500 000	8 500 000	0
Bushfire Recovery Victoria—Wine industry support	2 500 000	0	2 500 000	2 500 000	0
Costs associated with administration changes	1 300 000	0	1 300 000	1 300 000	0
Government House –security upgrade	300 000	0	300 000	300 000	0
Industrial Relations Victoria—Wage Inspectorate Victoria	3 950 000	0	3 950 000	2 887 581	1 062 419
Jobs and Skills Exchange	2 100 000	0	2 100 000	2 099 999	1
Labour Hire Authority*	1 213 258	0	1 213 258	1 213 258	0
Living Learning Partnerships addressing Disadvantage (PADs)	1 554 000	0	1 554 000	1 488 255	65 745

Entity	Requested (\$)	Alternate funds (\$)	Treasurer's approval (\$)	Drawn down (\$)	Unused (\$)
Munarra Centre for Regional Excellence	1 150 832	0	1 150 832	1 150 830	2
Royal Commission into Victoria's Mental Health System	13 606 000	0	13 606 000	13 606 000	0
Security Upgrade for the Office for the Leader of the Opposition	650 000	0	650 000	650 000	0
Suburban Rail Loop Authority financing	3 021 000	0	3 021 000	3 021 000	0
Victorian Inspectorate	72 000	0	72 000	71 837	163
Victorian Pride Centre	10 000 000	0	10 000 000	10 000 000	0
Public Record Office Victoria (PROV) for asset maintenance and renewal	1 400 000	0	1 400 000	780 582	619 418
Transport	631 657 867	158 245 983	469 609 019	451 516 465	18 092 555
Additional Vlocity Carriages	12 180 000	0	12 180 000	12 180 000	0
Barwon Heads Road upgrade	2 465 331	0	2 465 331	2 451 245	14 086
Better Boating	3 300 000	0	3 300 000	2 720 000	580 000
Bushfire remediation works on the road network	16 050 000	0	16 050 000	16 050 000	0
Car Parks for Commuters	483 763	0	483 763	483 763	0
Establishment of Melbourne Seafarers' Centre	500 000	0	500 000	300 000	200 000
Hall Road Upgrade	3 048 381	0	3 048 381	1 817 481	1 230 900
Hurstbridge Line Upgrade Stage 2	10 467 880	0	10 467 880	10 467 880	0
Level Crossing Removal Program*	336 831 217	0	336 831 217	336 831 217	0
Public transport rail partnership agreements*	45 000 000	0	45 000 000	31 300 000	13 700 000
Narre Warren North Road Upgrade	1 716 649	0	1 716 649	1 405 029	311 620
New bike lanes on St Kilda Road	1 951 864	0	450 000	450 000	0
Treasurer's Advance requests that did not proceed	160 546 983	158 245 983	0	0	0
South Road upgrade	1 563 828	0	1 563 828	1 364 412	199 416
Streamlining Hoddle Street	3 980 000	0	3 980 000	3 980 000	0

Entity	Requested (\$)	Alternate funds (\$)	Treasurer's approval (\$)	Drawn down (\$)	Unused (\$)
Traffic Infringement Camera Trials	328 000	0	328 000	227 067	100 933
Transport and Amenity Program	2 075 000	0	2 075 000	1 187 728	887 272
V/Line operations and maintenance	27 500 000	0	27 500 000	27 500 000	0
Westernport Highway	1 668 970	0	1 668 970	800 643	868 327
Treasury and Finance	18 408 961	250 000	18 158 961	17 507 265	651 696
Funding for the Suburban Rail Loop	5 750 000	0	5 750 000	5 098 304	651 696
Land remediation	5 000 000	0	5 000 000	5 000 000	0
Legal Costs	2 016 000	0	2 016 000	2 016 000	0
Office of Projects Victoria funding contribution for Department of Education	392 961	0	392 961	392 961	0
Business unit reform advisory services and scoping study	5 000 000	0	5 000 000	5 000 000	0
Treasurer's Advance requests that did not proceed	250 000	250 000	0	0	0
Total	3 331 706 764	599 662 814	2 717 958 534	2 475 223 657	242 734 876

Note: *Indicates the requests we examined.

Note: Some totals may not add up due to rounding.

Note: The amounts shown for 'requested' are sourced from DTF's briefings to the Treasurer on Treasurer's Advance at the end of the financial year and so may differ from the initial requests made earlier in the financial year. The approval amounts are sourced from the Treasurer's final in-principle approvals in September 2020.

Note: Unused Treasurer's Advance funding lapses and cannot be carried over into the subsequent financial year.

Source: VAGO, using data supplied by DTF.

APPENDIX E

Analysis of selected advances

The Treasurer's Advance was used to fund a wide range of services, initiatives and projects in 2019–20, including:

- service delivery and outputs
- acquiring new assets and capital projects
- maintaining existing assets
- responses to COVID-19
- responses to natural disasters
- supporting royal commissions and other inquiries in terms of both conduct and responses to recommendations
- financial assistance in response to natural disasters
- economic stimulus in terms of financial support for businesses
- financial support for government entities
- financial support for individuals.

We selected 33 Treasurer's Advances to more closely examine as part of this review based on these categories, their value and potential interest to Parliament and the community. We obtained evidence on the applications, assessments and approvals of these funding requests to gain assurance on how the process for accessing Treasurer's Advance operated during 2019–20.

We provide information on a selection of these Treasurer's Advances below to elaborate on the processes that departments, DTF and the Treasurer followed and demonstrate examples where requirements were not fully observed.

The Business Support Fund

The funding request to establish a Business Support fund, which was initially referred to as the Small Business industry support package, as part of the government's response to support the economy during COVID-19 did not seek access to Treasurer's Advance. The request was considered by government.

On 20 March 2020, the government approved a \$1.7 billion economic survival and jobs package. This package included \$500 million to establish the Small Business

industry support package. This funding decision did not reference the use of the Treasurer's Advance.

In April 2020, the government agreed to broaden the eligibility criteria for the business support fund. It also agreed to allocate \$13 million from the fund to support small to medium non-government organisations in the creative sector. This change in eligibility criteria increased the number of eligible businesses from around 30 000 to around 46 500. DJPR's submission to the government indicated that this increase could be managed within the existing \$500 million funding approval.

In May 2020, DJPR sought additional funding of \$250 million for the Business Support Fund to meet estimated demand until its scheduled closure on 1 June 2020. DTF noted several risks and uncertainties about the take-up rate for the fund, which could expose the government to significant additional costs. However, DTF supported this funding request and recommended capping the total budget for the fund at \$750 million to address these risks.

The government approved this funding request on 25 May 2020. DJPR's submission, DTF's advice and the government decision did not refer to using the Treasurer's Advance to fund this initiative.

In June and early July 2020, further advice and submissions were provided to the Treasurer and the government on a range of issues. This contributed to an increase in the expected allocations from the Business Support Fund.

DTF's advice on these submissions confirmed the use of Treasurer's Advance for this initiative and indicated a funding shortfall of up to \$80 million. The Treasurer approved additional Treasurer's Advance funding for the Business Support Fund based on DTF's advice and recommendations in July 2020.

The Treasurer approved a final in-principle Treasurer's Advance of \$787.1 million for the Business Support Fund in September 2020. This approval was based on DJPR's advice to DTF on its final expected funding requirements for the fund in July 2020. DTF's payments to DJPR for the Business Support Fund in 2019–20 totalled \$784.7 million, which was within the approved funding limit.

Bushfire response and recovery

In mid-June 2020, the Minister for Energy, Environment and Climate Change requested a Treasurer's Advance of \$390 million to cover additional expenditure that DELWP, DJPR, DHHS, DJCS and Victoria Police incurred while responding to the bushfire season in 2019–20. Given the nature of the request, it should have complied with the mandatory requirements in the RMF.

DTF advised that the minister's request was consistent with the established process for funding fire and emergency response activities. Bushfire-related funding requests have been dealt with using Treasurer's Advance due to the underlying uncertainty over the duration and severity of bushfire seasons. The process involves DELWP tracking and reporting actual and estimated spend to DTF throughout a fire season and seeking a final Treasurer's Advance capturing these unanticipated costs, after fire suppression activities are complete. This process is intended to avoid delays in funding authorisation for the firefighting services.

On 30 June 2020, the Treasurer provided an in-principle approval for Treasurer's Advances totalling \$380.8 million for the four departments. The funding requested for

Victoria Police was initially considered and approved by government and then approved in principle by the Treasurer as a Treasurer's Advance.

DTF provided clear evidence to support the application, assessment, approval and tracking of this Treasurer's Advance. However, we did identify some issues.

Application issue

The application for this Treasurer's Advance did not meet all of the RMF's mandatory requirements. The gaps were minor, except for the absence of any direct confirmation that DELWP and the other departments had reviewed and exhausted other funding sources before seeking access to the Treasurer's Advance.

Assessment issue

DTF's assessment of this request did not explicitly address the extent to which it met some of the RMF's mandatory requirements for Treasurer's Advance applications.

Issues with DTF's advice to the Treasurer

DTF's advice to the Treasurer in June 2020, which recommended approving a Treasurer's Advance of \$380.8 million for this request, did not:

- explicitly consider the extent to which the request addressed the mandatory requirements in the RMF for Treasurer's Advance requests
- include any positive statements that addressed the extent to which it had tested, and was presenting to the Treasurer as reliable, the costs that DELWP and the other departments claimed and that DTF was supporting for funding under the Treasurer's Advance.

DTF advised us that its advice appropriately informed the Treasurer on why the additional funding was required because it included base appropriation information and the history of supplementation for the previous three fire seasons, together with commentary on the severity of the 2019-20 bushfires noting it was 'longer and more intense bushfire season than average'. DTF also indicated that the costs included in its advice to the Treasurer were represented as 'either incurred or committed' actual expenditure and information about DELWP providing DTF with regular updates on costs relating to the 2019-20 fire season.

In September 2020, DTF confirmed and the Treasurer approved and advised the relevant ministers on the final in-principle Treasurer's Advance authorities for bushfire response and recovery. This included:

- \$340.9 million for DELWP
- \$27.6 million for DJCS
- \$7.6 million for DHHS
- \$4.8 million for DJPR.

The departments collectively drew down \$358.4 million against these approval authorities.

The Treasurer approved a separate Treasurer's Advance of \$10.4 million for Victoria Police for its bushfire responses. Victoria Police drew down \$9.6 million against this approval authority. In Figure D2 the information for the DJCS and Victoria Police Treasurer's Advances for bushfire responses is combined in a single line item 'Bushfire

suppression'. This reflects the disclosure of this information in the state's AFR for 2019–20.

The COVID-19 Emergency Accommodation program including hotel quarantine

The government approved \$80 million on 20 March 2020 to procure and operate up to 5 000 hotel rooms and other accommodation facilities to quarantine international travellers returning to Victoria and the Hotel for Heroes program for health workers. Some of this funding was also used to support people who were rough sleeping or homeless to self-isolate and recover from COVID-19.

This funding decision did not reference use of the Treasurer's Advance. However, there was clear evidence that DTF advised the Treasurer on the various funding requests to the government for the hotel quarantine program and on the Treasurer's Advance allocations for the program.

DTF's advice to the Treasurer on in-principle approvals in late June 2020 recommended \$62.9 million of Treasurer's Advance funding to DJPR for the hotel quarantine program in 2019–20. DTF also recommended additional Treasurer's Advances of \$52.1 million for DJPR and \$19.2 million for DHHS for the program. These advances were subject to the confirmation of a possible Commonwealth funding contribution. A separate Treasurer's Advance of \$17.1 million was also approved for DHHS for the broader emergency accommodation program.

The Treasurer approved these recommended advances as part of the initial in-principle approval process for the Treasurer's Advance, allocating a total of \$115.0 million to DJPR for the hotel quarantine program.

In July 2020, DTF recommended that the Treasurer approve an additional Treasurer's Advance of \$35 million for the program. This was based on advice from DJPR about additional cost pressures for hotel quarantine in 2019–20. However, DTF noted that the final endorsed costs for DJPR in 2019–20 were subject to change. DTF also noted that \$52.1 million sought for the program in June may not be eligible for Commonwealth reimbursement.

The Treasurer approved the additional Treasurer's Advance of \$35 million.

In September 2020, DTF confirmed and the Treasurer approved and advised the relevant ministers on a final in-principle Treasurer's Advance authority of \$150 million for DJPR and \$19.2 million for DHHS for the hotel quarantine program. DHHS did not use this Treasurer's Advance allocation and DJPR drew down \$142.2 million. DHHS fully used the separate \$17.1 million Treasurer's Advance approved for the emergency accommodation program.

The Hotels for Heroes program was announced on 5 April 2020, allowing eligible health workers to request accommodation support if they could not safely self-isolate or self-quarantine at home. \$20 million from the original \$80 million investment was allocated for this purpose.

Auditor-General's reports tabled during 2020–21

Report title

Rehabilitating Mines (2020–21: 1)	August 2020
Management of the Student Resource Package (2020–21: 2)	August 2020
Victoria's Homelessness Response (2020–21: 3)	September 2020
Reducing Bushfire Risks (2020–21: 4)	October 2020
Follow up of Managing the Level Crossing Removal Project (2020–21: 5)	October 2020
Early Years Management in Victorian Sessional Kindergartens (2020–21: 6)	October 2020
Accessibility of Tram Services (2020–21: 7)	October 2020
Accessing Emergency Funding to Meet Urgent Claims (2020–21: 8)	November 2020
Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2019–20 (2020–21: 9)	November 2020

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