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| FRD 8 |  |  | Consistency of budget and departmental reporting (April 2024) |
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| Purpose |  |  | To specify the disclosure requirements for budget and departmental portfolio outcomes and meet the disclosure requirements under AASB 1055 *Budgetary Reporting*. |
| Application |  |  | **Applies to all entities as defined as a ‘department’ under section 3 of the *Financial Management Act 1994*.** |
| **Operative date** |  |  | **Reporting periods commencing 1 July 2023.** |
| **Requirements** |  |  | **Entities as defined in Application 2.1 are required to:** |
|  |  |  | **Report in their annual report in the Report of Operations section:** |
|  |  |  | 1. **departmental objectives and objective indicators as published in the Budget Papers for the relevant period and report on their progress towards achievement of these objectives;** 2. **a comparison of the output targets published in the Budget Papers and actual performance for the portfolio for the corresponding financial year; and** 3. **the reasons for any significant or material variances between the initial output targets and the actual results.** **This also includes commenting on any significant output underspending and the subsequent impact this has on the delivery of services.** |
|  |  |  | **Report in their annual report, but not forming part of the audited financial report:**   1. **a comparison between their initial budget estimates as presented in the portfolio financial statements published in the Budget Papers and the actual results for the portfolio for the corresponding financial year;** 2. **the reasons for any significant or material variances between the initial budget estimates and the actual results; and** 3. **the comparison between initial budget estimates and actual figures referred to above, must be presented as a set of financial statements in the same format and consolidation basis as those set out in the Budget Papers for the financial year. These financial statements are to be referred to as ‘budget portfolio outcomes’.** |
|  |  |  | **Report to the Department of Treasury and Finance (DTF) on their portfolio performance against outputs as set out in the Budget Papers. This reporting must be in accordance with the yearly timetable advised by DTF.** |
|  |  |  | **Report to DTF their portfolio financial aggregates at a consolidated budget portfolio trial balance level. This reporting must occur on a monthly basis.** |
|  |  |  | **Classify all entities, financial transactions and balances into their departmental or administered categories as required under applicable Australian Accounting Standards.** |
| Definitions |  |  | **Budget Papers**: are the Budget Papers for the State of Victoria released as part of the State Budget for the corresponding financial year. |
|  |  |  | **Departmental objectives:** Departmental objectives are results-based and reflect the extent of the department’s service delivery ambitions over the forward estimates period. They are not vision or mission statements. They are quantifiable steppingstones that help take a department towards its desired vision or mission statement. |
|  |  |  | **Objective indicators:** Departmental objective indicators are pieces of data that demonstrate progress towards the achievement of a department’s objectives. Indicators provide evidence to support measurement and management of performance. |
|  |  |  | **Outputs:** Outputs are final products or goods and services produced or delivered and include products and services delivered to the community by departments or entities on behalf of the State (e.g. education, health services), or products and services provided to other departments (e.g. services provided by the State Services Authority to support the public sector). |
|  |  |  | **Output targets:** Output targets express a specific level of output the department is aiming to achieve within a given period of time. |
| Procedure |  |  | The comparison between portfolio budget and actual figures must be presented as a set of financial statements in the same format and consolidation basis as those for the portfolio set out in the Budget Papers for that financial year. The presentation of the non-financial information on outputs is illustrated in the Model Report. |
| Relevant pronouncements |  |  | AASB 101 *Presentation of Financial Statements*  AASB 1055 *Budgetary Reporting*  FRD 13 *Disclosure of Parliamentary Appropriations* |
| Background |  |  | Under the accrual output based appropriation, budgeting, performance monitoring and reporting model introduced by the Victorian Government through the 1998-99 budget, the accountability loop for departments commences with the publication of budget portfolio financial statements in the annual Budget Papers and ends with the publication of actual results in departmental annual reports.  In the 2008-09 Budget Papers, AASB 1049 Whole of Government and General Government Sector Financial Reporting was implemented at the general government level. It requires a financial statement presentation format that reflects harmonisation of Government Financial Statistics and Generally Accepted Accounting Principles. However, the presentation formats of the departmental statements in the 2008-09 Budget Papers were unchanged.  Consistent with AASB 101 (September 2007), DTF has decided that by early adopting this standard from 1 July 2008, the presentation formats of departmental statements should be aligned with the formats required at the whole of government and general government levels. Departments started implementing these new formats in their 2008-09 annual reports.  Transitional arrangements enabled the departmental statements to be presented in a common format for the comparison of the budget and actuals in their 2008-09 annual report.  AASB 2013-1 (March 2013) amends AASB 1049 Whole of Government and General Government Sector by relocating the disclosure requirements of budgetary information to AASB 1055 Budgetary Reporting. |
|  |  |  | This FRD was updated in:  April 2006 to reflect budget and presentation changes.  January 2009 to reflect transitional arrangements for 2008-09.  April 2015 to:  update references from AASB 1049 to AASB 1055;  delete the transitional arrangements for 2008-09 as they are no longer applicable;  relocate the requirement for entities to report their departmental objectives and objective indicators from the Budget Papers and report on their progress towards achievement of these objectives from FRD 22 to this FRD; and  require a comparison of the output targets published in the Budget Papers with actual performance against those targets required under Standing Direction 4.2(k).   * January 2016 to relocate section 4.2 (m) from the Standing Directions of the Minister for Finance, as part of the Standing Directions review project. Reporting requirements in the annual report are being relocated to FRDs, to remove duplication between the Standing Directions and FRDs and centralise the reporting requirements in a more appropriate instrument. * April 2024 to require additional disclosures on the subsequent impact any significant output underspending has on service delivery. |