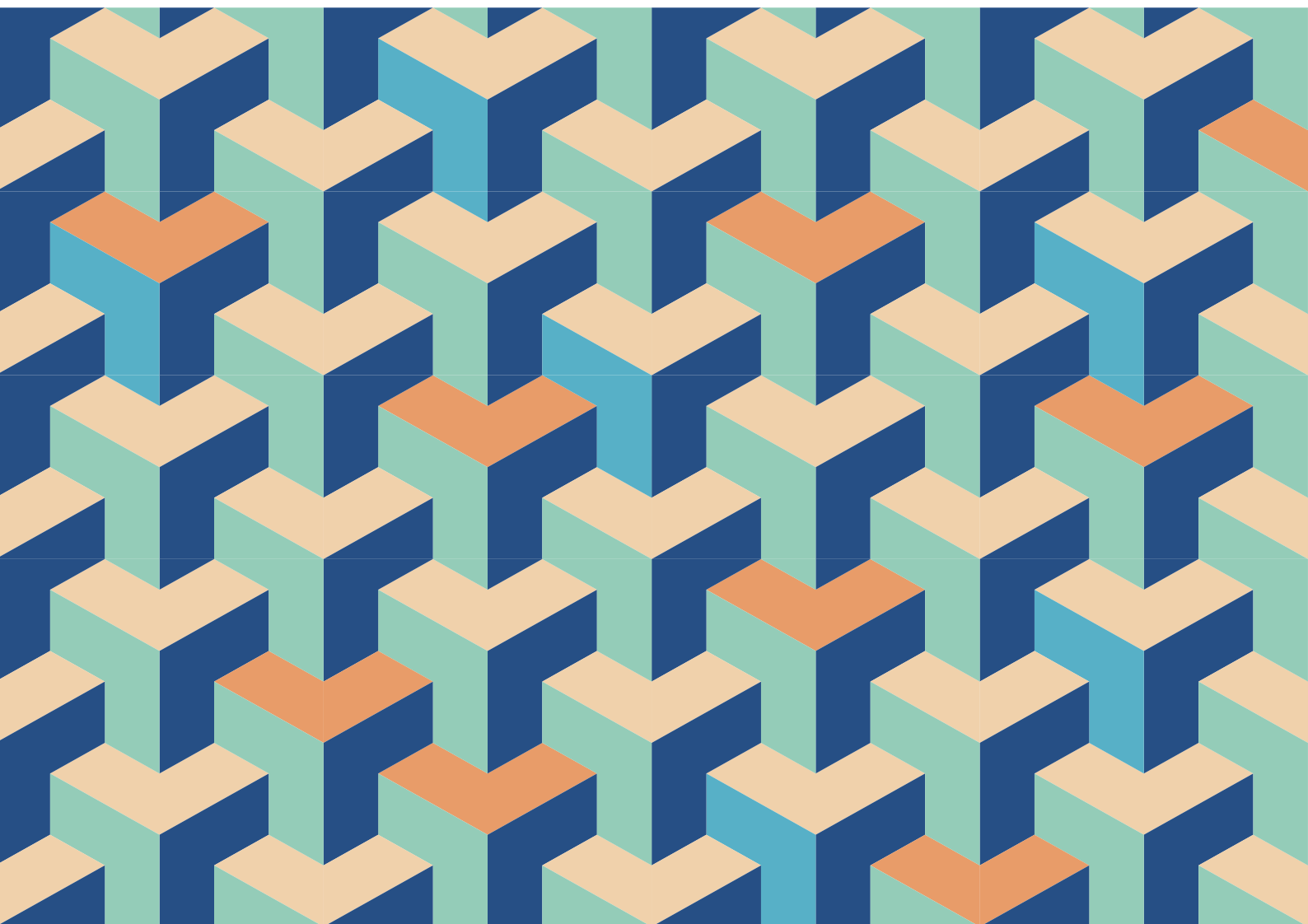


Advancing budget transparency for Victoria's core integrity agencies

February 2026





Acknowledgements

The Ombudsman, IBAC Commissioner and Auditor-General acknowledge the Traditional Custodians of Country throughout Victoria and pay respect to their Elders past and present.

We recognise the enduring connection of First Peoples to land, water and culture, over which sovereignty was never ceded.

As core integrity agencies pursuing honesty, fairness, openness and diligence, we often see the imbalance of power between individuals and the State. We acknowledge the profound injustices and systemic discrimination experienced by First Peoples, often amplified by this power imbalance.

Through our commitment to integrity and human rights, we strive to listen, learn and advance outcomes that contribute to a trusted public sector that is fair for everyone.

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Foreword

This paper sets out practical reforms to improve budget transparency for Victoria's core integrity agencies: the Victorian Ombudsman, the Independent Broad-based Anti-corruption Commission, and the Victorian Auditor-General's Office.

As Independent Officers of Parliament, the Ombudsman, IBAC Commissioner and Auditor-General (and their supporting offices) play a vital role in holding government and public authorities to account. While their statutory independence is well established, the processes by which their funding is determined remain opaque, with limited visibility to or input from Parliament.

The central issue is whether the funding development process reflects the principles of transparency, independence, and accountability that underpin the integrity system. At present, agencies have limited insight into the advice that informs funding outcomes, no opportunity to correct misunderstandings, and no formal mechanism to engage with oversight committees on resourcing needs. These gaps weaken Parliamentary scrutiny and risk undermining public confidence.

Other jurisdictions have begun to address these challenges. Notably, recent reforms in New South Wales introduced a Charter of Independence for integrity agencies, embedding transparency safeguards into the budget process. These developments offer a compelling model for Victoria, one that preserves Executive authority while strengthening institutional independence and public trust.

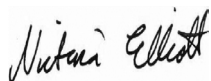
This paper builds on our 2022 joint publication *Budget independence for Victoria's Independent Officers of Parliament*, which proposed a structurally independent funding model via a statutory commission or tribunal. To be clear, those recommendations remain highly relevant; budget independence is the ultimate goal.

Our aim in this paper is to advocate for a clear, fair process that strengthens Parliament's role in overseeing the resourcing of its integrity bodies and reinforces their institutional independence. These reforms are modest, able to be implemented within existing frameworks, grounded in emerging practice across jurisdictions and reflective of a growing national conversation about the funding of integrity institutions.


Transparency in budget processes is a democratic safeguard. At a time when trust in institutions is under pressure, ensuring integrity agencies are transparently and, by extension, appropriately funded is essential to maintaining public confidence in the system.



Marlo Baragwanath
Ombudsman



Victoria Elliott
IBAC Commissioner



Andrew Greaves
Auditor-General

Victoria's core integrity agencies

Because the provision of public services is complex and takes considerable resources, parliaments around the world have established independent statutory office holders and integrity agencies to scrutinise these services to ensure the public interest is being served.

These bodies often report directly to Parliament, providing essential accountability. Increasingly, they are recognised as *Independent Officers of the Parliament*, a title that underscores their role as agents of Parliament rather than of government.

In Victoria there are six Independent Officers of Parliament, among them the Victorian Electoral Commissioner (to ensure free and fair elections), the Parliamentary Budget Officer (to provide policy costing and advice services to Members of Parliament), and the Chief Integrity Inspector (to oversee the use of specialist and coercive powers).

This paper focuses on three core 'integrity' agencies. Integrity in this context involves the pursuit of a few simple elements: honesty, fairness, openness and diligence in individual and institutional conduct.¹

Broadly, anti-corruption agencies are 'primarily concerned with policing dishonesty, ombudsmen with ensuring fairness, and auditors-general with ensuring diligence, performance, financial probity and value for money'.² In Victoria, the Information Commissioner, ensuring openness, could be a fourth core integrity agency; however, they do not currently have the status as an Independent Officer of Parliament.

¹ Brown, A.J., Bruerton, M. Sufficient, stable and secure? An exploratory comparative analysis of integrity agency financial resourcing. *Crime Law Soc Change* 68, 341–358 (2017).

² Ibid.

Accordingly, this paper explores transparency reforms relevant to:

- the **Victorian Ombudsman** (VO) – who resolves complaints; identifies, investigates, exposes and prevents maladministration; and protects human rights
- the **Independent Broad-based Anti-corruption Commissioner** (IBAC) – who identifies, investigates, exposes and prevents public sector corruption and police misconduct
- the **Victorian Auditor-General** (VAGO) – who audits the accounts and performance of the public sector to ensure transparency and accountability.

Each core integrity agency is governed by specific legislation and is duty-bound to discharge their functions independently. Being tasked with holding other powerful institutions to account, each must have the confidence of both the Parliament and the public, which means:

- being free of political affiliation or other partisan views
- being appointed on merit
- being, and being seen to be, truly independent of the government of the day.

Understandably, budget processes and funding allocations can impact core integrity agencies' financial independence, or in the very least, the public perception of their independence.

The performance of VO and IBAC is overseen by Parliament's Integrity and Oversight Committee (IOC), while VAGO is accountable to the Parliamentary Accounts and Estimates Committee (PAEC) (collectively 'Oversight Committees'). Neither Oversight Committee has power, input or visibility when it comes to budget decisions relating to the VO, IBAC and VAGO.

Building on the 2022 paper

In 2022, the former Ombudsman and IBAC Commissioner and the Auditor-General together released a position paper calling for reforms to strengthen their financial independence: Budget independence for Victoria's Independent Officers of Parliament, 18 October 2022.

The paper explored the problems and risks that exist when funding for core integrity agencies is largely determined by the branch of government they oversee.

Comparing models in other jurisdictions, the 2022 paper recommended that consideration of core integrity agency funding be the responsibility of a new independent statutory commission/tribunal, similar to the Victorian Independent Remuneration Tribunal, where evidence, reasoning and recommendations would be tabled in Parliament to promote full transparency.

Other than a complementary recommendation from the IOC that the government 'consider whether any improvements are needed',³ no commitments have been made, and no substantive action has been taken by the Government in response to the 2022 paper. Our agencies remain of the view that concrete steps towards budget independence, ideally through the implementation of an independent statutory commission/tribunal are vitally important.

Building on our previous recommendations, this paper draws on recent reforms in New South Wales that have strengthened Parliament's role in overseeing the resourcing of its integrity agencies and promotes budget transparency as a safeguard of the core integrity agencies' functional independence.

³ Integrity and Oversight Committee, Parliament of Victoria, *Performance of the Victorian integrity agencies 2022/23* (Report, May 2025), 84-86.

Victoria's problem with transparency



Stronger budget processes are needed to address the sustainability and financial independence of core integrity functions.

— Transparency International Australia

While structural independence is essential, it must be supported by transparent processes. Integrity agencies cannot be truly independent when the processes determining their funding lack transparency. Without clear visibility into how decisions are made, there is a risk that trust in the funding process is undermined. This erosion of trust can make it harder for these agencies to effectively hold the government to account or engage meaningfully with Parliament.

Procedural transparency builds trust in the budget process and ensures that agencies are resourced in a way that reflects their statutory mandates and operational risks. This in turn supports Parliament to fulfil its role of holding the integrity agencies to account.

Although there are legislative provisions intended to support transparency, the budget processes for Victoria's core integrity agencies lack transparency and are shrouded in Cabinet secrecy.

By way of background, in 2019, the *Integrity and Accountability Legislation Amendment Act* ('2019 Amendment Act') introduced new budgetary, annual planning and performance audit obligations for IBAC and VO. Consistent with VAGO, IBAC and VO now appear as separate line items in Schedule 1 to the annual *Appropriation (Parliament) Act*.

All three Independent Officers must also prepare a draft annual plan each financial year describing a proposed work program. They must:

- seek feedback from their Oversight Committee on the plan, and
- table the plan in Parliament as soon as practicable after the passage of the annual Appropriation Act for the financial year.

The 2019 Amendment Act also provided that IBAC and VO's budget for each financial year is to be determined in consultation with their Oversight Committee concurrently with the annual plan.

Despite this, neither agency's legislation, nor the extraneous materials available, provide further guidance on whether it was intended that the individual agencies or the government were to consult with the Oversight Committee on draft budgets. That said, it has been made clear to the agencies that budget requests are considered Cabinet-in-confidence so, to date, they have not been shared with Oversight Committees.

This process, and the Oversight Committees' inability to be consulted on budgets, undermines the intention of the 2019 Amendment Act which, when introduced, was stated to provide greater budget independence. Given that there is no transparency, there is little independence.

Additionally, the *Financial Management Legislation Amendment Act 2025* makes it clear that CEOs and CFOs across government have a duty to adhere to their budgets and proactively manage financial risks. However, without additional budgetary transparency and safeguards, if agency heads are forced to prioritise financial compliance over statutory performance, there is a significant risk of limiting integrity agencies' ability to meet their legislative mandates.

Why does a transparent process matter if core integrity agency budgets have generally increased year-on-year? Put simply, the absence of transparent decision making masks the reality that core integrity agencies are receiving a diminishing proportion of resources relative to the growth of the public sector they are charged with overseeing.

While absolute budgets appear stable or even to increase in dollar terms, the lack of transparency has eroded Parliament's, and the public's, ability to properly scrutinise whether investment in integrity functions is adequate.

The data shows that while Victoria's investment in integrity functions is declining, New South Wales, since committing to budget transparency, has invested more to advance honesty, fairness, openness and diligence in public administration.

Declining investment in integrity functions

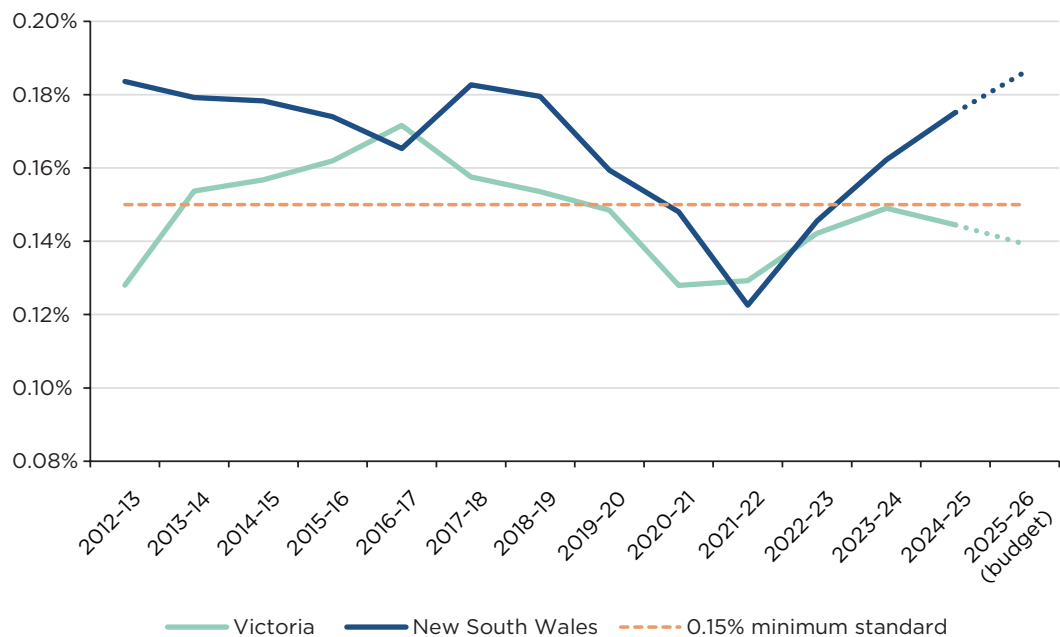
Drawing on global research by Professor A.J. Brown AM and Dr. Mark Bruerton which provides comparative analysis of the level and stability of official investment in integrity functions,⁴ Transparency International Australia recommends core integrity agency funding as a proportion of total government sector expenditure should not be less than 0.15 per cent.

This proportional measure highlights the priority given to integrity functions relative to the overall size and complexity of government activities, allowing for comparisons across jurisdictions and overtime. By contrast, individual funding levels expressed only in dollar terms risk obscuring whether core integrity agencies are resourced commensurate with the scale of government they are tasked with overseeing.

4 Brown, A.J., Bruerton, M. 'Sufficient, stable and secure? An exploratory comparative analysis of integrity agency financial resourcing'. *Crime Law Soc Change* 68, 341-358 (2017).

As a proportion of the expenditure of the sector they oversee, the Victorian agencies' funding has been trending down since 2016-17; below Transparency International's minimum standard since 2019; and consistently and increasingly behind New South Wales.

Figure 1: Core integrity agency funding as a share of government expenditure (Victoria vs New South Wales), 2012-13 to 2025-26



Source: Victorian Budget Papers, NSW Budget Papers, Annual Reports of: VO; IBAC; VAGO; NSW Ombudsman; NSW Independent Commission Against Corruption; NSW Police Integrity Commission/ Law Enforcement Conduct Commission; NSW Audit Office to calculate comparable combined expenditure of Ombudsman, Auditors-General and Anti-corruption/Police oversight functions.

Note: Excludes VO expenditure on matters referred by Parliament which must be investigated 'forthwith' and therefore have a significant impact on expenditure which cannot be fully anticipated.

Confidence in core integrity agencies' independence depends on their ability to understand and explain how their funding is determined. Otherwise, there is a risk that trends such as decreasing integrity agency expenditure as a proportion of total government expenditure may be perceived as being linked to performance of their oversight activity.

Implementing a transparent process

A growing number of jurisdictions have introduced procedural safeguards to improve transparency in how integrity agencies are funded. These mechanisms are designed to ensure that agencies are resourced in a way that reflects their statutory mandates, while maintaining Executive accountability for overall budget outcomes.

Common features include:

- Parliamentary input into the budget-setting process
- written reasons for funding decisions
- access to Treasury advice and the opportunity to respond
- exemption from efficiency dividends
- dedicated Treasury liaison units for integrity agencies.

These reforms demonstrate that transparency can be enhanced without displacing Cabinet authority or compromising fiscal discipline.

Since the 2022 budget independence paper was issued, in 2024 the NSW Government introduced changes to its *Government Sector Finance Act 2018*⁵ which enshrine a transparent funding process for five NSW integrity agencies, which include the Ombudsman, Audit Office and Independent Commission Against Corruption.

These reforms were introduced following a 2020 special report of the NSW Auditor-General, which identified risks to budget independence and recommended expanding Parliament's role.⁶

The report emphasised the importance of parliamentary oversight of funding decisions, greater transparency and independent advice to Cabinet regarding funding needs and structured accountability for integrity agencies.

5 *Government Sector Finance Amendment (Integrity Agencies) Act 2024* (NSW).

6 Audit Office of New South Wales, 'The effectiveness of the financial arrangements and management practices in four integrity agencies' (Special Report, October 2020).

The NSW Charter of Independence for integrity agencies was introduced through Treasurer's Direction 'TD24-12 Charter of Independence for NSW integrity agencies' and provides that:

- the integrity agencies are excluded from the central government financial management processes
- integrity agencies will not be subject to efficiency dividends
- a specialist integrity agency unit within Treasury will manage representations for budget and supplementary funding and provide the integrity agencies with information on funding outcomes
- integrity agencies are invited to review NSW Treasury's advice to the Expenditure Review Committee of Cabinet (ERC) on integrity agency funding bids and provide their own advice directly to ERC
- the integrity agencies, and their relevant parliamentary oversight committees, will be provided with funding decisions in writing, and, if relevant, reasons for variation from a funding bid
- the NSW Government has also set aside contingency funding for the NSW integrity agencies for unexpected matters that require urgent attention and funding (in addition to access to the standard Treasurer's advance process).

In order to ensure there is budget transparency for Victoria's core integrity agencies, reforms such as those adopted by NSW in 2024 must be considered.

Reform proposals for Victoria

Victoria's integrity agencies are currently funded through a process that lacks transparency, and is not directly accessible to Parliament. While statutory provisions exist for consultation and oversight, they are not applied in practice. This paper proposes a suite of reforms to improve transparency in the budget process, drawing on recent developments in New South Wales and other jurisdictions.

These reforms are designed to:

- preserve Cabinet authority over final funding decisions,
- improve procedural fairness and visibility for integrity agencies,
- enable oversight committees to fulfil their scrutiny role, and
- strengthen public confidence in the integrity system.

The reforms are grouped into three categories: information access, committee engagement, and administrative safeguards.

Information access

These reforms aim to ensure that integrity agencies have visibility into the advice and rationale that informs their funding outcomes.

Reform	Description
Written reasons for budget outcomes	Core integrity agencies should receive a written explanation of funding decisions, including key factors considered and any significant variations from the original bid.
Agency visibility and input into Department of Treasury and Finance (DTF) advice to decision-makers	Core integrity agencies should be permitted to view the departmental briefings prepared to inform the Budget and Finance Committee (BFC) and to provide factual corrections or contextual input or direct BFC briefings.
Post-budget debriefs	DTF should meet with each core integrity agency after the Budget to explain the outcome.

Committee engagement and Parliamentary oversight

These reforms support the role of Parliamentary oversight committees in reviewing and advising on agency resourcing.

Reform	Description
Consultation prior to decisions	Core integrity agencies should be able to provide Oversight Committees with a summary of their budget requests and strategic justification prior to Cabinet consideration.
Committee access to funding rationale	Oversight Committees should receive a briefing from the Department on the agency's bid and the reasons for accepting or rejecting aspects, including how decisions align with statutory obligations and risk profiles.
Parliamentary oversight	Funding decisions must be explained to the Parliament, promoting transparency.

Administrative safeguards

These reforms codify expectations and protect the integrity of the process.

Reform	Description
Formal position on efficiency dividends	Core integrity agencies should be formally exempted from savings measures applied to standard departments, in order to preserve the operational independence and statutory mandates.
Retention of unused funding allocation	Core integrity agencies should be allowed to use unspent funds without Treasurer's approval in line with some of the Federal and NSW provisions to ensure operational efficiency and flexibility in budgeting.
Specific contingency fund for core integrity agencies	Small integrity agencies with high percent budget allocation for employees and related expenses are dependent on the Victorian Public Service Enterprise Agreement outcomes and have less flexibility to absorb above annual funding escalation outcomes. Therefore, a separate contingency fund to address cost pressures beyond agencies' control will assist agencies to operate effectively without compromising core capabilities.
Transparent resourcing protocol	A public-facing protocol should outline the principles and process by which core integrity agencies' funding is determined including criteria for funding decisions, consultation requirements, and timelines.
Dedicated departmental liaison unit	<p>A specialised unit within the Department should manage core integrity agency funding matters, mirroring the NSW model to ensure continuity, subject-matter expertise, and consistent application of funding principles.</p> <p>Whether or not a dedicated unit is established, the relevant DTF liaison staff should be trained in the application of transparency and independence principles and have a strong understanding of the sector.</p>
Review after two budget cycles	A post-implementation review, in consultation with core integrity agencies and Oversight Committees, should assess the effectiveness of transparency reforms and identify areas for improvement.

Implementation pathways

Most of the proposed reforms can be implemented through administrative means, including:

- Ministerial direction,
- internal departmental policy, or
- standing resolutions of Parliamentary Committees.

Where necessary, targeted legislative amendments should be considered to:

- make consultation obligations enforceable
- empower Oversight Committees to receive and review agency submissions and departmental advice
- clarify rights to written reasons or feedback.

Preferred approach

In the current economic climate, the integrity agencies propose pragmatic actions that move towards budget independence, with a short-term focus on increased budget transparency and financial strategies that promote budget independence.

This paper recommends that Victoria adopt the full suite of reforms outlined above, as a coherent and proportionate package. These measures are consistent with the NSW Charter of Independence and reflect emerging best practice across jurisdictions for core integrity agencies.

The measures preserve the role of Cabinet as final decision maker while opening the process to appropriate oversight and scrutiny. In doing so, these measures will strengthen institutional independence, improve the quality of decision making, and promote public trust in the integrity system.

While this suite of reforms would certainly strengthen transparency, embedding the 2022 budget independence reforms remains essential to ensure enduring institutional integrity and reinforce public trust in the core integrity agencies.

Appendix: Agency-specific considerations

While the transparency reforms proposed in this paper apply broadly across Victoria's integrity agencies, each agency faces distinct operational contexts and statutory obligations. The following outlines key considerations for each agency.

Independent Broad-based Anti-corruption Commission

- Responsible for prevention activities, complaint and notification assessments, investigations and exposure activities across the entire public sector and Victoria Police.
- Prevention and exposure mandate is broad and expanding, requiring stable and scalable funding to meet statutory obligations.
- Budget is modest relative to responsibilities and public expectations, with limited flexibility to respond to emerging risks or opportunities or pursue continuous improvement.
- IBAC's 2024-25 complaint and notification numbers increased 18 per cent compared to the average of the preceding three financial years. IBAC cannot keep pace with the increase in volume and the increased requirements for trauma-informed and complainant-centred assessment, resulting in a complaint backlog that impacts everyone involved, from complainants to IBAC staff. Delays in assessment of complaints leads to delays in investigations.
- Investigations are complex and high-risk, resource-intensive, and often highly confidential and may require rapid ramp-up or multi-year commitments beyond standard budget cycles.
- Contingency funding mechanisms should be available to support unplanned litigation, specialist investigation capabilities and urgent public interest work.

Victorian Ombudsman

- Complaint-driven workload with limited control over volume, complexity, or timing.
- Jurisdiction includes high-demand and high-risk areas such as corrections, child protection, and social housing.
- Parliament can refer 'any matter' to the Ombudsman which must be investigated 'forthwith', without guaranteed supplementary funding. To date, Treasurer's Advances have been provided.
- Requires flexibility in funding to respond to unpredictable demand and emerging systemic issues.
- Transparency mechanisms should ensure that oversight committees can assess whether the VO is resourced to meet statutory obligations and respond to referrals.
- Current funding arrangements rely on informal agreements (eg Treasurer's Advances), which lack certainty and legislative backing.
- The VO has not had a base budget review since significant new objectives and functions were introduced to the *Ombudsman Act* in 2019.

Victorian Auditor-General's Office

- Responsible for financial, performance and compliance audits across the entire public sector.
- Audit mandate is broad and expanding, requiring stable and scalable funding to meet statutory obligations.
- Budget is modest relative to audit scope and public expectations, with limited flexibility to respond to emerging risks or opportunities.
- Subject to broader public sector controls unless explicitly exempted (eg efficiency dividends, discretionary adjustments).
- Contingency funding mechanisms should be available to support unplanned audits or urgent public interest work.
- Legislative amendments to the *Audit Act 1994* and *Financial Management Act 1994* could strengthen budgetary independence and ensure full access to appropriated funds.

