Public Accounts and Estimates Committee


Ninth Report to the Parliament
November 1994
PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

NINTH REPORT TO PARLIAMENT

FINAL REPORT ON THE 1993-94 BUDGET ESTIMATES AND OUTCOMES

NOVEMBER 1994

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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

CHAIRMAN'S INTRODUCTION

This report is the Committee's third budget estimates report and finalises the inquiry into the 1993-94 Budget. It is pleasing to note that the Government has accepted the vast majority of the Committee's recommendations in its two earlier budget estimates reports, on the 1992-93 Budget Estimates and Outcomes and an interim report on the 1993-94 Budget Estimates.

The Committee's inquiry and report highlights the removal of inflexibility in government budgeting processes. One example being that departments are now able to carry over unspent budget appropriations to the following year. This removes pressure for excessive end of year spending. Further substantial reforms and benefits for public sector resource management will flow from the Government's Management Improvement Initiative.

The Committee has proposed, as a further refinement to the budget process, that budget sector bodies should table a supplementary budget document in the Parliament. That document would provide sub-program level budget estimates information, including performance and benchmark data.

The adequacy of output measures in the 1994-95 Budget Papers varied between and within departments. In some areas output measures were more in the nature of statistics rather than indicators of performance. Given the developing nature of performance measurement generally, the Committee supports the continuation of the Department of the Treasury's work in the development of meaningful performance measures for presentation in the Budget Papers and departmental annual reports.

Another critical issue for public sector resource management is the adequacy of internal audit. Internal audit should provide public sector managers with an independent analysis of risk and of the efficiency, economy and effectiveness of public sector resource usage and internal control systems. The Committee has proposed that regulations be issued under the Financial Management Act 1994 to require adequate internal audit (including a periodic analysis of risks), internal control and audit committees in public sector bodies. The Committee has also
suggested that public sector audit committees should include a majority of non-executive members of an agency's governing board (where existing) and persons external to the organisation. Audit committees of public sector agencies which do not have a governing board should also have an external person as chairman. Persons external to an organisation can bring both an independent perspective and commercial expertise to public sector audit committee.

Budget outlays on early departure programs will yield substantial ongoing salaries and related expenditure savings to the Budget. The Committee has highlighted the importance of the Parliament and public being assured that expected savings are realised and sustained.

I thank the other members of the Public Accounts and Estimates Committee for their contributions to this Inquiry. On behalf of the Committee, I thank Mr Craig Burke, Director of Research and Mrs Lilian Spencer, a seconded research officer, for their briefing of the Committee, advice, analyses and drafting of the report, and Mrs Helena Cyrulo for providing administrative support.

Hon. G. Graeme Weideman, MP, JP
Chairman
EXECUTIVE SUMMARY OF MAJOR FINDINGS AND CONCLUSIONS

Introduction (Chapter 1, refer page 1)

The Committee's review of the 1993-94 Budget has been undertaken in two parts. The report of the first stage, titled Interim Report on the 1993-94 Budget Estimates, was tabled in the Parliament during the 1994 Autumn Sitting. This report completes the Committee's review of the 1993-94 Budget.

Budget Overview (Chapter 2, refer page 5)

- This report seeks to complement, rather than duplicate, the explanations and analyses already provided to the Parliament in the 1994-95 Budget Papers, the Auditor-General's Report on the 1993-94 Finance Statement, the 1994 Autumn Economic Statement and the Committee's Interim Report on the 1993-94 Budget Estimates.

- The overall 1993-94 budget outcome was a deficit of $572 million (estimate $3,663 million). Had several significant 'one-off' transactions not occurred during 1993-94 a notional budget surplus of $522 million (estimate - deficit $939 million) would have resulted.

- Certain inflexibility in government budgeting processes have been removed and substantial reforms and benefits for public sector resource management are proposed to flow from the Management Improvement Initiative.

- All budget sector bodies should table in the Parliament, within 28 days of the presentation of the Budget to the Parliament, a supplementary budget document which provides sub-program level budget estimates information, including performance and benchmark data. The document would both restore and enhance the level of Parliamentary accountability of the budget estimates.
Budget Overview (Chapter 2, refer page 5) (cont.)

- The adequacy of output measures in the 1994-95 Budget Papers again varied between and within departments. In some areas output measures were more in the nature of statistics rather than indicators of performance. In light of this, and the developing nature of performance measurement generally, the Department of the Treasury is encouraged to continue to give priority towards the development of meaningful performance measures for presentation in the Budget Papers (and departmental annual reports). Performance measures, such as output and outcome measures, should be (wherever possible):

  - a mix of quantitative and qualitative measures;
  - directly linked to program objectives;
  - clearly related to the cost of service delivery;
  - set against benchmarks, targets and prior period results;
  - standardised for comparative purposes; and
  - constrained to a minimum number of key indicators for the purposes of reporting to the Parliament.

- The Financial Management Act 1994 should require all public sector agencies to include performance measures in their annual reports. Further, performance measures provided in annual reports should be certified by the respective Accountable Officers and the Auditor-General should be required to express an opinion on the relevance and appropriateness of those performance measures.

Internal Control and Audit (Chapter 3, refer page 35)

- Internal audit should provide public sector managers with an independent analysis of risk and of the efficiency, economy and effectiveness of public sector resource usage and internal control systems.
Internal Control and Audit (Chapter 3, refer page 35) (cont.)

- Regulations, similar to the former Audit (Financial Management) Regulations 1993 and consistent with the related ministerial directions issued by the Minister for Finance, should be issued under the Financial Management Act 1994 to require adequate internal audit (including a periodic analysis of risks), internal control and audit committees in public sector bodies. This approach would restore an appropriate level of parliamentary accountability and is commensurate with the critical nature of these matters to public sector financial management.

- Public sector audit committees should include a majority of non-executive members of an agency's governing board (where existing) and persons external to the organisation. Audit committees of public sector agencies which do not have a governing board should also have an external person as chairman. Persons external to an organisation can bring both an independent perspective and commercial expertise to public sector audit committees.

Workforce Management Program (Chapter 4, refer page 58)

- Budget outlays on early departure programs for the period 1991-95 will total approximately $2.1 billion. Substantial salaries and related expenditure savings are expected to flow from early departure programs. Under limited circumstances savings can be diverted by departments to fund different service delivery mechanisms, such as contracting out.

- It is important that the Parliament and the public are assured that expected savings are realised and sustained. Future Budget Papers should detail, on a ministerial portfolio basis, actual savings achieved, including the level of savings diverted to meet outsourcing or other alternative service delivery costs.
Transport (Chapter 4, refer page 51)

- The Public Transport Reform Program's workforce reductions will be achieved by 1994-95, as targeted.

- The Public Transport Reform Program also targeted a $245 million reduction in budget appropriations for the Public Transport Corporation's operating deficit, by December 1995, to result in a significantly lower appropriation of $259 million at that date. It appears that the December 1995 appropriation will be in the order of $76 million higher than originally targeted because:

  - the 1992-93 targeted reduction of $66 million was not possible due to $50 million of additional costs arising from wage increases and changes to private bus payment arrangements;
  - except for a minor shortfall of $5.6 million, due to the non receipt of one-off revenues, the 1993-94 targeted reduction of $102.5 million was achieved; and
  - the 1994-95 targeted reduction of $52.5 million is estimated to be $17.2 million lower, primarily due to an expected lower grain harvest.

- Public Transport Corporation performance indicators show:

  - an improvement in the delivery of services, within 5 minutes of schedule, by the Met;
  - a fall in the delivery of interstate passenger and freight services, within 10 and 30 minutes of schedule respectively, by V/Line;
  - a decline in the level of Met patronage;
  - minor increases in Met revenue, made possible through fare increases; and
  - a significant increase in 1993-94 freight revenue over 1992-93, arising from a bumper grain harvest in 1993-94.
Response to the Committee's Third and Sixth Reports (Chapter 5, refer page 73)

The *Parliamentary Committees Act* 1968 requires the Government to respond to the recommendations of the Committee, in the Parliament, within six months of the Committee's reports.

The Government has accepted the vast majority of the Committee's recommendations in its Third (1992-93 Budget Estimates and Outcomes) and Sixth (Interim Report on the 1993-94 Budget Estimates) report to the Parliament. Six recommendations however, have been rejected. Upon review of those recommendations the Committee remains convinced of their validity.
FINDINGS AND RECOMMENDATIONS

Finding 2.1 (Page 7)

The Committee finds that the overall 1993-94 budget outcome was a deficit of $572 million (estimate - deficit $3,663 million). Had several significant 'one-off' transactions not occurred during 1993-94 a notional budget surplus of $522 million (estimate - deficit $939 million) would have resulted.

Finding 2.2 (Page 14)

The Committee finds that certain inflexibility in government budgeting processes have been removed to enable budget sector agencies to better manage resources and substantial reforms and benefits for public sector resource management are proposed to flow from the Management Improvement Initiative.

Finding 2.3 (Page 21)

The Committee finds that a supplementary budget estimates document, such as the proposed Departmental Performance Estimates, which provides sufficiently detailed budget estimates information at sub-program level, including performance and benchmark data (where available), for Parliamentary and public scrutiny should be a mandatory requirement for tabling in the Parliament. Further the form, timing and minimum disclosure should be prescribed to ensure consistency between departments and between years. This approach would both restore and enhance the level of Parliamentary accountability of the budget estimates. The proposed Departmental Performance Estimates represent a good model or framework for information to be provided as part of the budget process.
Recommendation 2.1 (Page 21)

The Committee recommends that all budget sector bodies be required to table in the Parliament, within 28 days of the presentation of the Budget to the Parliament, a supplementary budget estimates document which provides sufficiently detailed budget estimates information at sub-program level, including performance and benchmark data (where available). Further the form and minimum disclosure of the document should be prescribed.

Finding 2.4 (Page 32)

The Committee finds that the adequacy of output measures in the 1994-95 Budget Papers again varied between and within departments. In some areas output measures were more in the nature of statistics rather than indicators of performance. The development of outcome measures for presentation in the Budget Papers is also critical to performance evaluation. Meaningful quantitative and qualitative performance measures are critical for the analysis of the efficiency and effectiveness of service delivery and for the identification of achievements from improved management practices.

Finding 2.5 (Page 32)

The Committee finds that the general issue of performance measurement needs further research and development and will continue to evolve over time. Performance measures however, such as output and outcome measures, should be (wherever possible):

(i) a mix of quantitative and qualitative measures;

(ii) linked directly with program objectives;

(iii) clearly related to the cost of service delivery;

(iv) relevant, meaningful and measurable;

(v) set against benchmarks, targets and prior period results;
Finding 2.5 (cont.)

(vi) simple as possible;

(vii) constrained to a minimum number of key indicators for the purposes of reporting to the Parliament;

(viii) standardised for comparative purposes;

(ix) required by legislation;

(x) prominently presented in the Budget Papers and each agency's annual report;

(xi) audited by the Auditor-General, who should express an opinion on the performance indicators as to their relevance and appropriateness; and

(xii) developed under the general guidance of the Department of the Treasury, which should have overall responsibility for their development within the public sector.

Finding 2.6 (Page 33)

The Committee finds that the Department of the Treasury should continue to give priority towards the development of meaningful performance measures for presentation in the Budget Papers and departmental annual reports to enable Parliament to assess the efficiency of performance of budget sector bodies.

Recommendation 2.2 (Page 34)

The Committee recommends that the Budget Papers should not only include estimated current year output measures and actual prior year output measures, but should also include prior year estimated output measures and benchmarks (where available). Further the Budget Papers should include, wherever possible, outcome measures on a similar basis, (that is estimated current year, actual and estimated prior year and benchmarks).
Recommendation 2.3 (Page 34)

The Committee recommends that the Financial Management Act 1994 should require all public sector agencies to include performance measures in their annual reports and that the Budget Papers must include performance measures.

Recommendation 2.4 (Page 34)

The Committee recommends that performance measures provided by public sector agencies in annual reports, pursuant to the proposed legislative requirements, should be certified by the respective Accountable Officers. In addition the Auditor-General should be required to express an opinion on the relevance and appropriateness of those performance measures.

Finding 3.1 (Page 43)

The Committee finds that the internal audit function is a critical function which should provide public sector managers with an independent analysis of risk and of the efficiency, economy and effectiveness of public sector resource usage and internal control systems.

Finding 3.2 (Page 43)

The Committee supports the mandatory nature and guidance provided in the ministerial directions issued by the Minister for Finance in respect of internal control, audit committees and internal audit.

Finding 3.3 (Page 43)

The Committee finds that the critical importance of internal control systems, audit committees and internal audit to public sector financial management is such that mandatory requirements, similar to that contained in the existing ministerial direction, should be prescribed in a regulation issued under the Financial Management Act 1994. This approach would restore an appropriate level of parliamentary accountability and is commensurate with the critical
Finding 3.3 (cont.)

nature of these matters. Such an approach would not inhibit the Department of Finance from continuing to provide guidance on these important matters.

Recommendation 3.1 (Page 43)

The Committee recommends that regulations, similar to the former Audit (Financial Management) Regulations 1993 and consistent with the related ministerial directions issued by the Minister for Finance, be issued under the Financial Management Act 1994 to require adequate public sector internal control, audit committees and internal audit (including a periodic analysis of risks) in public sector bodies.

Finding 3.4 (Page 46)

The Committee finds that the ability of an audit committee to protect the public interest can in part depend on its ability to be independent and objective in respect of management. Ideally membership of an audit committee should include non-executive members of an organisation's governing board and persons external to the organisation. Government departments, without governing boards, have a greater need for persons external to the organisation to be on audit committees and would also derive greater benefits from having an external person as chairman of their audit committee. Persons external to an organisation can bring both an independent perspective and commercial expertise to an audit committee.

Recommendation 3.2 (Page 46)

The Committee recommends that public sector audit committees should include a majority of non-executive members of the agency's governing board (where existing) and persons external to the organisation.
Recommendation 3.3 (Page 46)

The Committee recommends that audit committees of public sector agencies which do not have a governing board should have an external person as chairman and could also include additional external persons as members.

Finding 4.1 (Page 57)

The Committee finds that:

(i) a saving of $9.7 million was made on the 1993-94 Budget appropriation used to fund the Public Transport Corporation's operating deficit;

(ii) Public Transport Reform Program workforce reductions will be achieved by 1994-95, as targeted; and

(iii) the Public Transport Reform Program targeted a $245 million reduction in budget appropriations for the Public Transport Corporation's operating deficit, by December 1995, resulting in a significantly lower appropriation of $259 million at that date. Based on information before the Committee, including the 1994-95 budget estimates, it appears that the December 1995 appropriation will be in the order of $70 million higher than originally targeted because:

- the 1992-93 targeted reduction of $66 million was not possible due to $50 million of additional costs arising from wage increases and changes to private bus payment arrangements;

- except for a minor shortfall of $5.6 million, due to the non receipt of one off revenues, the 1993-94 targeted reduction of $102.5 million was achieved; and

- the 1994-95 targeted reduction of $52.5 million is estimated to be $17.2 million lower, primarily due to an expected lower grain harvest.
Finding 4.2 (Page 58)

The Committee finds that its earlier recommendation, concerning the need to report the full cost of public transport to the Parliament, has been rejected by the Department of Transport. The Transport budget appropriation to the Public Transport Corporation is substantially less than the full cost of public transport to the State Budget. The Committee maintains that it is important for the Parliament and the public to know the full cost of public transport.

Finding 4.3 (Page 62)

The Committee finds that substantial salaries and related expenditure savings are expected to flow from early departure programs. Budget outlays on early departure programs for the period 1991-95 will total approximately $2.1 billion. The Committee understands that under limited circumstances savings can be diverted by departments to fund different service delivery mechanisms, such as contracting out. The Committee believes that the magnitude of the early departure programs, both in terms of the cost to the budget and expected savings to the budget, is such that it is important that the Parliament and public are assured that expected net savings are realised and sustained.

Recommendation 4.1 (Page 62)

The Committee recommends that future Budget Papers detail, on a ministerial portfolio basis, actual net savings achieved, including the level of savings diverted to meet outsourcing or other alternative service delivery costs.

Finding 4.4 (Page 71)

The Committee finds in its review of Public Transport Corporation performance indicators:

(i) an improvement in the delivery of services, within 5 minutes of schedule, by the Met;
Finding 4.4 (cont.)

(ii) a fall in the delivery of interstate passenger and freight services, within 10 and 30 minutes of schedule respectively, by V/Line;

(iii) a decline in the level of Met patronage;

(iv) minor increases in Met revenue, made possible through fare increases; and

(v) a significant increase in 1993-94 freight revenue over 1992-93, arising from a bumper grain harvest in 1993-94, (this will be partly offset in 1994-95 by an expected lower grain harvest).

Finding 4.5 (Page 71)

The Committee finds that the Public Transport Corporation's 1994 Annual Report, issued 30 September 1994, does not include any targets or benchmarks for key performance indicators, the development of targets was recommended by the Victorian Commission of Audit in May 1993 and the Committee in its November 1993 Report to Parliament. The publication of benchmarks is important to establish the State's relativity with like services interstate and overseas, including world's best practice, and would conclusively demonstrate key outcomes of the Public Transport Reform Program.

Finding 5.1 (Page 80)

The Committee finds that the Government has accepted the vast majority of the Committee's recommendations in the Committee's Third (1992-93 Budget Estimates and Outcomes) and Sixth (Interim Report on the 1993-94 Budget Estimates) Reports to the Parliament. Six recommendations however, have been rejected, predominantly in the Health and Community Services Portfolio. Upon review of those recommendations, and consideration of the responses, the Committee remains convinced of the validity of the original recommendations.
FUNCTIONS OF THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

The Public Accounts and Estimates Committee is constituted under the *Parliamentary Committees Act* 1968, as amended. It presently consists of nine members of Parliament drawn from the Legislative Council and the Legislative Assembly.

The Committee carries out investigations and reports to Parliament on matters associated with State financial management. Its functions under the Act are to inquire into, consider and report to the Parliament on -

a) any proposal, matter or thing connected with public administration or public sector finances;

b) the annual estimates or receipts and payments and other budget papers and any supplementary estimates of receipts and payments presented to the Assembly and the Council;

if the Committee is required or permitted so to do by or under the Act.
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EXTRACTS FROM THE RECORDS OF PARLIAMENT

MINUTES OF THE PROCEEDINGS OF THE LEGISLATIVE COUNCIL

Tuesday 10 November 1992

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE - The Honourable R.I. Knowles moved, by leave, That, contingent upon the Royal Assent being given to the Parliamentary Committees (Amendment) Bill, the Honourables P.R. Hall, T.C. Theophanous and D.R. White be members of the Public Accounts and Estimates Committee.

Question - put and resolved in the affirmative.

VOTES AND PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY

Friday 13 November 1992

JOINT INVESTIGATORY COMMITTEES - Motion made, by leave, and question - That contingent on the coming into operation of the Parliamentary Committees (Amendment) Act 1992 -

Mr Baker, Mr Hyams, Mr Plowman (Benambra), Mr Smith (Glen Waverley), Mr Thomson (Pascoe Vale) and Mr Weideman be members of the Public Accounts and Estimates Committee.

(Mr Gude) - put and agreed to.
CHAPTER ONE: INTRODUCTION

1.1 Committee Background

The Public Accounts and Estimates Committee is an all party Joint Investigatory Committee of the Victorian Parliament established by way of amendment to the Parliamentary Committees Act 1968 early in the 52nd Parliament. The Committee has wide powers to review State public sector finances or administration and the budget estimates on behalf of the Victorian Parliament. The Committee's mandate includes both the traditional "public accounts" and "estimates" functions.

This Report is the Committee's third report on the annual budget estimates.

1.2 The Committee's Objective in its Scrutiny of the 1993-94 Budget Estimates

The Committee's objective in its scrutiny of the 1993-94 budget estimates is to:

- constructively contribute to the presentation of budget information, including key financial management details, to the Parliament and the community of Victoria;

- facilitate a greater understanding of the budget estimates;

- encourage clear, full and precise statements of the Government's objectives and planned budget outcomes;

- assist the Parliament and the community of Victoria to assess the achievement of planned budget outcomes; and

- encourage economical, efficient and effective program administration.

It is not the Committee's intention to replicate the Budget Papers or the Autumn Economic Statement. Rather, the Committee's focus is on selected key areas where additional reporting may assist public understanding.
1.3 The Committee's Approach

1.3.1 General Overview

It is the Committee's intention to report to Parliament on the budget estimates twice each financial year. The first report will be an interim report examining the current year's budget and will commonly review the overall budgeted outcome, major budget items and progress against budget in key areas. The Committee intends to table its interim reports in the Autumn Sitting each year.

The second or final report presented to Parliament on the budget estimates each year will focus on the budget outcome. This report will be tabled in the Spring sitting each year. Both reports will, as appropriate, follow up issues raised in earlier "estimates" reports of the Committee.

1.3.2 Process followed by the Committee

Following the delivery of the Budget Speech by the Treasurer on 7 September 1993, the Committee forwarded a questionnaire to all Departments requesting information to supplement the details in the Budget Papers. The questionnaire was designed to complement the detail to be published by Ministers in their Departmental Performance Estimates, which were to be the successors to the annual returns of Supplementary Program Information prepared by Departments\(^1\). The information received from Departments was analysed and further requests for information issued as appropriate.

Some responses to the Committee's questionnaires were received after the requested date while others did not fully or adequately address the Committee's questions (the Committee reissued those questions not adequately answered in further correspondence). The only budget estimates for which the Committee has not received a response to its questionnaire are those relating to the Parliament itself.\(^2\)

\(^1\) 1993 - 94 Budget Paper No. 2, *Budget Strategy and Review*, September 1993, pages 8-10 and 8-11; Refer also chapter 2 of this report.

The Committee followed its schedule of public hearings into the budget estimates. This schedule will see all Ministers and Departments invited to appear before the Committee at least once in the life of the 52nd Parliament, with the major portfolios of Treasury, Finance, Health, Education and Transport invited to appear at least once each financial year. The evidence given at the public hearings was analysed and, where the Committee considered it necessary, further requests for information were issued as appropriate. A complete listing of witnesses was included in the Committee’s interim report.

1.4 Legislative Requirements - Response by the Responsible Minister

Section 40(2) of the Parliamentary Committees Act 1968 provides that:

"Where a report to the Parliament of a Joint Investigatory Committee other than the Public Bodies Review Committee recommends that a particular action be taken by the Government with respect to a matter, the appropriate responsible Minister of the Crown shall, within six months of the report of the Committee being laid before both Houses of the Parliament, report to the Parliament as to the action (if any) proposed to be taken by the Government with respect to the recommendation of the Committee."

Consequently this section of the Parliamentary Committees Act 1968 requires the responsible Minister to respond to the recommendations of the Committee in the Parliament within six months of the Committee’s report.
2.1 1993-94 Budget Outcome

It is not the Committee's intention to replicate the explanations and analysis of the 1993-94 budget outcome included in the 1993-94 Finance Statement, the Auditor-General's Report on the 1993-94 Finance Statement, the 1994-95 Budget Papers, the 1994 Autumn Economic Statement and the Committee's Interim Report on the 1993-94 Budget Estimates. Rather, it will focus on those select areas of interest where additional reporting may assist public understanding of financial performance and budget management.

2.1.1 Overview of 1993-94 Budget Outcome - Significant 'one-off' Transactions

The Auditor-General's Report on the 1993-94 Finance Statement disclosed the 1993-94 Consolidated Fund outcome both before and after abnormal items (and borrowing repayments). The Auditor-General's Report defined abnormal items as major transactions that are not of an ongoing nature.\(^1\) Table 2.1 summarises the Auditor-General's findings.

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\(^1\) Report of the Auditor-General on the Finance Statement 1993-94, page 26. The Auditor-General's abnormal items include employee departure program payments ($732 million), the reversal of prior year expenditure deferral arrangements ($362 million), receipt from the Transport Accident Commission ($1,200 million), deferred employer superannuation obligations ($1,400 million) and the receipt from the Crown Casino ($200 million)
Table 2.1
1993-94 Consolidated Fund Outcome

<table>
<thead>
<tr>
<th>Item</th>
<th>1993-94 Actual $million</th>
<th>1992-93 Actual $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall deficit</td>
<td>(1,187)</td>
<td>(3,329)</td>
</tr>
<tr>
<td>Operating surplus/(deficit) prior to abnormal</td>
<td>542</td>
<td>(1,123)</td>
</tr>
<tr>
<td>items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital surplus prior to abnormal items and</td>
<td>256</td>
<td>18</td>
</tr>
<tr>
<td>borrowing repayments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus/(deficit) prior to abnormal items and</td>
<td>798</td>
<td>(1104)</td>
</tr>
<tr>
<td>borrowing repayments</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Budget is prepared under the Government Finance Statistics format, (which is based on the national accounting format). That format takes into account the transactions of the Consolidated Fund, Trust Fund and those public bodies subject to substantial central budgetary control. Table 2.2 shows the impact on the 1993-94 budget outcome of significant 'one-off' transactions (termed abnormal in the Auditor-General's Report on the 1993-94 Finance Statement). The Committee highlighted and discussed each of the significant 'one-off' transactions in its Interim Report on the 1993-94 Budget Estimates. The Committee has categorised those transactions as significant 'one-off' because of their magnitude and that they are not ongoing.

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2 Ibid., page 23
3 Ibid., page 27. The Auditor-General's abnormal items include employee departure program payments ($732 million), the reversal of prior year expenditure deferral arrangements ($362 million) and a receipt from the Transport Accident Commission ($1,200 million)
4 Ibid., page 27. The Auditor-General's abnormal items include deferred employer superannuation obligations ($1,400 million) and the receipt from the Crown Casino ($200 million)
5 Ibid., page 23
6 Significant 'one off' transactions include employee departure program payments (actual $732 million, estimate $1,300 million), the reversal of prior year expenditure deferral arrangements (actual $362 million, estimate $64 million), receipt from the Transport Accident Commission (actual $1,200 million, estimate $Nil), deferred employer superannuation obligations (actual $1,400 million, estimate $1,386 million) and the receipt from the Crown Casino (actual $200 million, estimate $26 million)
7 The Committee noted in its interim report that the remainder of the total $1,500 million receipt from the Transport Accident Commission is planned to be received during 1994-95 while the three year program of major expenditure reduction and associated workforce downsizing is planned to be completed in 1994-95
Table 2.2  
1993-94 Budget Outcome$^{8}$

<table>
<thead>
<tr>
<th>Item</th>
<th>1993-94</th>
<th>1993-94</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Estimate</td>
</tr>
<tr>
<td></td>
<td>$million</td>
<td>$million</td>
</tr>
<tr>
<td>Overall deficit$^{9}$</td>
<td>(572)</td>
<td>(3,663)</td>
</tr>
<tr>
<td>Notional operating surplus/(deficit) prior to significant 'one-off' transactions$^{10}$</td>
<td>959</td>
<td>(177)</td>
</tr>
<tr>
<td>Notional capital deficit prior to significant 'one-off' transactions$^{11}$</td>
<td>(437)</td>
<td>(762)</td>
</tr>
<tr>
<td>Notional surplus/(deficit) prior to significant 'one-off' transactions</td>
<td>522</td>
<td>(939)</td>
</tr>
</tbody>
</table>

Table 2.2 identifies a notional surplus on the 1993-94 budget outcome, this surplus assumes several significant 'one-off' transactions$^{12}$ did not occur, this is not the case.

Finding 2.1

The Committee finds that the overall 1993-94 budget outcome was a deficit of $572 million (estimate - deficit $3,663 million). Had several significant 'one-off' transactions not occurred during 1993-94 a notional budget surplus of $522 million (estimate - deficit $939 million) would have resulted.

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$^{8}$ The Budget is prepared under the Government Finance Statistics format (which is based on the national accounting format). That format takes into account the transactions of the Consolidated Fund, Trust Fund and those public bodies subject to substantial central budgetary control.


$^{10}$ Significant 'one off' transactions include deferred employer superannuation obligations (actual $1,400 million, estimate $1,386 million), and the reversal of prior year expenditure deferral arrangements (actual $362 million, estimate $64 million).

$^{11}$ Significant 'one off' transactions include employee departure program payments (actual $732 million, estimate $1,300 million), the receipt from the Crown Casino (actual $200 million, estimate $26 million) and a receipt from the Transport Accident Commission (actual $1,200 million, estimate $Nil).

$^{12}$ Significant 'one off' transactions include employee departure program payments (actual $732 million, estimate $1,300 million), the reversal of prior year expenditure deferral arrangements (actual $362 million, estimate $64 million), receipt from the Transport Accident Commission (actual $1,200 million, estimate $Nil), deferred employer superannuation obligations (actual $1,400 million, estimate $1,386 million) and the receipt from the Crown Casino (actual $200 million, estimate $26 million).
2.1.2 Changes in Budget Sector Debt

The overall budget outcome and the outcome on the current and capital accounts are important points of focus for the Parliament and the Public. The budget outcome has a direct impact and link to the level of budget sector debt. The level of budget sector debt is also a key financial indicator which cannot be understated. The Committee has summarised the change in budget sector net debt in Chart 2.1.
Chart 2.1 shows the significant estimated increase in budget sector net debt from 1992-93 to 1993-94 and provides an overview of the key changes leading to actual budget sector net debt for 1993-94.

In addition to debt the budget sector has substantial other liabilities. The largest single liability (excluding debt) being the unfunded superannuation liability. The Committee notes that unfunded superannuation liabilities have decreased by $3.6 billion during 1993-94.\textsuperscript{13}

The Committee fully supports the following comments of the Auditor-General in his Report on the 1993-94 Finance Statement.

\begin{quote}
In this report I have again called for the introduction of whole of government reporting by the State which would not only enhance accountability over government operations but allow more informed debate on the financial position of the State. While comprehensive information is provided in the Finance Statement on the receipts and payments, and financial obligations of the State, limited information is provided on Victoria's publicly owned assets. In the absence of such information, it is not surprising that debate on Victoria's finances has tended in the past to concentrate on matters such as the liabilities of the State.\textsuperscript{14}
\end{quote}

The Committee has made the following recommendation to the Parliament as part of its inquiry into the State's Budget and Financial Management Framework.

\begin{quote}
It is recommended that the Government make a commitment to the introduction of whole of government reporting at the earliest possible practical opportunity which should be no later than 1995-96. A detailed timetable should be drawn up to include all implementation issues which need to be worked through, including a 'pilot' whole of government financial statement by 1994-95 ...\textsuperscript{15}
\end{quote}

\textsuperscript{14} Ibid., page 5
\textsuperscript{15} Public Accounts and Estimates Committee, Interim Report on the State's Budget and Financial Management Framework, May 1994, page xiii or Appendix, page 37
2.2 Budget Reforms

2.2.1 Introduction

In May 1993 the Victorian Commission of Audit (VCA) found that the budgetary process lacked the flexibility necessary to achieve improved efficiency and effectiveness. While this Budget Estimates report does not purport to follow up on the Government’s efforts to implement these recommendations, it does consider it relevant to provide some comment regarding improvements made to the budget process and in particular the output measures currently contained within the Budget Papers.

Key budget reforms include:

- Net appropriations and receipts retention;
- Provision for carryovers;
- Provision for drawdowns from following years; and
- Reforms flowing from the Management Improvement Initiative.

Net appropriations and receipts retention

The introduction of net appropriations and receipts retention arrangements are intended to improve departmental budget management flexibility. Broadly speaking under these arrangements a 'global' appropriation is provided for the difference between estimated departmental expenditure and revenue. Therefore, if a department receives more than is anticipated from its own revenue-generating activities, or through Commonwealth funding, it stands to gain. Conversely, if receipts are overestimated and there is a significant shortfall relative to the estimate, expenditure would have to be adjusted to ensure that no

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16 Report the Victorian Commission of Audit, Volume One, Graphic Print Centre, May 1993, pages 151 and 152
17 For an assessment of the implementation of the Victorian Commission of Audit’s recommendations refer to the Committee’s seventh report to the Parliament - Interim Report on the State’s Budget and Financial Management Framework, May 1994
unplanned growth in outlays occur.\textsuperscript{19} It is expected that these arrangements will provide greater incentive for departments to recover costs and maximise revenue raising efforts. Agencies may apply for permission to carry over unexpended retained receipts to the following year in accordance with the prevailing carryover arrangements (see below).\textsuperscript{20}

\textit{Carryovers}

Departments are now able to carry over part or all of their unspent allocations to the following year. The carryover arrangement will remove pressure for excessive end of year spending. Certain conditions apply to the carryover of funds, for example, departments have to identify a purpose for the funds carried forward, and Treasurer approval has to be obtained if more than 3\% of the budget base is carried forward.\textsuperscript{21}

\textit{Drawdowns from following years}

Subject to approval from the Treasurer, departments are allowed to drawdown to a maximum of 0.5\% (up to 3\% in 1993-94) of the following years' appropriation.\textsuperscript{22} To qualify, departments have to demonstrate that the drawdown is necessary in order to match changes in the timing of cash flows, and not to cover an ongoing inability to meet budget targets.\textsuperscript{23}

\textit{Management Improvement Initiative}

The Victorian financial management improvement program is a major component of the Government's Management Improvement Initiative (MII), which is being overseen jointly by the Department of Premier and Cabinet, the Public Service Commissioner and the Department of the Treasury.\textsuperscript{24} Central to this initiative is the implementation of an Integrated Management Cycle to

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{19} 1993-94 Budget Paper No. 2, \textit{Budget Strategy and Review}, September 1993, page 8-14
\item \textsuperscript{20} 1993-94 Budget Paper No. 2, \textit{Budget Strategy and Review}, September 1993, page 8-15
\item \textsuperscript{21} Ibid.
\item \textsuperscript{22} 1994-95 Budget Paper No. 2, \textit{Budget Performance and Outlook}, September 1994, page 7-4
\item \textsuperscript{23} 1993-94 Budget Paper No. 2, \textit{Budget Strategy and Review}, September 1993, page 8-16
\item \textsuperscript{24} Ibid., page 8-5
\end{itemize}
\end{footnotesize}
co-ordinate the management of a wide range of centrally directed budget sector activities.

The MII is a systematic integrated set of reform projects that are intended to:

- target the cultural changes needed to reform management of the Victorian Public Service;

- identify, educate, adopt and implement the 'best practice' management of the public sector, and

- ensure that change is sustained and reinforced. 25

There are three principal objectives of the financial management improvement initiatives. These are:

- to increase the efficiency, effectiveness and appropriateness of budget sector resource allocation through a stable, performance-oriented budget process with a medium-term focus;

- to increase the quality of information about budget sector and broader State public sector financial activities; and

- to increase flexibility in managing inputs consistent with a greater focus on outputs produced. 26

A key to the objective of increased flexibility in financial management is the devolution of financial and budgetary control, within global budget constraints, from central agencies to departmental management. 27 Devolution of control and responsibility is essential to the reform process and this gives program evaluation a more prominent role. Flexibility and the capacity to manage change are essential and managers will have more freedom but there will be more and better quality information on which to judge performance. 28 Rewards and sanctions are effected through the performance based employment contracts within the Senior Executive Service.

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25 A Management Improvement Initiative for Victoria, 1 October 1993, Chapter 5
26 Ibid., Appendix
27 Ibid., Appendix
28 Ibid., Chapter 4
The Committee will follow with interest the realisation of further budgetary and financial reporting reforms arising from the MII and in particular looks forward to advances in accrual accounting, whole of government financial statements (including statements of financial position and operating statements on a full financial basis and cash flow statements) and accrual based budgeting (all recommended by the Victorian Commission of Audit). These matters represent the principle focus of the Committee's current inquiry into the State's Budget and Financial Management Framework.  

The Committee understands however, that not all of the initial four departments planned to produce accrual based financial reports in 1993-94 will be able to deliver audited financial statements which comply with Australian Accounting Standard AAS29 Financial Reporting for Government Departments for that financial year. Further, there is as yet no clear commitment to whole of government financial reporting or accrual based budgets.

Finding 2.2

The Committee finds that certain inflexibility in government budgeting processes have been removed to enable budget sector agencies to better manage resources and substantial reforms and benefits for public sector resource management are proposed to flow from the Management Improvement Initiative.

2.2.2 Overview of Revised Budget Documentation

The 1994-95 Budget Papers have introduced a number of changes in the type and presentation of budget information. Some of the changes were foreshadowed in the 1993-94 Budget Papers. Table 2.3 sets out a comparison of current and previous Budget Papers.

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29 Refer to the Committee's seventh report to the Parliament - Interim Report on the State's Budget and Financial Management Framework, May 1994
30 The Committee's seventh report to the Parliament - Interim Report on the State's Budget and Financial Management Framework, May 1994, recommended that the Government make a policy commitment to the introduction of an accrual based budget by 1995-96 and the introduction of whole of government reporting at the earliest possible practical opportunity, which should be no later than 1995-96
Table 2.3
Budget Papers - 1991-95

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No. 1 - Budget Speech</td>
<td>No. 1 - Budget Speech</td>
<td>No. 1 - Budget Speech</td>
</tr>
<tr>
<td>No. 2 - Budget Strategy and Review</td>
<td>No. 2 - Budget Strategy and Review</td>
<td>No. 2 - Budget Performance and Outlook</td>
</tr>
<tr>
<td>No. 3 - The Consolidated Fund (including the Appropriation Bill)</td>
<td>No. 3 - The Consolidated Fund (including the Appropriation Bill)</td>
<td>No. 3 - Budget Estimates (including the Appropriation Bill)</td>
</tr>
<tr>
<td>No. 4 - Budget Revenues</td>
<td>No. 4 - Budget Estimates</td>
<td>No. 3 - Budget Estimates</td>
</tr>
<tr>
<td>No. 5 - Program Budget Outlays(^{33})</td>
<td>Budget Information Papers</td>
<td>Budget Information Papers</td>
</tr>
<tr>
<td>No. 1 - Budget Sector Capital Works Program</td>
<td>No. 1 - Budget Sector Capital Works</td>
<td>No. 1 - Public Sector Capital Works</td>
</tr>
</tbody>
</table>

**Budget Paper - The Consolidated Fund**

The discontinuation of a separate Budget Paper on the Consolidated Fund was commented upon in the 1994-95 Budget Papers:

> It is intended that the budget estimates will continue to be developed as the main consolidated body of information about budget supported activities. For this reason, the Appendix A dealing with the Consolidated Fund which was included last year has been expanded into a Statement on the allocation and estimates of the Public Account, with a reconciliation to the GFS

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\(^{31}\) The 1991-92 Budget Papers are included for comparative purposes as the last Budget passed by the 51st Parliament. The 1991-92 Budget Papers also included Budget Paper No. 6 - Social Justice and the Budget

\(^{32}\) The 1994-95 Victorian Budget Summary was also issued

\(^{33}\) Further information was also provided to the Parliament in the Supplementary Program Information prepared by Departments
analysis. This has enabled last year's Budget Paper No. 3, The Consolidated Fund, to be discontinued as a separate paper.34

The presentation of budget information on a Consolidated Fund basis is a fundamental element of the Westminster system of democratic government whereby the Parliament controls the raising and spending of public monies through the Consolidated Fund. Even once accrual accounting is completely introduced into the budget sector (refer paragraph 2.2.1) a need will always exist, as it does in the private sector, for information on cash flows. The Committee notes that the re-positioning of Consolidated Fund information in the Budget Papers does not reduce the level of accountability to the Parliament on Consolidated Fund information.

Budget Information Paper No. 1

The 1994-95 Budget information paper on capital works is more timely, comprehensive and includes plans for major capital works of non-budget sector agencies, such as Public Transport Corporation and Melbourne Water.

Budget Paper - Budget Estimates

1991-92 Budget Paper No. 5 Program Budget Outlays presented, on a portfolio basis, the various programs supporting the key functions of each budget sector agency. Within each of these programs, succinct objectives, achievements and major key activities (and initiatives) planned for future years are explained. The sub-programs supporting these programs were also listed and corresponding to each sub-program, it is possible to identify the various components (or activities).

The Committee notes however, that 1994-95 Budget Paper No. 3 Budget Estimates is not as detailed as 1991-92 Budget Paper No. 5 Program Budget Outlays in that it does not specify the components (or activities) supporting each sub-program. On the other hand 1994-95 Budget Paper No. 3 Budget Estimates includes actual and estimated output measures/units which is a major and fundamental advance for the Budget Papers.

34 1994-95 Budget Paper No. 3, Budget Estimates, September 1994, page 1
1994-95 Budget Paper No. 3 *Budget Estimates* includes on a portfolio basis:

- objectives of the respective programs;

- a list of sub-programs supporting the program; and

- actual and estimated output measures/units (that is departmental goods and services).

It is important that the Budget Papers are sufficiently informative and detailed as to what comprises the major elements of each program used to deliver goods or services to the public. A program budget structure includes a hierarchy of programs, sub-programs, components and activities or projects. The Committee considers in detail the issue of the provision of sub-program budget estimates information to the Parliament in paragraph 2.2.3 of this chapter.

*Reclassification of the Public Transport Corporation and the Office of Housing*

Changes to Government Finance Statistics (GFS) format classifications resulted in the altered treatment of the Public Transport Corporation and the Office of Housing from general government bodies in the budget sector to public trading enterprises in the non-budget sector, based on their move to greater dependence on user charges as their main source of revenue.35

Despite the reclassification of the Public Transport Corporation and the Office of Housing from the budget sector to the non-budget sector, appropriations to these agencies are still presented in a format consistent with other budget sector agencies in the Budget Papers.

**2.2.3 Departmental Performance Estimates**

The 1993-94 Budget Papers stated that Departmental Performance Estimates (DPEs) were to be the successors to the annual returns of Supplementary Program Information. Supplementary Program Information was formerly prepared by departments and tabled in the Parliament. The Supplementary Program

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Information focused on inputs and provided greater detail to the Parliament on the budget estimates.

The DPEs would have extended the information provided to Parliament in the Budget Papers to sub-program level as well as amplified performance and benchmark data. The DPEs were intended to:

• set out each Department's planning objectives for 1993-94;

• provide comment on the 1993-94 budget decisions affecting each department and its service delivery and, in particular detail expenditure reductions and savings measures so far announced;

• show program and sub-program outlays and outputs for 1992-93 and 1993-94;

• give an assessment of program and sub-program performance; and

• give an assessment of performance against benchmarks.

The Committee understands that during September 1993 budget sector agencies were required to prepare DPEs based on a standard format for presentation to the Parliament by 21 October 1993. The Department of the Treasury had prepared guidelines to this effect, specifically requiring that:

• each department's objectives or mission statement match the objectives set out in the Budget Papers;

• narrative be included on the contribution by the Department to the budget strategy with an outline of planning objectives;

• program details include the objectives as per the Budget Papers and a summary of outlays by sub-program;

• sub-program details to include narrative of the management strategies being employed to implement the sub-program and program objectives in the budget year and beyond. This may include a discussion of the external factors which are likely to impact on performance;

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37 Ibid., page 8-11
• sub-program objectives should be clear and succinct and, wherever possible, measurable;

• sub-program performance estimates are designed to provide information on the quality of service delivery as well as the quantity of the outputs produced or delivered, and the performance measurement presented should relate to the objectives of the program or sub program;

• comparisons of performance with similar services in the private sector, interstate or overseas and appropriate benchmark measures should be developed wherever possible. It will be expected that, over time, there will be an increased emphasis on benchmarking as program and sub-program managers have the opportunity to improve resource allocation and increase the emphasis on service delivery; and

• a list of program evaluations completed with a brief summary of the results of the evaluation.

If implemented, the DPEs prepared as outlined above could have substantially satisfied the program evaluation related recommendations made by the former Economic and Budget Review Committee (EBRC) in its 1990 report titled Program Budgeting (refer paragraph 2.2.4). This would also have represented a significant step towards related recommendations of the Victorian Commission of Audit (refer paragraph 2.2.4). In addition the DPEs would have both maintained and enhanced the level of accountability to the Parliament and the public on the budget estimates. The Budget Papers alone, in the absence of DPEs (or their equivalent), do not represent an adequate standard of Parliamentary accountability for the budget estimates given the previous level of disclosure and Parliament's needs.

The Committee recommended in its Interim Report on the 1993-94 Budget Estimates that DPEs should be published within 28 days of the presentation of the Budget to the Parliament.38 However, DPEs have not been published, contrary to that originally foreshadowed in the 1993-94 Budget Papers and the Committee's recommendation.

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The Department of the Treasury's response to the Committee's recommendation was as follows:

*Departmental Performance Estimates that were being developed by Departments in 1993 are being superseded by departmental corporate and business plans.*

*Ministers and Departments may decide whether and in what way to publish planning information, such as by incorporating it in their Annual Reports.*

It is apparent from the Department's response that documents containing sub-program budget information, whether they be the proposed DPEs or the successor documents, are intended to be an optional rather than a mandatory requirement for tabling in the Parliament. Further, the very important need for consistency and minimum disclosure (including sufficiently detailed sub-program information, performance and benchmark data) in the presentation of this information by departments will apparently not be ensured. Key concerns of the Committee also include:

- detailed information on program and sub-program output measures and outcomes may not be presented as part of one set of key documents, that is the Budget Papers (which are predominantly forward looking while annual reports generally review the past year) and at about the same time;

- relevant key information, if available, may not be consistent from year to year or between departments and hence difficulties may arise when comparing performance from year to year and between departments; and

- each department will use its own discretion in selecting the types of information to disclose and using what means, for example Annual Reports, Ministerial Statement in the Parliament or press release, if at all. Therefore the lack of consistency of the various types of information and the form or document within which it is presented may impact adversely on Parliamentary accountability of the budget estimates.

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39 Government Response to the Sixth Report of the Public Accounts and Estimates Committee, October 1994, page 1. Refer Appendix to chapter 5 of this report and chapter 5
Finding 2.3

The Committee finds that a supplementary budget estimates document, such as the proposed Departmental Performance Estimates, which provides sufficiently detailed budget estimates information at sub-program level, including performance and benchmark data (where available), for Parliamentary and public scrutiny should be a mandatory requirement for tabling in the Parliament. Further the form, timing and minimum disclosure should be prescribed to ensure consistency between departments and between years. This approach would both restore and enhance the level of Parliamentary accountability of the budget estimates. The proposed Departmental Performance Estimates represent a good model or framework for information to be provided as part of the budget process.

Recommendation 2.1

The Committee recommends that all budget sector bodies be required to table in the Parliament, within 28 days of the presentation of the budget to the Parliament, a supplementary budget estimates document which provides sufficiently detailed budget estimates information at sub-program level, including performance and benchmark data (where available). Further the form and minimum disclosure of the document should be prescribed.

2.2.4 Performance Measurement

Performance evaluation is a critical component of budget and public sector resource management. Output and outcome measures are key performance indicators. An output is broadly defined as an identifiable good or service supplied to consumers outside an organisation. Outputs do not measure the effects on the community of the goods and services produced. These are outcomes. The Budget Papers currently include output measures. The development of outcome measures for presentation in the Budget Papers is critical to optimal performance evaluation.

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40 1993-94 Budget Paper No. 4, Budget Estimates, September 1993, page 8

At a recent public hearing, the Secretary to the Department of Arts, Sports and Tourism made the following comments concerning performance indicators:

...I am not happy that the performance indicators are as outcome-orientated as they should be and it is to that end that I am looking forward to getting a better valuation of the unit costs in terms of the improvements to be made both in the administration of the departments and the various portfolios, and the costs in terms of outcomes sought.41

Program evaluation is an issue that was addressed by both the former Economic and Budget Review Committee (EBRC) and the Victorian Commission of Audit (VCA). In April 1990, the EBRC tabled a report in Parliament titled Program Budgeting. It was evident then that Departments had failed to develop meaningful performance indicators. The 1990 report addressed the need for further development of effective budget management practices in Victoria and incorporated in that report were several recommendations concerning the development of performance indicators. A summary of the thrust of that report and recommendations made in relation to performance indicators are listed below:

• difficulties which arise in the development of performance indicators, should not be an impediment for the further development of useful, cost-effective performance indicators within the Victorian public sector;

• there should be specific scrutiny of the performance of selected agencies in the development of performance indicators at Parliamentary level;

• departments should be required, by legislation, to report particular selected performance indicators at specified regular intervals and that the indicator subject to this compulsory reporting requirement be capable of alteration only by regulation, subject to disallowance by either House of Parliament; and

• the Department of the Treasury should be responsible for developing and extending the use of performance indicators throughout the Victorian public sector.42

41 Department of Arts, Sports and Tourism, Minutes of evidence, 3 November 1994, page 5.
42 Economic and Budget Review Committee, Program Budgeting, April 1990, Chapter Three.
The findings and recommendations of the EBRC in 1990 are equally valid today because:

- appropriations and the presentation of the budget estimates are still in the form prescribed by program budgeting;

- the performance indicators developed and published in the Budget Papers and in some instances, Annual Reports, are sometimes too broadly based to provide an adequate guide to service delivery of budget sector agencies; and

- there is no legislative sanction or requirement to enforce the reporting of meaningful performance measures to Parliament.

The VCA recommended in its May 1993 Report, amongst other things, significant restructuring of the public sector and a new management approach to performance, emphasising planning and accountability for outcomes and outputs of Government, rather than inputs and process controls.\textsuperscript{43} Shortcomings in financial management identified by the VCA included:

- the absence of a medium-term perspective or an output focus, resulting in poor quality decision-making and advice on resource management;

- the application of budgetary processes which inhibit the management flexibility necessary to the achievement of improved efficiency and effectiveness; and

- confusion and lack of clarity about responsibilities resulting from the absence of stable budgetary management and reporting processes.\textsuperscript{44}

Paragraph 2.2.1 of this chapter refers to some of the key reforms undertaken by the Government which address issues raised by the VCA.

As public sector managers are given more discretion in the manner in which scarce public resources are being utilised it is important for the accountability of management to be increased through improved management reporting and

\textsuperscript{43} Report of the Victorian Commission of Audit, Volume One, Graphic Print Centre, May 1993, pages 151 and 152
\textsuperscript{44} A Management Improvement Initiative for Victoria, October 1993, Appendix
performance measurement. This inevitably results in a greater emphasis being placed on program evaluation. In the development of an outputs oriented budget system, the Department of the Treasury is developing initiatives to advance program evaluation practice throughout the budget sector, provide better information on program performance and assist resource allocation decisions. This will result in an improved focus on outputs and outcomes and more importantly, enable well-informed decisions to be made about the utilisation of scarce public sector resources.

Performance must be measurable and reported in the form of performance indicators. Jackson identifies several characteristics which performance indicators could possess:

- they must relate to the stated objectives of the organisation;

- they must be specific, quantifiable and standardised so that the information can be used for making valid comparisons with other like organisations;

- they must be as simple as possible, consistent with their purpose;

- they must be acceptable and credible in the sense of being free from systematic bias; and

- they must be useful and capable of acting as signposts to areas where questions concerning operations can and should be asked.

Positive and important steps have been taken by the Government to acknowledge the importance of measuring service delivery. However, further development of output, and ultimately outcome, measures (including benchmarks) is necessary to ensure that the management of public sector resources can be fully assessed by the Parliament and the public.

According to the VCA, the absence of simple quantitative output measures related to the full cost of programs means service delivery efficiency cannot be analysed. Real gains or achievements in government management cannot be identified. The absence of output measures means resource allocation becomes

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focussed on not exceeding the budget allocation without considering the benefits delivered by the programs.\textsuperscript{47} Meaningful, relevant and key output and outcome measures (including benchmarks) are critical to efficient and effective resource allocation in the public sector.

The 1993-94 and 1994-95 Budget Papers incorporated output measures and these measures are intended as largely indicative of the range of goods and services provided by the departments. The 1995-95 Budget Papers state:

\begin{quote}
The range of outputs shown is intended to be comprehensive and as stable as practicable so as to be amenable to time series comparisons. However, the wide array of outputs produced, and the difficulty of measuring many of them, means that not all output measures can or should be published here. Those that are published should be seen as rather than, as definitive, or complete. Many of those that are presented are aggregates that do not adequately convey details of the service provided or its quality.\textsuperscript{48}
\end{quote}

The output measures in the Budget Papers have similar characteristics, that is they are mainly quantitative and statistical by nature. Actual for the past year (for example 1993-94) and an estimate for the current year (for example 1994-95) are shown. In so far as performance evaluation is concerned, it is not possible to assess the prior years performance because estimates are not published with the actuals. Furthermore, this Committee believes that the availability of benchmarks would greatly assist in assessing performance by comparing data with similar service providers in the private sector, interstate, or overseas. The comparison of estimated 1994-95 output measures with 1993-94 actuals is not considered to be a suitable alternative to a comparison with established benchmarks. It is nevertheless useful information in its own right.

The Committee's Interim Report on the 1993-94 Budget Estimates found:

\begin{quote}
1993-94 Budget Paper No 4 includes output measures for each department. Actual 1992-93 and estimated 1993-94 outcomes are included. The Committee understands that the Departmental Performance Estimates may expand on these and would also include performance measures and benchmarks.
\end{quote}

\textsuperscript{47} Report of the Victorian Commission of Audit, Volume One, Graphic Print Centre, May 1993, page 171

\textsuperscript{48} 1994-95 Budget Paper No. 3, Budget Estimates, September 1994, page 9
The Committee briefly reviewed the adequacy of the output measures included in Budget Paper No. 4. The usefulness of output measures varied between departments and in some areas were yet to be determined. Importantly, the Committee notes however that this is the first year that output measures have been published with the Budget. The Department of the Treasury has advised that the ongoing development of output measures will be monitored as part of the Management Improvement Initiative's (MII) Project entitled "Financial Management Improvement". That Project is expected to submit a report to the MII Steering Committee during August 1994.

The Committee will review output measures included in the next budget as well as performance measures and benchmarks included in the Departmental Performance Estimates. 49

The adequacy of output measures again varied between departments in the 1994-95 Budget Papers. In some areas output measures were more in the nature of statistics rather than indicators of performance.

Education Portfolio

The Committee has broadly examined the output measures presented by the Education portfolio in the Budget Papers as a useful case study, the rationale being that education is a difficult area to set meaningful output or outcome measures and is a portfolio undergoing a period of significant change. The Directorate of School Education has embarked on a major initiative in school education viz. the 'Schools of the Future' program and it is a major spending area of the public sector with significant savings targets (the Department of Education is required to deliver savings of $194 million by 1994-95 and according to the Budget Papers the contribution of Schools Education to this savings target is approximately $145 million50).

In the Education portfolio, the objectives of the department are to provide a broad central policy and a planning framework within which quality education and training will be delivered by schools and colleges.51 The Portfolio has undergone significant change during this Parliament through reductions in the numbers of schools and staffing (including teaching staff) and the introduction of

a greater capacity for self-management in schools and TAFE colleges (through the 'Schools of the Future' program).

Table 2.4
Number of Schools

<table>
<thead>
<tr>
<th>School</th>
<th>1992-93</th>
<th>1993-94</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>1,502</td>
<td>1,339</td>
<td>-163</td>
</tr>
<tr>
<td>Primary/secondary</td>
<td>16</td>
<td>23</td>
<td>+7</td>
</tr>
<tr>
<td>Secondary</td>
<td>322</td>
<td>295</td>
<td>-27</td>
</tr>
<tr>
<td>Special</td>
<td>95</td>
<td>85</td>
<td>-10</td>
</tr>
<tr>
<td>Language</td>
<td>0</td>
<td>3</td>
<td>+3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,935</td>
<td>1,745</td>
<td>-190</td>
</tr>
</tbody>
</table>


It is evident from the Table 2.4 that the number of schools have decreased quite markedly. Table 2.5 overviews the changes in staffing profiles in the Education portfolio.

Table 2.5
Teacher Staffing

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>18,865</td>
<td>19,095</td>
<td>19,399</td>
<td>18,134</td>
</tr>
<tr>
<td>Secondary</td>
<td>21,313</td>
<td>21,077</td>
<td>20,929</td>
<td>19,864</td>
</tr>
<tr>
<td>Special</td>
<td>1,217</td>
<td>1,230</td>
<td>1,219</td>
<td>1,167</td>
</tr>
<tr>
<td>TOTAL</td>
<td>41,395</td>
<td>41,402</td>
<td>41,547</td>
<td>39,165</td>
</tr>
</tbody>
</table>


The Department has given a commitment that in 1994-95, it will continue to pursue improvements in the quality of education and the training services of the State and the development of appropriate benchmarks. In particular, this will

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52 Equivalent Full Time Teachers
involve enhanced staff development, improvements in schools and to the Department's systems and in increased support for self management in schools.\(^\text{53}\)

A significant change in the Portfolio's program structure occurred in the 1994-95 Budget Papers whereby there are now only six Programs, compared to nine Programs in 1993-94 (this included the introduction of a new program in 1994-95). The objectives of the new School Education Services Program are:

- to provide policy, planning and other services necessary to operate in an environment in which aspects of operational management are being devolved to the school level to enable students to have access to high quality teaching and learning experiences in defined curriculum areas; and

- to provide the functions and services to support the devolved operations of schools in the areas of school organisation, professional development, special programs, finance, facilities, personnel and administration.\(^\text{54}\)

Output measures published in the Budget Papers for the School Education Program are mainly quantitative (as opposed to the more difficult but perhaps more useful qualitative measures) and may not sufficiently link with or indicate the department's effectiveness and efficiency in delivering quality education services to the community. Published output measures in the budget estimates include:

- number of VCE students in Year 11 and 12;

- number of schools in the schools of the future program; and

- number of children benefiting from the schools of the future program.

The Committee accepts that more meaningful and relevant output measures will be developed in the future and stresses the importance of making these available in a timely and consistent manner. The Committee also recognises the significant difficulties that arise in the development of output measures and considers that the department should continue to allocate a high priority towards the development of key output measures for presentation in the Budget Papers.

\(^{54}\) Ibid., page 131
Output measures should be compared with a range of benchmarks and prior year's data and budgets for comparison purposes. The Committee appreciates that the development of meaningful and broadly accepted performance measures in the Education Portfolio is a matter of significant debate and is complex. Possible performance measures that have been proposed for secondary education include:

- student teacher ratio compared with an international benchmark;
- the gross cost of educating a student which is made up of the number of qualified teaching staff, non-teaching staff, books, supplies and transport; and
- the number of pupils with examination achievements, related to data such as socio-economic status and family profile of their local area. These are factors over which the schools have no control over but may impact significantly on a school's performance.

The Victorian Commission of Audit (VCA) had expressed concern that there may be an inadequate focus on key performance indicators such as class sizes, student's achievements, spending per student on teacher salaries, buildings and grounds expenditure and student teacher ratios (compared to interstate data) within the Directorate of School Education (DSE) and the Schools of the Future Program.\(^{55}\)

It was recommended by the VCA that the DSE should arrange for periodic, independent reviews of schools' performance against a wide variety of benchmarks and other indicators.\(^{56}\)

The Committee finds that the output measures presented in the Budget Papers for the School Education Program, need further development in that they:

- are mainly quantitative and may not sufficiently relate specifically to the objectives of the Program, that is the provision of high quality education and learning experiences;

\(^{55}\) Report of the Victorian Commission of Audit, Volume Two, Graphic Print Centre, May 1993, Chapter 7

\(^{56}\) Ibid., page 72

- comparisons of data available is difficult because prior years' estimates are not published in the current year Budget Papers; and

- do not include the types of performance measures recommended by the Victorian Commission of Audit.

Transport portfolio

In the Transport portfolio, there was some improvement to the output measures published in the 1994-95 Budget Papers. To illustrate, under the Passenger Services Program in the 1993-94 Budget Papers the output measures published were as follows:

- suburban Passenger Journeys, broken down into rail, tram, government bus and private bus were measured in total kilometres travelled; and

- Similarly, Country/Interstate journeys, broken down into Interurban, Regional and Interstate were also measured in kilometres travelled.\(^57\)

Under this Program, the objectives are:

- to develop, operate and maintain an accessible and integrated passenger transport service which is safe, reliable, clean and comfortable; and

- to market the services effectively so as to maximise customer usage of the system, and to minimise net cost to Government.\(^58\)

The Committee is not satisfied that the number of kilometres travelled is a meaningful performance measure of the effective delivery of transport services as stipulated by the objectives of the Program.

In 1994-95, a service agreement was negotiated and ratified with the Public Transport Corporation to deliver a quality public transport service. Under the same Passenger Services Program in the 1994-95 Budget Papers some improvement to the types of output measures presented were evident. For example, the level of service delivery in Met train, Tram and buses as well for the V/line services was presented in percentage terms. In addition, train punctuality

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\(^57\) 1993-94 Budget Paper No. 4, Budget Estimates, September 1993, page 304
\(^58\) 1994-95 Budget Paper No. 3, Budget Estimates, September 1994, page 303
within 5 minutes for all day and during peak hours was also measured in percentage terms.

Legislative requirements

The concept of performance measurement as a means of promoting public accountability is widely accepted and the Government of Western Australia has made it mandatory, through the Financial Administration and Audit Act 1985, for performance indicators to be:

- incorporated and certified by the Accountable Officer in Annual Reports; and

- audited by the Auditor-General, who will form an opinion as to whether or not the performance indicators are relevant and appropriate having regard to their purpose and fairly represent indicated performance.

The Victorian Financial Management Act 1994, section 40 provides:

(1) The Minister must prepare, in association with the annual appropriation Bills, a statement of information under departmental headings setting out -

(a) a description of the goods and services to be produced or provided by each department during the period to which the statement relates, together with comparative information for the preceding financial year;

(b) a description of the money available or to be available to each department during the period to which the statement relates, whether appropriated by the Parliament for that purpose or otherwise received or to be received by the department, together with comparative figures for the preceding financial year;

(c) the estimated amount of the receipts of each department during the period to which the statement relates, together with comparative figures for the preceding financial year;
(d) any other information required by this Act to be included in the statement;

(e) such other information as the Minister determines.

(2) The Minister must cause the statement to be laid before each House of the Parliament when the annual appropriation Bills are before the House.

The requirements of section 40 were satisfied by the tabling of 1994-95 Budget Paper No. 3 Budget Estimates in the Parliament. Section 40 does not specify any requirement for the reporting of performance measures, such as output or outcome measures with targets and benchmarks.

**Finding 2.4**

The Committee finds that the adequacy of output measures in the 1994-95 Budget Papers again varied between and within departments. In some areas output measures were more in the nature of statistics rather than indicators of performance. The development of outcome measures for presentation in the Budget Papers is also critical to performance evaluation. Meaningful quantitative and qualitative performance measures are critical for the analysis of the efficiency and effectiveness of service delivery and for the identification of achievements from improved management practices.

**Finding 2.5**

The Committee finds that the general issue of performance measurement needs further research and development and will continue to evolve over time. Performance measures however, such as output and outcome measures, should be (wherever possible):

(i) a mix of quantitative and qualitative measures;

(ii) linked directly with program objectives;

(iii) clearly related to the cost of service delivery;
Finding 2.5 (cont.)

iv) relevant, meaningful and measurable;

(v) set against benchmarks, targets and prior period results;

(vi) simple as possible;

(vii) constrained to a minimum number of key indicators for the purposes of reporting to the Parliament;

(viii) standardised for comparative purposes;

(ix) required by legislation;

(x) prominently presented in the Budget Papers and each agency's annual report;

(xi) audited by the Auditor-General, who should express an opinion on the performance indicators as to their relevance and appropriateness; and

(xii) developed under the general guidance of the Department of the Treasury, which should have overall responsibility for their development within the public sector.

Finding 2.6

The Committee finds that the Department of the Treasury should continue to give priority towards the development of meaningful performance measures for presentation in the Budget Papers and departmental annual reports to enable Parliament to assess the efficiency of performance of budget sector bodies.
### Recommendation 2.2

The Committee recommends that the Budget Papers should not only include estimated current year output measures and actual prior year output measures, but should also include prior year estimated output measures and benchmarks (where available). Further the Budget Papers should include, wherever possible, outcome measures on a similar basis, (that is estimated current year, actual and estimated prior year and benchmarks).

### Recommendation 2.3

The Committee recommends that the *Financial Management Act 1994* should require all public sector agencies to include performance measures in their annual reports and that the Budget Papers must include performance measures.

### Recommendation 2.4

The Committee recommends that performance measures provided by public sector agencies in annual reports, pursuant to the proposed legislative requirements, should be certified by the respective Accountable Officers. In addition the Auditor-General should be required to express an opinion on the relevance and appropriateness of those performance measures.
3.1 Background

Internal audit is a function which is recognised as a key management tool in ensuring efficient and effective utilisation of resources.

A number of inadequacies regarding the effectiveness of internal audit within the Victorian public sector were identified by the former Economic and Budget Review Committee in its 1983 report, Improving Government Management and Accountability. The specific concerns identified were as follows:

- failure by many organisations to establish an internal audit function;

- limitation of the scope of internal audit coverage to financial and compliance issues; and

- inadequate staff resources and training of internal auditors.¹

Subsequently, the now defunct Bureau of Internal Audit was established by the Department of Finance (then the Department of Management and Budget) in 1983. Its main responsibility was to develop the internal audit function within the Victorian public sector. As a result of a later Victorian Government policy initiative in September 1987, it became mandatory for all public sector organisations to establish and maintain an adequate internal audit function.

In December 1988, Mr Fergus Ryan of Arthur Andersen found that the failure of the internal auditor (a firm of chartered accountants) of the Victorian Economic Development Corporation (VEDC) to provide a timely review and report of the major risks associated with the VEDC’s activities, had contributed to the mismanagement of the VEDC.² Subsequently, the then Treasurer issued a Ministerial Statement in December 1988 stating:

¹ Economic and Budget Review Committee, Improving Government Management and Accountability, April 1983, Pages 68, 69 and 70
**Final Report on the 1993-94 Budget Estimates and Outcomes**

Internal audit is seen by the Government as a key management control, which operates principally by keeping management informed regarding the adequacy of all other controls and systems. It is not a responsibility which can be transferred to an audit firm. The board of the VEDC is, therefore, ultimately responsible for the audit deficiencies.\(^3\)

Furthermore, the former Treasurer directed that all major statutory authorities and government-controlled companies establish an audit committee to review, consider and ensure that corrective action is taken in relation to matters raised in audit reports.\(^4\)

A review of the effectiveness of internal audit in the public sector was undertaken by the Victorian Auditor-General’s Office and its findings were incorporated in his report on the 1989-90 Finance Statement which was tabled in Parliament during October 1990. The Auditor-General’s key findings were:

- deficiencies still existed in the commitment given by management to resourcing internal audit units and monitoring their performance;

- there was inadequate audit coverage of computer systems due primarily to the lack of EDP skills possessed by internal audit staff;

- planning strategies both long-term and short-term were insufficient to ensure that effective audits are undertaken;

- the level of training being provided to internal audit staff by organisations is considered inadequate; and

- the Bureau of Internal Audit did not effectively carry out its responsibilities in relation to the development of internal audit throughout the Victorian public sector.\(^5\)

The Department of Finance has an ongoing responsibility to provide assistance to agencies in internal audit, audit committees and internal controls and risk assessment.\(^6\)

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\(^3\) Victoria, Legislative Assembly, *Parliamentary Debates*, 21 December 1988, Page 1363

\(^4\) Ibid.


3.2 Former Audit (Financial Management) Regulations 1993

The Committee inquired into the matter of internal audit in the budget sector as part of its review of the 1992-93 Budget Estimates. While that investigation was underway the Audit (Financial Management) Regulations 1993 (the Audit Regulations) were issued pursuant to the former Audit Act 1958. Part 5 of the Audit Regulations provided for the mandatory establishment, by a Department Head, of:

- a system of internal control standards;
- an Audit Committee to oversee and advise on matters of accountability and internal control; and
- an adequate internal audit function, including a periodic analysis of risks confronting the organisation.

Internal audit was defined in the Audit Regulations as:

> a systematic independent review and appraisal of all departments’ operations including administrative activities, for purposes of advising department Head as to the efficiency, economy and effectiveness of the internal management practices and controls. 7

Internal controls were defined in the Audit Regulations as:

> the plan of organisation and all the methods and procedures adopted by the management of a department to assist in achieving the Department Head’s objective of ensuring, as far as practicable, the orderly and efficient conduct of the department’s business, including:

(a) adherence to management policies;
(b) the safeguarding of assets;
(c) the prevention and detection of fraud and error;

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7 Audit (Financial Management) Regulations 1993, Page 673

(d) the accuracy and completeness of accounting and other records;

(e) the timely preparation of reliable financial and operating information.\(^8\)

The Committee supports those regulations and maintains an ongoing interest in the very important matters of internal control, internal audit and risk management. This interest is shared by the Australasian Council of Public Accounts Committees which recently issued a statement on the matter of internal audit (refer appendix A). It was resolved by the Australasian Council of Public Accounts Committee that the internal audit function is a public accountability issue which needs to be addressed.

The former Audit Act 1958, including the Audit Regulations, was subsequently repealed by the Audit Act 1994 which came into operation on 1 July 1994. Matters concerning internal audit and control now form part of the Financial Management Act 1994, which also came into effect on 1 July 1994. The purposes of this Act are to:

- improve financial administration of the public sector;

- make better provision for the accountability of the public sector; and

- provide for annual reporting to the Parliament by departments and public sector bodies.\(^9\)

3.3 Ministerial Directions

The Financial Management Act 1994 (the Act) provides authority for the Minister for Finance to issue directions with respect to matters of financial administration which must be observed by all departments. Part 1 Section 8(1) of the Act states:

\(^8\) Audit (Financial Management) Regulations 1993, Page 673
\(^9\) Financial Management Act 1994, Page 1
Directions

The regulations may authorise the Minister to give to an authority or public body, an accountable officer or a chief finance and accounting officer directions in writing for or in relation to any of the matters for and in relation to which regulations may be made under this Act.\(^\text{10}\)

The Financial Management Regulations 1994 came into operation on 1 July 1994. Section 12 of those Regulations empower the Minister to issue directions in relation to internal audit and related matters, section 12 (1)(d) states:

The Minister may give to any authority or public body, an accountable officer directions in writing in relation to the establishment and maintenance of internal control standards, internal audit and audit committee. \(^\text{11}\)

This requirement is further elaborated in Part 8 of the Directions of the Minister for Finance. In summary, under these directions an Accountable Officer must establish and maintain:

- an audit committee to oversee and advise on matters of accountability and internal control affecting the operations of the department;

- an adequate internal audit function;

- a system of internal control standards which provide adequate control over all of the departments' operations and administrative functions; and

- a review and evaluation process of the department's internal controls.\(^\text{12}\)

Audit committees, internal audit and internal control therefore remain important aspects of public financial administration that must be observed by all departments under the Ministerial Direction.

\(^\text{10}\) Financial Management Act 1994, Page 5
\(^\text{11}\) Financial Management Regulations 1994, Page 4
\(^\text{12}\) Directions of the Minister for Finance, Financial Management Act 1994, Part 8.1.3 Pages 1 of 35 to 19 of 35
Part 8 of these directions provides greater guidance than the former Audit Regulations and in particular includes extensive guidelines concerning audit committees, internal audit and internal control.

The Committee explored the rationale for the change from regulation (that is the former Audit Regulations 1993) to ministerial direction to impose a requirement on the public sector to establish and maintain an internal audit function at a meeting with representatives of the Department of Finance.

Committee - ...since the repeal of the audit regulations 1993 there has been a shift from the regulations to a ministerial direction. What is the import of that and how does it affect the difference between regulation and ministerial direction and the implications so far as the Parliament is concerned, or accountability to Parliament? Does it make any difference?

Representative of the Department of Finance - The aim of giving ministerial direction was to enable us to have greater flexibility to move quickly to have things changed-when the real world changes we can change with it quickly. In addition to giving the direction, we are giving an interpretation of what we are aiming to get out of the direction, and then the comments around that direction are elaborated on, so there is an interpretation of what we are aiming for. There is no lessening of control. With the new legislation we have set up audit committees and there are people from outside the area and the signing off of the documents that come would be part of the act.13

The use of ministerial directions to impose a requirement on public sector bodies promotes administrative efficiency and can, as noted above, include greater guidance. The Committee notes however, that using a ministerial direction, as opposed to a regulation can have a significant impact on parliamentary accountability in four key respects:

- parliamentary scrutiny;
- the ability of the Parliament to disallow;

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13 Department of Finance, Minutes of Evidence, 28 September 1994, Page 15
• sanctions; and

• perceptions.

Parliamentary scrutiny

The Scrutiny of Acts and Regulations Committee is a joint investigatory committee of the Parliament and has several functions. Its statutory functions of scrutiny of primary legislation includes all new bills, all subordinate legislation (that is all statutory regulations) and any particular piece of legislation referred to it under the Parliamentary Committee Act 1968 (the Act). The Act’s procedures for consultation, tabling, publication and scrutiny only apply to subordinate legislative instruments which fall within the description of Statutory Rule.

A ministerial directive is one example of the many types of subordinate instruments of a legislative character which are not subject to parliamentary scrutiny by the Scrutiny of Acts and Regulations Committee because they are not Statutory Rules. On the other hand regulations, such as the former Audit (Financial Management) Regulations 1993 are subject to scrutiny by the Scrutiny of Acts and Regulations Committee. In addition because they are tabled in the Parliament they are also open to review by any member of Parliament.

Disallowance by the Parliament

Section 59(4) of the Financial Management Act 1994 states that:

Regulations made under this Act may be disallowed in part or in whole by resolution of either House of the Parliament in accordance with the requirements of section 6 (2) of the Subordinate Legislation Act 1962.

The operation of this section therefore establishes Parliament’s ability to examine and disallow a regulation issued under the Financial Management Act 1994. The Parliament cannot exercise the same power in respect of ministerial directions because they are not Statutory Rules.

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14 Scrutiny of Acts and Regulations Committee, First Annual Report, April 1994, Page 1
Sanctions

A regulation issued pursuant to the Financial Management Act 1994 may impose a penalty not exceeding 5 penalty units for contravention of the regulation.\textsuperscript{15} The former Audit Regulations 1993 provided that any person who contravenes any of those regulations to be guilty of an offence and liable to a penalty not exceeding 1 penalty unit.\textsuperscript{16} Consequently, a Department Head may be subject to a monetary sanction where non-compliance with a regulation has occurred. Non-compliance with ministerial directives is a matter between the Minister and the Department Head. Unlike a regulation, there is no specified sanction, monetary or otherwise.

Perceptions

The use of a ministerial direction, rather than a regulation, to impose an obligation upon public sector bodies may lead to a perception that the matter in question may be of lesser importance than those deemed to warrant a regulation. This may be particularly so where a matter which was formerly included in a regulation is later included in a ministerial direction, as has occurred with internal audit. Nevertheless the matter would still be perceived as important. The risk in such a misinterpretation is that attention to such matters may be less than is desirable or intended.

The Committee is strongly of the view that an adequate system of internal control, audit committees and the internal audit function, (including a periodic analysis of risks) are critical to efficient, economic and effective public sector financial management. The Committee believes therefore that regulations, similar to the former Audit (Financial Management) Regulations 1993, should be issued under the Financial Management Act 1994 to require adequate public sector internal control, audit committees and internal audit in public sector bodies. This approach would restore an appropriate level of parliamentary accountability and is commensurate with the critical nature of these matters. This approach would not inhibit the Department of Finance from continuing to provide guidance on these important matters.

\textsuperscript{15} Financial Management Act 1994, Page 32
\textsuperscript{16} Audit (Financial Management) Regulations 1993, Page 688
Finding 3.1

The Committee finds that the internal audit function is a critical function which should provide public sector managers with an independent analysis of risk and of the efficiency, economy and effectiveness of public sector resource usage and internal control systems.

Finding 3.2

The Committee supports the mandatory nature and guidance provided in the ministerial directions issued by the Minister for Finance in respect of internal control, audit committees and internal audit.

Finding 3.3

The Committee finds that the critical importance of internal control systems, audit committees and internal audit to public sector financial management is such that mandatory requirements, similar to that contained in the existing ministerial direction, should be prescribed in a regulation issued under the Financial Management Act 1994. This approach would restore an appropriate level of parliamentary accountability and is commensurate with the critical nature of these matters. Such an approach would not inhibit the Department of Finance from continuing to provide guidance on these important matters.

Recommendation 3.1

The Committee recommends that regulations, similar to the former Audit (Financial Management) Regulations 1993 and consistent with the related ministerial directions issued by the Minister for Finance, be issued under the Financial Management Act 1994 to require adequate public sector internal control, audit committees and internal audit (including a periodic analysis of risks) in public sector bodies.
3.3.1 Audit Committees

The Minister for Finance's Ministerial Directive provides that an Accountable Officer must establish and maintain an audit committee to oversee and advise him or her on matters of accountability and internal control affecting the operation of the Department. Specifically, the guidelines supporting the Ministerial Directive provides, amongst other things, that the role of an audit committee should be to:

- review the audit plan and annual audit program developed by internal audit including the risks and exposures considered significant by the Accountable Officer;

- review the work undertaken by internal and external audit and ensure issues raised are addressed by management; and

- assess the effectiveness of the internal audit function by examining, amongst other things, formal risk assessment and prioritisation of audit coverage and the quality of their reports.

The Accounting profession defines an audit committee as:

\[ \text{a committee comprising a majority of independent/non-executive members of the governing body of an entity to which has been assigned, amongst other functions, the oversight of the financial reporting and auditing process.} \]

Ideally audit committees should comprise a majority of non-executive board members and other persons external to the organisation and report directly to the Board. However in recognition of the fact that government departments do not have a board of directors, it is therefore not possible to achieve this structure in government departments.

The Committee believes the benefits of audit committees are well established and their effectiveness may be enhanced if they include external members, that is

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18 Ibid., Pages 1, 2, 3 and 4 of 35
19 Australian Accounting Research Foundation, Statement of Auditing Practice AUP 31: Communication with an Audit Committee, Para 6,
persons external to the organisation. External members can bring to an audit committee a variety of expertise and other skills which might not otherwise be available. In particular they bring a level of independence of management. It is pleasing to note from a survey undertaken by this Committee that the majority of public sector audit committees surveyed included external members.

The Committee in particular sees merit in appointing an external person as chairman of an audit committee, for example, the Victorian WorkCover Authority\(^{20}\) and Melbourne Water Corporation\(^{21}\) have adopted this approach. This is useful because the primary value of an audit committee are its independence and objectivity in relation to management. Essentially, the audit committee's role is supervisory in nature and should not assume any of management's functions. The independence and effectiveness of an audit committee may be at risk if the audit committee is chaired by an executive member of an organisation's management who exerts undue or inappropriate influence over the work of the audit committee and/or internal audit. This is particularly so for the chief finance executive whose area of responsibility would represent a key, but by no means an exclusive focus of internal audit. The guidelines to the Minister for Finance's Ministerial Direction state:

> The Chief Finance and Accounting Officer should not be a member of the Audit Committee of his or her own department because an executive directors role usually includes many duties of interest to the audit committee. The Chief Finance and Accounting Officer, will however attend Audit Committee meetings, by invitation, in a non-member capacity.\(^{22}\)

The Ministerial Direction's guidelines also state that the duties of audit committees should include reporting its findings to the Accountable Officer of the department.\(^{23}\) This provides further support for having an external chairman. The Committee's survey has shown that:

- a majority of public sector audit committees are chaired by the Accountable Officer or a member of the agencies' Executive; and

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\(^{20}\) Victorian Workcover Authority Authority, *Response to Public Accounts and Estimates Committee Questionnaire*, September 1994


\(^{23}\) Ibid., Part 8.1.3(e), page 4 of 35
• audit committees have a direct reporting responsibility to the Accountable Officer.

Finding 3.4

The Committee finds that the ability of an audit committee to protect the public interest can in part depend on its ability to be independent and objective in respect of management. Ideally membership of an audit committee should include non-executive members of an organisation's governing board and persons external to the organisation. Government departments, without governing boards, have a greater need for persons external to the organisation to be on audit committees and would also derive greater benefits from having an external person as chairman of their audit committee. Persons external to an organisation can bring both an independent perspective and commercial expertise to an audit committee.

Recommendation 3.2

The Committee recommends that public sector audit committees should include a majority of non-executive members of the agency's governing board (where existing) and persons external to the organisation.

Recommendation 3.3

The Committee recommends that audit committees of public sector agencies which do not have a governing board should have an external person as chairman and could also include additional external persons as members.

3.3.2 Statement of Responsibility

There are extensive guidelines, definitions and explanatory notes provided in the Ministerial Directions for audit committees, internal audit and internal control. There does not, however, currently appear to be a requirement for management
to publicly state, by way of a certification of its financial statements, that the system of internal control as implemented is effective.

In the Committee's interim report on the State's Budget and Financial Management Framework (May 1994) it recommended:

...that the Minister for Finance includes a specific reference to internal controls in the certification statement expected to be required under the new regulations to be made under the Financial Management Act 1994. At the time of writing the relevant regulation has not been made. 24

The Committee maintains the view that the form of certification of public sector financial statements required under the Financial Management Act 1994 should specifically require reference to internal controls. The Committee notes however, that the above mentioned recommendation does not appear to have been reflected in the Financial Management Regulations 1994 issued subsequent to the Committee's interim report. The Committee will review this matter once a response to its interim report has been tabled in the Parliament (as required under section 40(2) of the Parliamentary Committees Act 1968).

Appendix A

PRESS RELEASE FROM HON. GEORGE SHAW MLC, CHAIRMAN, ACPAC

Media Release

AUSTRALIAN PUBLIC ACCOUNTS COMMITTEES DEMAND ACTION ON PUBLIC ACCOUNTABILITY

Eight Public Accounts Committees from the Commonwealth, every State in Australia, and the Northern Territory, met today in Adelaide to consider joint action on several public accountability issues.

Items on the agenda included:

- the efficiency and effectiveness of commercialised public sector operations
- the administration of Commonwealth-State agreements for specific purpose payments.
- the improvement of internal audit in government departments and business enterprises.
- the mandate, independence and financing of Auditors-General.

Resolutions passed included:

From New South Wales:

That each Public Accounts Committee act forthwith to ascertain whether proper internal audit procedures are in place in government departments and business enterprises in its particular jurisdiction, having regard to the particular laws and usages of each such jurisdiction, and report back to the Biennial Conference of Australasian Public Accounts Committees in Melbourne in January 1995 for further action.

From Queensland:

That, in the context of considering specific purpose payments, this Conference endorse a working committee of one member from the Commonwealth, each State or Territory to:

- present to the Biennial Conference a formula which allows for joint Federal and State/Territory inquiries.
- determine whether PACs’ protocols and terms of reference can be standardised for each joint inquiry on those matters agreed to be investigated.
ACPAC

RESOLUTION OF THE NSW PAC

Whereas, the July 1994 mid-term meeting of the Australasian Council of Public Accounts Committees held in Adelaide is concerned that Chief Executive Officers in Australia are not placing sufficient emphasis on the establishment and maintenance of efficient internal audit functions within their organisations;

and whereas the Council believes that:

- the public interest demands that internal audit be effective;
- all Chief Executive Officers should be required to establish an effective internal audit capacity either in house or contracted in;
- if CEOs take internal audit seriously, their agencies will also;
- Chief Executive Officers should be and should be seen to be the focal point of effective internal audit;

and whereas the Council recognises that each Australian jurisdiction is different, and the following proposals have been suggested by delegates:

- CEOs' internal audit responsibilities should be a prominent part of their statement of duties;
- CEOs should establish or contract-in effectively resourced internal audit;
- CEOs should allow internal auditors direct access to them, not to a Deputy;
- internal auditors should report to an audit committee;
- CEOs should be involved in planning the internal audit program;
- Internal audit achievements for the past year should be published in Annual Reports, whilst future audit programmes could also be included;
- CEOs should ensure internal audit has full access to all parts of an agency - no areas should be off-limits;
- CEOs should ensure internal audit is deployed in a timely fashion - information technology auditors should do their work when information systems are being planned and developed, not when they have failed;

the Australasian Council of Public Accounts Committees now resolves that:

each Public Accounts Committee act forthwith to ascertain whether proper internal audit procedures are in place in government departments and business enterprises in its particular jurisdiction, having regard to the particular laws and usages of each such jurisdiction, and report back to the Biennial Conference of Australasian Public Accounts Committees in Melbourne in January 1995 for further action.
CHAPTER FOUR: TRANSPORT

4.1 Public Transport Corporation's 1993/94 Budget Outcome

On 6 January 1993, details of the Victorian Government's public transport reform program were released in a document entitled "From a System to a Service". The document provides the framework for the Government's transport reforms over a three year period.

Integral to the success of the Transport reforms is a reduction in deficit funding by $245 million by 1995-96 over 1992-93 levels. It also needs to rebuild patronage and grow its revenue base during that period.¹

If achieved, the Public Transport Reform Program will result in the halving of the budget appropriation used to fund the Public Transport Corporation's (PTC) operating deficit.² The appropriation was approximately $504 million at the end of the 1991/92 financial year and is targeted by the Public Transport Reform Program to be in the order of $259 million by December 1995.³

The reduction is to be achieved through various initiatives including service rationalisation and the contracting out of non-core activities, it also involves substantial reductions in staffing levels.

As detailed in Chapter 5 of this report, the budget appropriation used to fund the PTC's operating deficit does not represent the full cost of public transport, and in fact is substantially less than the full cost of public transport to the State budget. Key additional costs include superannuation, the cost of capital and appropriations from other portfolios (for example school bus payments). The Committee has previously recommended that the full cost of public transport should be reported to the Parliament, however this recommendation has been rejected by the Department of Transport.⁴

¹ Public Transport Corporation, 1992-93 Annual Report, page 2
³ Ibid.
⁴ Refer to Chapter 5 (paragraph 5.2.2) of this report and Chapter 5 (paragraphs 5.1, 5.2 and 5.4) of Public Accounts and Estimates Committee, 1992-93 Budget Estimates and Outcomes, November 1993
The Committee’s review of the 1992-93 reduction in the budget appropriation used to fund the PTC’s operating deficit found:

... reduced overall by just $16m from its 1991-92 base of $504m. Reduction by $66m from that base - as suggested by the Government’s January 1993 Reform Statement - was always a practical impossibility. A $30m reduction from a $504m base was the maximum in the economic circumstances of 1992-93, as proposed by the previous Government.5

Table 4.1 provides a reconciliation between the 1992-93 and 1993-94 appropriations as follows:

Table 4.1

Reconciliation of 1992-93 and 1993-94 Appropriation

<table>
<thead>
<tr>
<th></th>
<th>$ M</th>
<th>$ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93 Appropriation</td>
<td>488.2</td>
<td></td>
</tr>
<tr>
<td>Less Reform Program reductions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Carry over effect of 4000 staff exits in 1992/93</td>
<td>60.0</td>
<td></td>
</tr>
<tr>
<td>- Carry over effect of 1992/93 fare revenue</td>
<td>8.0</td>
<td></td>
</tr>
<tr>
<td>- Separation of 2996 staff in 1993/94</td>
<td>28.0</td>
<td></td>
</tr>
<tr>
<td>- Private bus payments</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>- Material reduction</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>- Additional savings</td>
<td>6.0</td>
<td>108.5</td>
</tr>
<tr>
<td>Additional revenue, mainly grain, and one-off expenditure savings</td>
<td></td>
<td>3.9</td>
</tr>
<tr>
<td>Add Non-receipt of one-off revenues</td>
<td></td>
<td>15.5</td>
</tr>
<tr>
<td>1993-94 Appropriation</td>
<td>391.3</td>
<td></td>
</tr>
<tr>
<td>Reduction</td>
<td>96.9</td>
<td></td>
</tr>
</tbody>
</table>

Data source: Department of Transport

---

5 Public Accounts and Estimates Committee, 1992-93 Budget Estimates and Outcomes, November 1993, page 78
Table 4.1 details a 1993-94 outcome of $391.3 million compared with $488.2 million for 1992-93, an overall reduction of $96.9 million in the appropriation to the PTC. The Department of Transport advised the Committee that the estimated 1993-94 appropriation was $401 million, and therefore the actual outcome of $391.3 million represents a saving of $9.7 million.6

Charts 4.1 and 4.2 summarise progress against the targets7 set out in the Public Transport Reform Program. Actual outcomes are included for the period to 1993-94, with estimated outcomes for 1994-95.

Data source: Hon. Alan Brown, M.P., Minister for Public Transport, Public Transport Reform - Victoria, From a System to a Service, 6 January, 1993 and Department of Transport.

6 The saving against budget resulted from Reform Program expenditure savings exceeding their 1993-94 targets by some $6 million, and the net effect of other factors (that is net additional revenue, mainly grain, and one-off expenditure savings). Submission of the Department of Transport, November 1994, page 7
7 Refer Public Accounts and Estimates Committee, 1992-93 Budget Estimates and Outcomes, November 1993, pages 74 to 79 concerning the Committee's review of the targets under the Public Transport Reform Program
Chart 4.2 - Workforce Reduction


Chart 4.2 shows that Public Transport Reform Program targeted workforce reductions will have been achieved by 1994-95. Chart 4.1 on the other hand, shows that targeted reductions in the appropriation to fund PTC's operating deficit are beyond the reach of the Department to achieve. Assuming that the appropriation for 1994-95 is as budgeted, it is highly unlikely that the Department could achieve further savings of $96.8 million\(^8\) in only six months (refer Table 4.2). However the originally targeted appropriation of $259 million, by December 1995, depends on this.

Table 4.2 sets out, in greater detail, progress against targets in the Public Transport Reform Program. Actual outcomes are included for the period to 1993-94, with estimated outcomes for 1994-95.

\(^8\) Comprising shortfall to 1994-95 of $72.8 million plus $24 million targeted savings for the six months to December 1995. Refer Table 4.2 for details.
Table 4.2
Public Transport Reform Program

A. Reduction in PTC's appropriation

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Target</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual</td>
<td>Annual</td>
<td>Annual</td>
</tr>
<tr>
<td></td>
<td>Reduction</td>
<td>Reduction</td>
<td>Reduction</td>
</tr>
<tr>
<td>1992-93</td>
<td>$16.0 m</td>
<td>$66.0 m</td>
<td>$(50.0) m</td>
</tr>
<tr>
<td>1993-94</td>
<td>$96.9 m</td>
<td>$102.5 m</td>
<td>$(5.6) m</td>
</tr>
<tr>
<td>1994-95</td>
<td>* $35.3m$2</td>
<td>* $148.2m$</td>
<td>$(17.2)m</td>
</tr>
<tr>
<td>Dec '95</td>
<td>-</td>
<td>$24.0 m</td>
<td>-</td>
</tr>
</tbody>
</table>

B. Workforce Reduction

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Target</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual</td>
<td>Annual</td>
<td>Annual</td>
</tr>
<tr>
<td></td>
<td>Reduction</td>
<td>Reduction</td>
<td>Reduction</td>
</tr>
<tr>
<td>1992-93</td>
<td>4,062</td>
<td>3,400</td>
<td>662</td>
</tr>
<tr>
<td>1993-94</td>
<td>2,960</td>
<td>3,300</td>
<td>(340)</td>
</tr>
<tr>
<td>1994-95</td>
<td>* 1,350</td>
<td>1,800</td>
<td>(450)</td>
</tr>
<tr>
<td>Dec '95</td>
<td>-</td>
<td>Nil</td>
<td>-</td>
</tr>
</tbody>
</table>

* Department of Transport estimate.


Table 4.2 (B) shows that by 1994-95 targeted workforce reductions will have been achieved, a variation of only 128 or less than 2 per cent is estimated to exist at that date. Table 4.2 (A) shows a progressive shortfall against the targeted reduction in the PTC appropriation of 55.6 million, or 33 per cent at the end of 1993-94. If the actual appropriation for 1994-95 is as budgeted, a progressive shortfall against

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9 The 1994-95 Budgeted appropriation to the PTC is $368 million, however this includes $12 million relating to the introduction of the capital levy. The introduction of a capital levy should not be included in the analysis above as there is no net change in budget outlays. Consequently the Budget of $368 million, less $12 million for the capital charge, represents a reduction of $35.3 million over the actual outcome for 1993-94 (of $391.3 million)
target of $72.8 million, or 33 per cent will exist at the end of 1994-95. Key causes of the variations against targets in the Public Transport Reform Program are:

1992-93 - Variation of $50 million\textsuperscript{10}
Comprises:
• wage increases, $32 million; and
• changes to private bus payment arrangements, $15 million.

1993-94 - Variation of $5.6 million
Comprises:
• non receipt of one-off revenues (property and related revenue), $15.5 million; partly offset by
• additional Reform Program savings, additional revenue (mainly grain) and one-off expenditure savings, $(9.9) million.

1994-95 - Variation of $17.2 million (against estimate)
Comprises:
• reduction in estimated revenue due to expected lower grain harvest (partly offset by the carry over of the bumper 1993-94 harvest), $12 million;
• automatic ticketing lease payments, $1 million; and
• additional property rental costs, $4.5 million.

Consistent with the Committee's 1992-93 findings, referred to earlier, the achievement of the originally targeted appropriation of $259 million, by December 1995, appears to be an impossibility. Based on information before the Committee, including the 1994-95 budget estimates, it appears that the December 1995 appropriation will be in the order of $70 million higher than originally targeted.

The Committee considers the Public Transport Reform Program's impact on service delivery in paragraph 4.3.

\textsuperscript{10} The Committee found in its report on the 1992-93 budget estimates that the targeted 1992-93 reduction of $66 million - as suggested by the Government's January 1993 Reform Statement - was always a practical impossibility. Refer Public Accounts and Estimates Committee, 1992-93 Budget Estimates and Outcomes, November 1993, pages 74 to 79 concerning the Committee's review of the targets under the Public Transport Reform Program.
The Auditor-General has reported in detail on the level of implementation, at May 1994, of the many areas which make up the Public Transport Reform Program.\textsuperscript{11}

Finding 4.1

The Committee finds that:

(i) a saving of $9.7 million was made on the 1993-94 budget appropriation used to fund the Public Transport Corporation's operating deficit;

(ii) Public Transport Reform Program workforce reductions will be achieved by 1994-95, as targeted; and

(iii) the Public Transport Reform Program targeted a $245 million reduction in budget appropriations for the Public Transport Corporation's operating deficit, by December 1995, resulting in a significantly lower appropriation of $259 million at that date. Based on information before the Committee, including the 1994-95 budget estimates, it appears that the December 1995 appropriation will be in the order of $70 million higher than originally targeted because:

- the 1992-93 targeted reduction of $66 million was not possible due to $50 million of additional costs arising from wage increases and changes to private bus payment arrangements;

- except for a minor shortfall of $5.6 million, due to the non receipt of one-off revenues, the 1993-94 targeted reduction of $102.5 million was achieved; and

- the 1994-95 targeted reduction of $52.5 million is estimated to be $17.2 million lower, primarily due to an expected lower grain harvest.

Finding 4.2

The Committee finds that its earlier recommendation, concerning the need to report the full cost of public transport to the Parliament, has been rejected by the Department of Transport. The Transport budget appropriation to the Public Transport Corporation is substantially less than the full cost of public transport to the State Budget. The Committee maintains that it is important for the Parliament and the public to know the full cost of public transport.

4.2 Workforce Management Program

4.2.1 Introduction

The Workforce Management Program forms an important part of the budget strategy. That Program's primary focus is on reducing budget sector staffing levels through early departure packages. A total of $731.7 million was spent on early departure packages in 1993-94, (in addition a total of around $972 million was spent in the period 1991-93). The 1994-95 Budget provides for further spending of $400 million on the Workforce Management Program.


\[\text{the} \, \text{Government} \, \text{strategies} \, \text{to} \, \text{preserve} \, \text{the} \, \text{savings} \, \text{accruing} \, \text{from} \, \text{the} \, \text{VDP}^{16} \, \text{have} \, \text{generally} \, \text{been} \, \text{successful} \, \text{and,} \, \text{if} \, \text{maintained,} \, \text{will} \, \text{ensure} \, \text{the} \, \text{achievement} \, \text{of} \, \text{significant} \, \text{benefits} \, \text{to} \, \text{the} \, \text{State} \, \text{in} \, \text{terms} \, \text{of} \, \text{reduced} \, \text{budget} \, \text{sector} \, \text{expenditure}.^{17}\]

The Department of the Treasury has estimated ongoing annual savings of $429 million from the 1993-94 early departure packages.

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15 1993-94 Budget Paper No. 2, Budget Strategy and Review, September 1993, page 4-9 to 4-10
16 Voluntary Departure Package
In commenting on the 1993-94 early departure program the Auditor-General cautioned:

*However, achievement of the projected budget sector expenditure savings from the program is ultimately dependent on the success of government strategies to maintain the reduced workforce levels achieved to date and effectively manage the use of consultants and contractors.*

Strategies implemented to preserve the savings from early departure packages include reductions in departmental budgets equivalent to the ongoing salary and on-cost of employees who accepted the package.

### 4.2.2 Public Transport Corporation

The Transport Portfolio is one of the main users of early departure packages, in 1993-94 it accounted for 22 percent of departure packages. The Public Transport Reform Program has set substantial targets for the reduction of staff (refer Table 4.2).

Reducing staff members through voluntary redundancies, targeted separation packages and, to a lesser extent, natural attrition has contributed significantly towards the Public Transport Reform Program. In 1993-94, there was a total of 2,960 staff reductions, amounting to approximately 20% of the entire PTC workforce. The number of PTC staff as at 30 June 1994 was 11,643.

Table 4.3 provide further details of 1993-94 workforce reductions.

#### Table 4.3

**Public Transport Corporation - 1993-94 Staff Reductions**

<table>
<thead>
<tr>
<th>Commencements</th>
<th>Separation</th>
<th>Other</th>
<th>Total Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Package</td>
<td>Resignations</td>
<td></td>
<td>Reductions</td>
</tr>
<tr>
<td>Departures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>452</td>
<td>2781</td>
<td>631</td>
<td>2960</td>
</tr>
</tbody>
</table>

Source: Department of Transport

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19 Ibid., page 61
20 Ibid., page 63
21 Ibid., page 62
1993-94 commencements included 369 tram conductors, 20 apprentices and 20 bus drivers. The tram conductors were engaged on a short-term contract basis pending the introduction of the automatic ticketing system and the modifications of trams to allow for driver only operations. The Department of Transport has advised the Committee that none of the employees who had previously received a voluntary departure package were re-engaged.

The Department has advised the Committee that it expects full year savings from 1993-94 early departure packages, under the two schemes used (that is voluntary and targeted packages) of approximately $88 million (excluding superannuation payments). In addition the Department advised that during 1992-93 and 1993-94 it had outsourced several functions previously performed in-house by the PTC. The value of contracts let to November 1994 was in the order of $37 million per annum. In particular the Committee notes that:

- work on the automated ticketing system commenced following the award of a 10-year contract worth more than $300 million to Onelink Transit Systems (the contract covers installations, operations and management); and

- two-thirds of the Government bus service was awarded to the National Bus Company (a private operator), with the remaining third retained (to be known as Met Bus).

The PTC has planned a further 1,400 separation packages in 1994-95 to meet planned workforce reductions of 8,500 by December 1995 (refer Table 4.2).

The 1994 Autumn Economic Statement noted the provision of $400 million for further workforce reductions in 1994-95, mainly associated with outsourcing in public transport.

The Committee is concerned to ensure that the substantial expected salaries and related expenditure savings, arising from the significant outlays on early departure packages, are not lost to additional outsourcing or other alternative service delivery costs. The Department of the Treasury, in response to the Committee's request for information advised:

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22 Submission from the Department of Transport, 2 November 1994
23 Ibid.
25 Submission from the Department of Transport, 20 September 1994
26 Autumn Economic Statement April 1994, page 2-2
Generally, 100 per cent savings have been expected for packages funded centrally to date, ie a reduction equivalent to the number of staff and the salary costs of those employees receiving packages. Departments may seek approval to utilise packages where less than 100 per cent savings can be realised in certain limited circumstances, generally associated with contracting out of activities.

The most significant example of savings having been offset by outsourcing occurred within the Education portfolio where School Cleaners were retrenched on the basis that 40% of the salaries saved would be diverted to fund contract cleaning. As departmental activities are restructured to enable the performance of similar activities via different service delivery mechanisms, it is expected that further proposals will be developed to divert savings from redundancies for this purpose. These situations will not be common, however, and it is generally the case that the redundancy program has yielded 100% of the salaries of the exiting staff as savings.27

It is clear that the Transport Portfolio has also diverted savings arising from early departure programs to meet outsourcing and other costs.

Unlike the 1993-94 Budget Papers, the 1994-95 Budget Papers do not refer to the estimated savings and payback period expected to flow from the prior year's early departure packages. The Committee believes it is important for the Parliament and the public to be assured that outlays, which will total approximately $2.1 billion28 on early departure programs for the period 1991-95 actually realise the expected savings. These savings should be sustained on an ongoing basis. The Budget Papers are the best vehicle for the public and the Parliament to be informed on the actual level of net savings (that is net of additional financing charges), including the level of savings diverted to meet outsourcing or other alternative service delivery costs.

27 Letter from the Department of the Treasury, 8 June 1994
Finding 4.3

The Committee finds that substantial salaries and related expenditure savings are expected to flow from early departure programs. Budget outlays on early departure programs for the period 1991-95 will total approximately $2.1 billion. The Committee understands that under limited circumstances savings can be diverted by departments to fund different service delivery mechanisms, such as contracting out. The Committee believes that the magnitude of the early departure programs, both in terms of the cost to the budget and expected savings to the budget, is such that it is important that the Parliament and public are assured that expected net savings are realised and sustained.

Recommendation 4.1

The Committee recommends that future Budget Papers detail, on a ministerial portfolio basis, actual net savings achieved, including the level of savings diverted to meet outsourcing or other alternative service delivery costs.

4.3 Performance Measurement - Public Transport Corporation

4.3.1 Introduction

Arising from the Public Transport Reform Program, announced on 6 January 1993, several initiatives are underway within the Public Transport Corporation to improve efficiency and promote quality services. 1993-94 Budget initiatives included:

- the contracting out of Met bus services;
- introduction of automatic fare collection;
- commencement of driver only trams and trains; and
- use of private operators on certain country rail corridors.29

New ticketing machines will be progressively introduced during 1994-95. 1995-96 will see the full introduction of driver-only trains and trams.\(^{30}\)

The Auditor-General has reported in detail on the level of implementation, at May 1994, of the many areas which make up the Public Transport Reform Program.\(^{31}\)

4.3.2 Revised Program Budget Structure

The program budget structure of the Portfolio has been revised, the major change being the introduction of a new program called *Transport Services-Contracts*. The objectives of the new program are to:

- ensure provision of public transport services through contract arrangements with private operators;

- ensure the provision of school transport services for students in rural and outer metropolitan locations;

- monitor service provision; and

- ensure integration of private and PTC transport services to improve customer satisfaction.\(^{32}\)

Table 4.4 sets out the changes in the Program Budget structure of the Transport Portfolio.

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Table 4.4
Transport Portfolio Program Budget Structure

<table>
<thead>
<tr>
<th>1993-94 Programs</th>
<th>1994-95 Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Corporate Services</td>
<td>Departmental Corporate Services</td>
</tr>
<tr>
<td>Ports Management</td>
<td>Forts and Marine Management</td>
</tr>
<tr>
<td>Corporate Services-Roads</td>
<td>Corporate Services-Roads Corporation</td>
</tr>
<tr>
<td>Road Safety</td>
<td>Road Safety</td>
</tr>
<tr>
<td>Road Network Access Services</td>
<td>Road Safety Management System</td>
</tr>
<tr>
<td>Road System Development Services</td>
<td>Traffic and Road use management</td>
</tr>
<tr>
<td>Road System Environment Enhancement</td>
<td>Taxi Services</td>
</tr>
<tr>
<td>Customer Services</td>
<td>Registration and Licensing</td>
</tr>
<tr>
<td>Corporate Services-Public Transport</td>
<td>Corporate Services-Public Transport</td>
</tr>
<tr>
<td>Passenger Services</td>
<td>Passenger Services</td>
</tr>
<tr>
<td>Freight Services</td>
<td>Freight Services</td>
</tr>
<tr>
<td></td>
<td>Transport Services-Contracts</td>
</tr>
</tbody>
</table>

Data source: Budget Papers

4.3.3 Performance Indicators

A successful program budget structure requires adequate and meaningful performance indicators which measure the quality of service delivery, and are published in the Budget Papers and Annual Reports. Such performance indicators should be set against targets or benchmarks.

The Victorian Commission of Audit recommended that the Public Transport Corporation should develop a set of benchmarks covering critical aspects of the Victorian public transport system including labour and capital productivity, cost recovery, return on investment, pricing, safety and service quality.33

The Committee's Report to Parliament on the 1992-93 Budget Estimates and Outcomes also considered the Public Transport Corporation's performance indicators and amongst other things, recommended that the development of a set of national indicators on productivity and financial performance proceed as quickly as possible, taking due account of the current comparative differences

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between the State's Public Transport systems. In addition, it was recommended that a full set of Victorian time series indicators should be developed as rapidly as practicable for regular reporting to the Parliament, including targets for cost recovery ratios based on the Deficit Reduction Reform Strategy.\(^{34}\)

The Government has, in its response to the Committee's recommendations\(^{35}\), accepted these recommendations and advised that the performance of public transport providers will be monitored and reported to Parliament as part of the Department of Transport and PTC Annual Reports. The Department of Transport has incorporated into its service agreement with the PTC, specific performance indicators such as cost recovery ratio, revenue against budget and expenditure against budget.\(^{36}\)

The Annual Report of the PTC, for the 1993-94 financial year, included the following indicators:

- Met Service Delivery (refer Table 4.5);
- Met and V/Line Service Quality (refer Tables 4.5 and 4.6);
- V/Line and Interstate Freight (revenue and tonnes carried by commodity);
- Met and V/Line Revenue and Boardings/Journeys (refer Table 4.7 and Chart 4.3);
- V/Line Passenger Services (charts detailing revenue per employee and kilometres per vehicle);
- Met Bus Services (charts detailing boardings per employee and kilometres per vehicle);
- V/Line Freight Services (chart detailing revenue per employee);
- Met Train Services (charts detailing boardings per employee and kilometres per carriage); and

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\(^{34}\) Public Accounts and Estimates Committee, 1992-93 Budget Estimates and Outcomes, November 1993, page 93

\(^{35}\) Refer appendix B of chapter 5 of this Report

\(^{36}\) Government Response to the Third Report of the Public Accounts and Estimates Committee, October 1994, pages 11 and 12. Refer Appendix B to Chapter 5 of this report

- Met Tram Services (charts detailing boardings per employee and kilometres per vehicle).\(^{37}\)

The PTC's performance indicators are compared against prior year/s results, no targets or benchmarks are included in the Annual Report. This seriously limits the usefulness of such indicators.

4.3.4 Performance Indicators - Service Delivery

The range of performance indicators published in the Annual Reports of the PTC are predominantly user-oriented, for example, service quality and delivery. Service delivery indicators measure the extent to which bus, tram and train timetabled services have been delivered, in percentage terms. While service quality is represented by the extent to which services are provided on time when compared to schedule, in percentage terms.

Tables 4.5 and 4.6 provide a selection of PTC performance indicators related to service delivery and quality.

\(^{37}\) Note several other performance indicators are included as charts throughout the Annual Report. Refer Public Transport Corporation, Annual Report 1993-94, page 20 to 21
Table 4.5
Public Transport Corporation-The Met

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trains-all day (% trips)</td>
<td>99.1%</td>
<td>99.4%</td>
<td>99.7%</td>
</tr>
<tr>
<td>-peak periods (% trips)</td>
<td>97.9%</td>
<td>96.8%</td>
<td>99.4%</td>
</tr>
<tr>
<td>-A.M. peak (% trips)</td>
<td>98.6%</td>
<td>99.2%</td>
<td>99.5%</td>
</tr>
<tr>
<td>-P.M. peak (% trips)</td>
<td>97.2%</td>
<td>98.4%</td>
<td>99.3%</td>
</tr>
<tr>
<td>Trans-peak periods (% hrs)</td>
<td>93.0%</td>
<td>93.0%</td>
<td>95.4%</td>
</tr>
<tr>
<td>Met Buses peak periods</td>
<td>98.0%</td>
<td>96.9%</td>
<td>99.8%</td>
</tr>
</tbody>
</table>

Service Quality
On Time Running (% trips within 5 minutes of schedule)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trains-all day</td>
<td>91.0%</td>
<td>91.3%</td>
<td>92.3%</td>
</tr>
<tr>
<td>-peak periods</td>
<td>86.6%</td>
<td>86.1%</td>
<td>88.6%</td>
</tr>
<tr>
<td>-A.M. peak</td>
<td>85.5%</td>
<td>86.0%</td>
<td>88.5%</td>
</tr>
<tr>
<td>-P.M. peak</td>
<td>87.7%</td>
<td>86.2%</td>
<td>88.6%</td>
</tr>
</tbody>
</table>


Table 4.6
Public Transport Corporation-V/Line

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commuter-peak (within 5 mins)</td>
<td>90.0%</td>
<td>87.8%</td>
<td>89.1%</td>
</tr>
<tr>
<td>Regional (within 10 mins)</td>
<td>91.0%</td>
<td>92.0%</td>
<td>92.4%</td>
</tr>
<tr>
<td>Interstate (within 10 mins)</td>
<td>86.0%</td>
<td>80.0%</td>
<td>77.6%</td>
</tr>
<tr>
<td>Freight on time running (within 30 mins)</td>
<td>*</td>
<td>87.0%</td>
<td>78.0%</td>
</tr>
</tbody>
</table>

* not available as previously provided in a disaggregated format.

Table 4.5 (the Met) suggests an overall improvement in these performance indicators. Table 4.6 (V/Line) indicates gains have been made on Commuter-peak services while some improvement has occurred in regional service delivery. A fall in the punctuality of Interstate and freight has occurred. The time series involved however, is limited and therefore may not be indicative of longer term trends.
The performance indicators in Tables 4.5 and 4.6 measure performance against timetables, consequently the timetables themselves become the benchmark. The Department of Transport has advised the following changes in timetabled services between June 1993 and 1994:

- Met trains, increase of 27 trips per day or 2 per cent;
- Met trams, increase of 57 trips per day or less than 1 per cent;
- Met Buses, decrease of 2400 trips per day or 78 per cent (note some services have been transferred to the National Bus Company, representing 2240 trips per day at June 1994);
- V/Line passenger train, decrease of 8 trips per day or 5 per cent;
- V/Line passenger coach, increase of 28 trips per day or 24 per cent; and
- Freight, increase of 4 trips per day or 4 per cent.38

How PTC's timetables compare with other State timetables is not evident from the performance related information in the PTC's Annual Reports. This reinforces the Committee's earlier recommendation concerning development of national performance indicators.

It is important to be mindful that during a period of major reform, as is currently occurring within public transport, that not only changes in timetables but also changes in employee numbers and services delivery methods may distort the comparison of performance over time. Additional caution therefore needs to be exercised in the interpretation of performance indicators. In particular, examples of key performance indicators that require extra caution include revenue per employee, kilometres per vehicle and boardings per employee.

4.3.5 Performance Indicators - Patronage

The implementation of the automatic ticketing system and the replacement of certain key functions by contracting out or outsourcing will have an effect on the future relevance of certain performance indicators based on employee numbers.

38 Source: Department of Transport
For example, although boardings per employee on the Met bus, tram and train services have significantly improved over the achievements of 1992-93\textsuperscript{39}, this may be predominantly a consequence of the significant reduction in the number of employees rather than increased passenger boardings. In fact boardings, as a measure of patronage, has declined steadily over the years. Table 4.7 below provides details of changes in passenger boardings.

Table 4.7

<table>
<thead>
<tr>
<th></th>
<th>1991/92 Boardings (000's)</th>
<th>1992/93 Boardings (000's)</th>
<th>1993/94 Boardings (000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Met Commuter</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- rail</td>
<td>108,911</td>
<td>105,895</td>
<td>100,955</td>
</tr>
<tr>
<td>- tram</td>
<td>112,037</td>
<td>100,858</td>
<td>98,292</td>
</tr>
<tr>
<td>- govt. bus</td>
<td>24,446</td>
<td>22,109</td>
<td>(1) 13,577</td>
</tr>
<tr>
<td>- private bus</td>
<td>69,058</td>
<td>69,006</td>
<td>(1) 74,680</td>
</tr>
<tr>
<td>Sub Total</td>
<td>314,452</td>
<td>297,868</td>
<td>287,504</td>
</tr>
<tr>
<td>V/Line</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- commuter</td>
<td>3,189</td>
<td>3,014</td>
<td>2,950</td>
</tr>
<tr>
<td>- regional</td>
<td>1,984</td>
<td>1,882</td>
<td>(2) 1,233</td>
</tr>
<tr>
<td>- Inter system</td>
<td>383</td>
<td>413</td>
<td>404</td>
</tr>
<tr>
<td>Sub Total</td>
<td>5,556</td>
<td>5,309</td>
<td>4,587</td>
</tr>
<tr>
<td>Total</td>
<td>320,008</td>
<td>303,177</td>
<td>292,091</td>
</tr>
</tbody>
</table>

Note (1) On 28 December 1993, National Bus Company commenced operations of bus services previously operated by the PTC. Boardings for the National Bus Company are included in the private bus figures only if a Met ticket was used.

Note (2) In 1993-94, excludes privately managed services on the Shepparton and Warrnambool corridors.


Chart 4.3 also reveals that Met patronage has been declining since 1991/92, while revenue initially increased and appears to be levelling off, (again the time series is limited). Changes in revenue levels should be viewed in light of the fact that fares were increased by 10 percent in January 1993 and by a further 4.5 percent, on average, on 9 January 1994\textsuperscript{40}.

\textsuperscript{39} Public Transport Corporation, Annual Report 1993-94, page 20
\textsuperscript{40} Victorian Auditor-General's Office, Report on Ministerial Portfolios, May 1994, page 360
Source: Chart compiled from data extracted from the Public Transport Corporation's 1991-92 to 1993-94 Annual Reports.

Freight revenue increased from $95.3 million in 1992-93 to $118.8 million in 1993-94, an increase of 25 per cent. 1993-94 included a bumper grain harvest and record export program by the Australian Wheat Board. This will be partly offset in 1994-95 by an expected lower grain harvest.

Due to the absence of set targets and comparisons with interstate and overseas performance it is difficult to judge the extent of performance improvement and how Victoria compares with world best practice standards.

The Auditor-General, in his 1994 Ministerial Portfolios Report, stated that the achievement by the Corporation, of higher patronage levels, will be a key prerequisite to sustained improvement in the financial performance of the transport system.41

Finding 4.4

The Committee finds in its review of Public Transport Corporation performance indicators:

(i) an improvement in the delivery of services, within 5 minutes of schedule, by the Met;

(ii) a fall in the delivery of interstate passenger and freight services, within 10 and 30 minutes of schedule respectively, by V/Line;

(iii) a decline in the level of Met patronage;

(iv) minor increases in Met revenue, made possible through fare increases; and

(v) a significant increase in 1993-94 freight revenue over 1992-93, arising from a bumper grain harvest in 1993-94, (this will be partly offset in 1994-95 by an expected lower grain harvest).

Finding 4.5

The Committee finds that the Public Transport Corporation's 1994 Annual Report, issued 30 September 1994, does not include any targets or benchmarks for key performance indicators, the development of targets was recommended by the Victorian Commission of Audit in May 1993 and the Committee in its November 1993 Report to Parliament. The publication of benchmarks is important to establish the State's relativity with like services interstate and overseas, including world's best practice, and would conclusively demonstrate key outcomes of the Public Transport Reform Program.
5.1 Background

Chapter 1 of this report (paragraph 1.4) refers to section 4O(2) of the Parliamentary Committees Act 1968 which requires the Government to respond to the recommendations of the Committee in the Parliament within six months of the Committee's reports.

During October 1994 the Government's response to the Committee's Third and Sixth Reports was tabled in the Parliament (refer appendix B). The Committee notes that a total of 17 (or 74 per cent) of the Committee's 23 recommendations have been accepted by the Government.

The following represents the Committee's position in respect of those of its recommendations which have been rejected by the Government.

5.2 The Committee's Third Report - 1992-93 Budget Estimates and Outcomes

5.2.1 Public Hospital Inpatient Services

Recommendation 4.1 of the Committee's third report to Parliament provided:

The Committee recommends that in future years hospital productivity savings should more clearly distinguish both in percentage and dollar terms the savings from new initiatives; and those automatically flowing from the previous year's staff reductions.3

---

1 Public Accounts and Estimates Committee, 1992-93 Budget Estimates and Outcomes, November 1993
The Government's response to Recommendation 4.1 included (refer appendix B for the complete response):

*The Department's key interest with hospital inpatient services has always related to service outcomes and achievement of financial targets. The Department sees no value, nor does it propose to arbitrarily classify actions by hospital management as "new" initiatives or "old" initiatives.*

The Committee agrees that service outcomes and achievement of financial targets are very important. Expenditure reduction is a major focus of the budget strategy and annual productivity savings are therefore an important financial target.

The Committee maintains that the classification or split of productivity savings between those arising from new initiatives and those automatically flowing from the previous year's initiatives can be done on a valid basis and need not, and should not be done on an arbitrary basis. The split of productivity savings is important because it allows the Parliament and the public to clearly distinguish between new productivity improvements in a year as opposed to the carry over effects of the achievements of the previous year. To combine or confuse current and past achievements may give a false impression of a higher level of achievement arising from action taken in a year than actually occurred. Therefore the Committee stands by its recommendation.

Recommendation 4.2 of the Committee's third report to Parliament provided:

*The Committee recommends that Treasury - in the light of possible legislative provisions allowing budget year drawdowns from a future budget - carefully scrutinise public hospital drawdowns covering regular overspending to compensate for hospital revenue shortfalls.*

---

The Government's response to Recommendation 4.2 included (refer appendix B for the complete response):

The Department of Health and Community Services rejects Recommendation 4.2 on the basis that it is not fair to make hospitals responsible for inpatient revenue shortfalls under the current revenue arrangements between the Commonwealth, the Department and hospitals...

Treasury considers its own scrutiny and the scrutiny of individual hospitals' budget drawdowns undertaken by the Department of Health and Community Services to be adequate.

Of the $20 million in revenue shortfalls identified in the Committee's Third Report, $11 million related to the failure to collect revenue against target collection rates. Casemix makes hospitals accountable for the failure to collect revenue from private patients by not adjusting revenue budgets.6 The remaining $9 million related to the fall in private patients and was identified as such in the Committee's Third Report. Whilst the Committee acknowledges that the magnitude of the problem leading to this recommendation, originally identified by the former Estimates Sub-Committee, has reduced markedly in dollar terms on previous years it nevertheless maintains an important principle is at issue.

The 1993-94 Budget Papers state that drawdowns from future appropriations are to "match changes in the timing of cash flows, and not to cover an ongoing inability to meet budget".7 The Committee maintains its position that a need exists for careful scrutiny by Treasury of public hospital drawdowns and notes that the comments in the Budget Papers concerning drawdowns, together with the scrutiny of Treasury referred to in the Government's response, appears to adopt the Committee's recommendation.

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6 Refer Casemix Funding for Public Hospitals Victoria's Policy. June 1993, which states "Revenue Budgets will be adjusted for changes in the public/private mix. They will not be adjusted for failure to collect revenue from private patients."

Recommendation 4.3 of the Committee's third report to Parliament provided:

The Committee recommends that a table of public hospital inpatient recurrent expenditure and revenue of the sort presented in this Chapter should be reported regularly to Parliament. Currently, there is insufficient focus on the financial performance of an area accounting for $1.8 billion, or over 15% of the State's annual recurrent departmental outlays.8

The Government's response to Recommendation 4.3 included (refer appendix B for the complete response):

The Department disagrees with the conclusion of the Committee that there is insufficient focus on the financial performance of hospital inpatient services. A wealth of information is already published on the performance of hospitals. Each year, every public hospital in the State is required under the Annual Reporting Act to report to Parliament on their financial performance in the same way as a public company would report its performance.

More significantly, a major annual publication titled "Victorian Hospital Comparative Data" (commonly referred to as the Rainbow Hospital Indicators) sets out the financial and productivity performance of every Victorian public hospital in substantial detail. It is recognised as the most detailed publication of hospital performance in Australia.

The Committee's recommendation is concerned with reporting to the Parliament and its ability to focus on the financial performance of hospital inpatient services, a major area of public spending. The recommendation called for a single table of financial information to be regularly prepared for the Parliament. This requires a manageable set of key information to be provided to the Parliament on inpatient services. The wealth of information referred to by the Department involves the Parliament in the review of some 150 public hospital annual reports (which have been untimely in the past) and refers to the Rainbow Book, produced by the Victorian Hospital's Association Limited, which is available for a fee and is not tabled in Parliament.

8 Public Accounts and Estimates Committee, 1992-93 Budget Estimates and Outcomes, November 1993, page 65
Nevertheless the Department appears to have agreed to act on the Committee's recommendation. The Government's response includes, under the heading 'further action planned':

*The Department of Health and Community Services will continue to present information as set out in Table 4.2 (page 64) on expenditure and revenue for hospital inpatient services.*

### 5.2.2 Public Transport Corporation

Recommendation 5.1 of the Committee's third report to Parliament provided:

*The Committee recommends that the full annual cost of public transport to the community, based on Victorian Commission of Audit methodology, should continue to be reported, with refinements in methodology, data collection and analysis in future enabling a longer-term perspective on those costs.*

The Government's response to Recommendation 5.1 included (refer appendix B):

*The Department of Transport is unable to accept the recommendation because substantial elements of the full annual cost of public transport are not within the statutory responsibilities of the portfolio. These include the proportion of State debt cost that can be attributed to public transport and superannuation costs. The Department will continue to report the annual cost of public transport against expenditures for which it is directly accountable.*

The Department's response clearly acknowledges that it reports something substantially less than the full cost of public transport. The Committee accepts that the Department does not have statutory responsibilities for the full cost of public transport, however this should not preclude the Department from providing the full cost of public transport to the Parliament and the public. The Committee and the Victorian Commission of Audit have identified several

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benefits that would flow from the Parliament and the public being provided with the full cost of public transport including:

- the full cost of public transport would be visible or transparent;
- establishes the true or full extent of cost recovery;
- should assist decision making, including funding decisions by the government; and
- assists the public in the conduct of informed debate and promotes increased accountability.

The Department of Transport is best placed to provide information on the full cost of public transport. The Committee maintains the importance of such information, which involves the consumption of substantial amounts of public monies, and therefore holds to its original recommendation.

5.2.3 Victoria Police

Recommendation 6.1 (i) of the Committee's third report to Parliament provided:

The Committee recommends that the Victoria Police Annual Report publish areas still to be considered for civilianisation, provided that sensitive negotiations are not jeopardised.¹⁰

The Government's response to Recommendation 6.1 (i) included (refer appendix B):

The identification of areas for potential civilianisation is a complex and sensitive issue, subject to an agreed process and input from the Police Association. Publication of possible areas could not be justified until after that process has commenced. It is not possible to act on the Committee's recommendations at this point in time.

The importance of civilisation to the efficiency and effectiveness of the Victorian Police Force cannot be understated. The Committee’s recommendation acknowledged the need to ensure negotiations are not jeopardised. The Committee reaffirms its recommendation and notes that the Government’s response appears to infer that publication of possible areas may occur at a later date.

5.3 The Committee’s Sixth Report - Interim Report on the 1993-94 Budget Estimates

Recommendation 2.1 of the Committee’s sixth report to Parliament provided:

_The Committee recommends that the Departmental Performance Estimates should be published within 28 days of the presentation of the Budget to the Parliament._

The Government’s response to Recommendation 2.1 included (refer appendix B):

_Departmental Performance Estimates that were being developed by Departments in 1993 are being superseded by departmental corporate and business plans.

Ministers and Departments may decide whether and in what way to publish planning information, such as by incorporating it in their Annual Reports._

In Chapter 2 of this report the Committee considered the Government’s response to recommendation 2.1 in detail. In that chapter the Committee confirms its belief in the very important need for the mandatory publication of Departmental Performance Estimates, or equivalent information, as required by its original recommendation.

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Recommendations 3.1 and 3.2 of the Committee's sixth report to Parliament provided (respectively):

It is recommended that the Parliament determine whether its budget estimates should be subject to the same Parliamentary estimates scrutiny as are all other budget estimates, and if appropriate, who should have responsibility for such scrutiny.\textsuperscript{12}

The Committee recommends that the Parliament establish its own audit committee and internal audit function.\textsuperscript{13}

The Government's response to Recommendations 3.1 and 3.2 included (refer appendix B):

The Presiding Officers of Parliament are aware of the Committee's recommendations and it is their intention to communicate directly with the Committee in relation to those recommendations.

At the time of writing the Presiding Officers had not yet responded to the Committee. The Committee's report was tabled in the Parliament in May 1994.

Finding 5.1

The Committee finds that the Government has accepted the vast majority of the Committee's recommendations in the Committee's Third (1992-93 Budget Estimates and Outcomes) and Sixth (Interim Report on the 1993-94 Budget Estimates) Reports to the Parliament. Six recommendations however, have been rejected, predominantly in the Health and Community Services Portfolio. Upon review of those recommendations, and consideration of the responses, the Committee remains convinced of the validity of the original recommendations.

Committee Room
30 November 1994

\textsuperscript{13} Ibid., page 37
GOVERNMENT RESPONSE TO THE THIRD AND SIXTH REPORTS OF THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE
## Government Response to the Third Report of the Public Accounts and Estimates Committee

<table>
<thead>
<tr>
<th>PA &amp; EC Recommendation</th>
<th>Accept/Reject</th>
<th>Progress to Date</th>
<th>Further Action Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1: The Committee recommends that the Government continue to supplement with Consolidated Fund material its monthly reports on budget progress (Niemeyer Statements) in Government Finance Statistics format.</td>
<td>Accept</td>
<td>Supplementary Consolidated Fund material has been provided for several years. This will continue.</td>
<td>Nil.</td>
</tr>
<tr>
<td>2.2: The Committee recommends that the Budget Papers report on aggregate financial year estimates and outcomes in a substantially more discrete and focussed manner for each of the Directorate of School Education; Hospital Acute Care Inpatient Services; and the Public Transport Corporation.</td>
<td>Accept</td>
<td>The Departmental Statements provided in 1994-95 Budget Paper No. 3 (<em>Budget Estimates</em>) comply with Section 40 of the <em>Financial Management Act 1994</em>. Section 40 requires the publication of information on the goods and services provided by departments. The relevant sections of the Departmental Statements provide the further information recommended by the Committee.</td>
<td>The Committee's recommendation on specific responsibility areas is being drawn to the attention of the Departments concerned.</td>
</tr>
<tr>
<td>PA &amp; EC Recommendation</td>
<td>Accept/Reject</td>
<td>Progress to Date</td>
<td>Further Action Planned</td>
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</tr>
<tr>
<td>2.3: The Committee recommends that future Budget Papers should include a table detailing and explaining the composition of borrowings, repayments and changes in financial balances within the budget deficit's net financing transactions. Amongst other things, this would disclose a full list of budget sector debt repayments and retirements, including non-routine refinancing, actual debt reductions, and unusual transactions such as that involving VET in 1992-93.</td>
<td>Accept</td>
<td>Information has been included in the 1994-95 Budget Papers.</td>
<td>Publication of similar information in the future Budget Papers.</td>
</tr>
<tr>
<td>2.4: The Committee recommends that future Budget Papers should include a consolidated table detailing the revenues received or expected to be received from those major business asset sales finalised in the previous financial year, including disclosure of how these funds were used or expected to be used.</td>
<td>Accept</td>
<td>The information shown in Table 2.3 - Business Asset Sales Revenue and its Application, 1992-93 (Page 19 of the Committee's Third Report) has always been available in the Government's Budget Papers, albeit in an unconsolidated format. There were no business asset sales finalised during 1993-94.</td>
<td>Publication of the information in future Budget Papers in the format recommended by the Committee in years following finalisation of sales of business assets.</td>
</tr>
<tr>
<td>PA &amp; EC Recommendation</td>
<td>Accept/ Reject</td>
<td>Progress to Date</td>
<td>Further Action Planned</td>
</tr>
<tr>
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</tr>
<tr>
<td>2.5: The Committee recommends that factors bearing little relation to meritorious economical management should be relevant considerations in Treasury decisions on carryovers to the next financial year of a Department's unspent discretionary funds. Such factors include major discretionary underspending from an overly-generous recurrent expenditure base, and regular over-expenditure only overcome through regular drawdowns from a following year's budget allocation.</td>
<td>Accept</td>
<td>Treasury circulates to Departments the rules and conditions for carry-overs each year. These take the factors suggested by the Committee into account when considering requests from Departments to carry-over unspent discretionary funds.</td>
<td>Continued application of these rules and conditions.</td>
</tr>
</tbody>
</table>
| 3.1: The Committee recommends that DSE should urgently review its policies on guaranteed returns to duty from family leave to achieve a better balance between the competing employment needs of teachers returning after many years of family leave; each year's crop of new graduates; and others seeking to re-enter the workforce. | Accept | The Directorate has reviewed its policies on return from family leave to achieve these and other objectives. The following actions have been implemented -  
- staff going on family leave must stipulate their intended period of absence;  
- staff may only return from family leave at the beginning of a school year; and  
- replacement staff will be hired for fixed terms to cover the stipulated period of absence.  
It should be noted that staff already on leave have their family leave rights protected by virtue of the interim Federal award and are therefore not subject to the revised policies. | Nil. |
<table>
<thead>
<tr>
<th>PA &amp; EC Recommendation</th>
<th>Accept/Reject</th>
<th>Progress to Date</th>
<th>Further Action Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2: The Committee recommends that Treasury should ensure it has rigorously excised 'softness' from the 1993-94 DSE recurrent expenditure base by, for example, deducting the full year saving from unreplaced 470 teachers lost through natural attrition in 1992-93 but unreplaced due to much lower student enrolments than projected.</td>
<td>Accept</td>
<td>The 1992-93 Budget provision was based on the 1991-92 Budget allocation and not 1991-92 expenditure. Therefore the 1992-93 provision did not include any additional allowance related to supplementary funding provided to the Education portfolio in 1991-92 from the Treasurer's Advance. The savings requirements agreed to by the Government and the Education portfolio were formulated taking into account comparisons with Education services in other States as well as a consideration of contracting-out options and other best practices. The total operating expenditure base was subjected to a robust assessment of student and teacher numbers including teachers lost through natural attrition.</td>
<td>Continued assessment of interstate comparisons of Education services, teacher and student numbers and other relevant factors when determining funding for the Education portfolio.</td>
</tr>
<tr>
<td>PA &amp; EC Recommendation</td>
<td>Accept/Reject</td>
<td>Progress to Date</td>
<td>Further Action Planned</td>
</tr>
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</tr>
</tbody>
</table>
| 3.3: The Committee recommends that DSE should as rapidly as practicable extend measurement and reporting of performance indicators to areas such as student achievement; student and teacher class contact time; the range, resources and time spent on curriculum activities; and non-class teacher and student activities. | Accept | Education in Victoria is being restructured on the basis of accountability at a school level under the Schools of the Future program, as follows:  
- Each School of the Future is required, through its school charter, to set goals and objectives for its students, based on statewide criteria. These goals and objectives will be the benchmarks by which each school will be measured, and through which Schools of the Future will be held accountable by their local communities;  
- The Schools Review Office has been established to monitor the performance and achievements of Schools of the Future, taking account of each school's charter and the statewide criteria. There will be a process of regular school reviews, which will be a systematic examination of a school's performance against the stated goals as prescribed in the school's charter. These reviews are also part of a regular charter renewal process; | - School Charters will continue to be finalised as all schools enter the Schools of the Future program.  
- The Learning Assessment Project and the Curriculum and Standards Framework will be implemented during 1995.  
- Aggregated student achievement information from the Learning and Assessment Project will be available, along with information on student achievement in the VCE and related areas. Firm guarantees have been given concerning the confidentiality of individual student and class results and that individual schools will not be able to be compared. |
<table>
<thead>
<tr>
<th>PA &amp; EC Recommendation</th>
<th>Accept/ Reject</th>
<th>Progress to Date</th>
<th>Further Action Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.3 (Continued)</td>
<td></td>
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</tr>
</tbody>
</table>

- An accountability framework for school reporting has been established. This covers key areas, including student learning achievements, curriculum provision and participation, the school environment, the management of staff, and financial and asset management;

- Schools of the Future will be required to report annually on their achievements against their own goals and objectives as set out in their school charter through the school council report;

- The Board of Studies is developing, in consultation with schools and teachers, the Curriculum and Standards Framework, which will set out the curriculum goals for the various stages of learning within the 8 key learning areas; and

- The Board of Studies is developing the Learning Assessment Project, which will provide confidential information for parents on the achievements of their child and overall information to the school and the Directorate of School Education on the levels of student achievement in the school.
<table>
<thead>
<tr>
<th>PA &amp; EC Recommendation</th>
<th>Accept/Reject</th>
<th>Progress to Date</th>
<th>Further Action Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.4: The Committee recommends that a time series on total and disaggregated expenditure per student, based on Australian Education Council data collections from the States should with appropriate interpretative comments become a regular feature of DSE's performance reports to the Parliament.</td>
<td>Accept</td>
<td>This information is already available and will be incorporated in the information annually provided to the Committee.</td>
<td>The Committee's recommendation will be incorporated when general information is next requested by the Committee.</td>
</tr>
<tr>
<td>4.1: The Committee recommends that in future years hospital productivity savings should more clearly distinguish both in percentage and dollar terms the savings from new initiatives; and those automatically flowing from the previous year's staff reductions.</td>
<td>Reject</td>
<td>The Committee found that the Department achieved expenditure reduction of 4% for public hospitals inpatient services in 1992-93. The Committee concluded that this outcome was achieved with a 1.1% contribution coming from the savings made during 1991-92 Budget and 2.9% from actions following the 1992-93 Budget. The Department's key interest with hospital inpatient services has always related to service outcomes and achievement of financial targets. The Department sees no value, nor does it propose to arbitrarily classify actions by hospital management as &quot;new&quot; initiatives or &quot;old&quot; initiatives.</td>
<td>Nil.</td>
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</table>
4.2: The Committee recommends that Treasury - in the light of possible legislative provisions allowing budget year drawdowns from a future budget - carefully scrutinise public hospital drawdowns covering regular overspending to compensate for hospital revenue shortfalls.

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<tr>
<td>4.2: The Committee recommends that Treasury - in the light of possible legislative provisions allowing budget year drawdowns from a future budget - carefully scrutinise public hospital drawdowns covering regular overspending to compensate for hospital revenue shortfalls.</td>
<td>Reject</td>
<td>The Department of Health and Community Services rejects Recommendation 4.2 on the basis that it is not fair to make hospitals responsible for inpatient revenue shortfalls under the current revenue arrangements between the Commonwealth, the Department and hospitals. The major reasons for falling revenue in recent times have been the significant decline in the proportion of the total population who have private health insurance coupled with the Medicare agreement which commits public hospitals to providing hospital care to all public inpatients. Treasury considers its own scrutiny and the scrutiny of individual hospitals' budget drawdowns undertaken by the Department of Health and Community Services to be adequate.</td>
<td>Nil.</td>
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<td>4.3: The Committee recommends that a table of public hospital inpatient recurrent expenditure and revenue of the sort presented in this Chapter should be reported regularly to Parliament. Currently, there is insufficient focus on the financial performance of an area accounting for $1.8 billion, or over 15% of the State's annual recurrent departmental outlays.</td>
<td>Reject</td>
<td>The Department of Health and Community Services disagrees with the conclusion of the Committee that there is insufficient focus on the financial performance of hospital inpatient services. A wealth of information is already published on the performance of hospitals. Each year, every public hospital in the State is required to report to Parliament on their financial performance in the same way as a public company would report its performance. More significantly, a major annual publication - <em>Victorian Hospital Comparative Data</em> (commonly referred to as the Rainbow Hospital Indicators) sets out the financial and productivity performance of every Victorian public hospital in substantial detail. It is recognised as the most detailed publication of hospital performance in Australia.</td>
<td>The Department of Health and Community Services will continue to present information as set out in Table 4.2 (page 64) on expenditure and revenue for hospital inpatient services.</td>
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<td>4.4: The Committee recommends that a time series of statewide performance indicators (with targets) reflecting quality of service, efficiency (including labour productivity) and cost performance should be annually reported to Parliament, if practicable comparing the position before and after casemix funding introduction in 1993-94.</td>
<td>Accept</td>
<td>The Department intends to continue statewide performance indicators for the hospital and other health sectors. In addition to the detailed publications noted in the response to Recommendation 4.3, the Department also provides a sector wide analysis in the Department of Health and Community Services Annual Report. The Budget Papers for 1993-94 (Budget Paper No. 4) and 1994-95 (Budget Paper No. 3) also included target throughput and expected changes in costs and waiting lists.</td>
<td>The Department is also undertaking major initiatives in the area of quality monitoring such as patient satisfaction questionnaire and monitoring of re-admissions.</td>
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<td>5.1: The Committee recommends that the full annual cost of public transport to the community, based on Victorian Commission of Audit methodology, should continue to be reported, with refinements in methodology, data collection and analysis in future enabling a longer-term perspective on those costs.</td>
<td>Reject</td>
<td>The Department of Transport is unable to accept the recommendation because substantial elements of the full annual cost of public transport are not within the statutory responsibilities of the portfolio. These include the proportion of State debt cost that can be attributed to public transport and superannuation costs. The Department will continue to report the annual cost of public transport against expenditures for which it is directly accountable.</td>
<td>Nil.</td>
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<td>5.2. The Committee recommends that:</td>
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<td>(i) the development of a set of national indicators on productivity and financial performance proceed as quickly as possible, taking due account of the current comparative differences between the States' Public Transport systems; and</td>
<td>Accept</td>
<td>(i) It is acknowledged that public transport in Victoria has, in the past, performed poorly by comparison with other States. While it has been readily acknowledged by others that direct comparisons cannot be easily made due to a range of factors, there is no doubt that inefficiency has made a major contribution to poor performance by Victoria. It was for this reason that the Government embarked on the Transport Reform Strategy to inter alia reduce the PTC cost structure by $245 million p.a. by the end of 1995. Achievement of the efficiency savings involved will bring the PTC to cost recovery levels equal to world best public transport systems. The performance of public transport providers is being monitored and will be reported to Parliament as part of the Department of Transport and PTC Annual Reports. In particular, the performance of the PTC in meeting its deficit reduction targets is a key part of the regular reporting to Government and annual reporting to Parliament.</td>
<td>(i) In monitoring the reform program the Department of Transport intends to seek independent advice on the establishment of best practice service provision benchmarks for public transport to enhance and augment the performance indicators recently negotiated with the PTC and private transport service providers. In developing these benchmarks, consideration will be given to the relative performance of transport systems in other States through analysis of relative performance indicators. These will include productivity, financial and service quality indicators. Once established these indicators and best practice benchmarks will provide ready comparison with interstate public transport providers.</td>
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| 5.2 (Continued)        | Accept       | (ii) The Department of Transport has recently negotiated the first Annual Service Agreement with the PTC specifying performance indicators (or requiring their development) in the following areas:  
- Service Delivery  
- Punctuality  
- Cleanliness  
- Cost Recovery Ratio  
- Revenue against Budget  
- Expenditure against Budget  
- Capital Expenditure against Budget. | (ii) With the establishment of appropriate performance indicators a suitable basis will be available for maintaining reliable time series information. In particular the automated ticketing system due to commence implementation later this year will provide reliable passenger count information and destination information that will enable reliable patronage statistics to be kept on a time series basis. The absence of such technology in the past has made reliable patronage data difficult to obtain given the multi-model nature of the Victorian ticketing system. |
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<td>5.2 (Continued)</td>
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<td>It is expected that the benchmarking exercise referred to above will be completed prior to negotiation of the 1995-96 Service Agreement with PTC. Benchmarks will be developed where appropriate in a manner consistent with those used by other States. Contracts entered into with private sector service providers have service performance indicators incorporated into them.</td>
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6.1 The Committee recommends that:

(i) the Victoria Police Annual Report publish areas still to be considered for civilisation, provided that sensitive negotiations are not jeopardised;

(ii) further comparisons occur with civilisation in other States, to identify differences in areas civilised and the lessons that may be drawn from differing experiences; and

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<td>Reject</td>
<td>The identification of areas for potential civilisation is a complex and sensitive issue, subject to an agreed process and input from the Police Association. Publication of possible areas could not be justified until after that process has commenced. It is not possible to act on the Committee's recommendations at this point in time.</td>
<td>Nil.</td>
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<td>Accept</td>
<td>Victoria Police will actively monitor developments in other States, particularly as they relate to civilisation.</td>
<td>Continued active monitoring.</td>
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<td>6.1 (Continued)</td>
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<td>(iii) even if research confirms there are no significant differences in the civilian ratio or in civilianised areas between Victoria and other States, it should not be necessarily concluded that further opportunities for Victorian civilisation do not exist.</td>
<td>Accept</td>
<td>Victoria Police will continue to explore options for civilisation regardless of interstate comparisons with respect to ratios.</td>
</tr>
<tr>
<td>6.2: The Committee recommends that current police performance indicators should be extended to an interstate time series format with interpretative comments, and be reported regularly to the Parliament. They could then benchmark both police numbers and police spending per head of population, civilisation ratios; crime clear-up rates; public satisfaction levels; mobile and foot patrol times; and average police response time to public requests for assistance.</td>
<td>Accept (in part)</td>
<td>The benchmarking and reporting of police performance is already being addressed in other forums, such as the Review of Commonwealth and State Service Provision being conducted through the Department of the Premier and Cabinet; the Australasian Policing Strategy - Directions in Australasian Policing, which was recently agreed by the Ministerial Council on the Administration of Justice; and the Commonwealth Grants Commission which has an ongoing interest in the field. The reporting to Parliament of these matters is currently under consideration in planning the Department of Justice's 1993-94 Annual Report.</td>
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<td>6.3: The Committee recommends that the Police keep under close review the number of</td>
<td>Accept</td>
<td>The traffic camera program is constantly monitored to ensure it meets State Road</td>
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<td>traffic camera hours worked and the resulting efficiency and effectiveness of police</td>
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<td>Safety Strategy objectives.</td>
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<td>resources used. It should do so in the light of declining productivity in infringement</td>
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<td>notice generation; impacting factors; and the likely effect on general deterrence of</td>
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<td>speeding motorists from any variation to camera hours worked.</td>
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<td>2.1: The Committee recommends that the Departmental Performance Estimates should be published within 28 days of the presentation of the Budget to the Parliament.</td>
<td>Reject</td>
<td>Departmental Performance Estimates that were being developed by Departments in 1993 are being superseded by departmental corporate and business plans. Ministers and Departments may decide whether and in what way to publish planning information, such as by incorporating it in their Annual Reports.</td>
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<td>2.2: The Committee recommends that the Treasury should detail or highlight any significant revisions to data presented in monthly Niemeyer reports in the next available Niemeyer report.</td>
<td>Accept</td>
<td>The report issued for 1993-94 to 31 March 1994 provided explanation of some significant variations resulting from the reclassification of certain items.</td>
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<td>3.1: It is recommended that the Parliament determine whether its budget estimates should be subject to the same Parliamentary estimates scrutiny as are all other budget estimates, and if appropriate, who should have responsibility for such scrutiny.</td>
<td>n/a</td>
<td>The Presiding Officers of Parliament are aware of the Committee's recommendations and it is their intention to communicate directly with the Committee in relation to those recommendations.</td>
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<tr>
<td>3.2: The Committee recommends that the Parliament establish its own audit committee and internal audit function.</td>
<td>n/a</td>
<td>The Presiding Officers of Parliament are aware of the Committee's recommendations and it is their intention to communicate directly with the Committee in relation to those recommendations.</td>
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</table>
LIST OF WITNESSES

The following list is a complete list of witnesses for the Committee's inquiry into the 1993-94 Budget Estimates and Outcomes. The list has not been restricted to that evidence commented upon in the Committee's final report. An Interim Report was tabled in the 1994 Autumn Sitting of Parliament.

Department of Arts, Sport and Recreation - 21 September 1993

The Hon H. Storey, QC, MLC, Minister for Gaming; and Ms Karin Puels, Ministerial Adviser.

Department of Education - 25 October 1993

The Hon. D. Hayward, MLA, Minister for Education; Mr S. Kennar, Ministerial Adviser; Mr G. Spring, Director of School Education; Mr G. Drury, General Manager, Finance and Administration; Mr J. Rosewarne, Finance and Administration; Mr J Pascoe, General Manager, People Services Division; and Mr F. Peck, General Manager, Strategic Policy and Planning, Directorate of School Education

Department of Finance - 12 November 1993

The Hon I. Smith, MLA, Minister for Finance; Mr D. Thomas, Secretary; and Mr T. Daly, Deputy Secretary.

Department of Health and Community Services - 4 November 1993

The Hon M. Tehan, Minister for Health; Dr J. Paterson, Secretary; and Mr D. Anderson, Assistant Director, Financial Strategy and Projects, Office of the Secretary.

Department of Planning and Development - 21 September 1993

The Hon M. Birrell, MLC, Minister for Major Projects; Mr R. Roennfeldt, Director, Office of Major Projects; and Mrs W. Smith, Ministerial Adviser.
LIST OF WITNESSES

Department of Planning and Development - 8 December 1993

The Hon R. Hallam, Minister for Local Government, Minister for Regional Development and Minister Responsible for WorkCover; Mr Y. Blacher, Director, Office of Local Government; and Mr A. Lindberg, Chief Executive Officer, Victorian WorkCover Authority.

Department of Transport - 29 October 1993

The Hon A. Brown, MLA, Minister for Public Transport; Mr J. McMillan, Secretary; Mr S. Stanko, Deputy Secretary; and Mr. I. Dobbs, Chief Executive Officer, Public Transport Corporation.

Department of Treasury - 17 September, 1993

The Hon A. Stockdale, MLA, Treasurer of Victoria; Dr M. Vertigan, Secretary; Dr D. Sams, General Manager, Finance Group; Mr T. Martin, General Manager, Expenditure Management and Review Division; and Mr P. Coatman, Ministerial Adviser.

Parliament - 15 December 1993

The Hon. J. E. Delzoppo, MLA, Speaker of the Legislative Assembly; and The Hon. B. A. Chamberlain, MLC, President of the Legislative Council.

Roads and Ports - 22 September 1993

The Hon. W. R. Baxter, MLC, Minister for Roads and Ports; Mr J. McMillan, Secretary; Mr S. Stanko, Deputy Secretary; Mr C. Jordan, Chief Executive, Roads Corporation; and Mr D. Thompson, Manager (Resources), Roads Corporation.
All budget sector entities, (excluding Parliament), responded to the Committee's annual estimates questionnaire. In addition some departments provided further information upon request by the Committee.
## REPORTS OF THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

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<td>The Performance Audit of the Auditor General of Victoria</td>
<td>November 1993</td>
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<td>1992-93 Budget Estimates and Outcomes</td>
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<td>Victorian Public Hospitals - Arrangements with Contracted Doctors</td>
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<td>7</td>
<td>Interim Report on the State's Budget and Financial Management Framework</td>
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### OTHER

Thrift and the Noiseless Step; 100 Years of Public Accounts Committees of the Parliament of Victoria    July 1994