PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

SIXTY SECOND REPORT TO THE PARLIAMENT

REPORT ON THE

2003-2004 BUDGET OUTCOMES

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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE
MEMBERSHIP – 55TH PARLIAMENT

Hon. C Campbell, MP (Chair)
Hon. B Forwood, MLC (Deputy Chair)
Hon. B Baxter, MLC
Mr R Clark, MP
Mr L Donnellan, MP
Ms D Green, MP
Mr J Merlino, MP
Hon. G Rich-Phillips, MLC
Ms G Romanes, MLC

For this Inquiry, the Committee was supported by a secretariat comprising:

Executive Officer: Ms M Cornwell
Assistant Executive Officer: Ms J Nathan
Principal Research Officer for the Inquiry: Mr I Claessen
Research Officers: Mr M Newington
Mr K Swoboda
Ms P Toh
Specialist Advisor: Mr T Wood
Office Manager: Ms K Taylor
DUTIES OF THE COMMITTEE

The Public Accounts and Estimates Committee is a joint parliamentary committee constituted under the *Parliamentary Committees Act* 2003.

The Committee comprises nine Members of Parliament drawn from both Houses of Parliament and all political parties.

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

- any proposal, matter or thing concerned with public administration or public sector finances; and
- the annual estimates or receipts and payments and other Budget Papers and any supplementary estimates of receipts or payments presented to the Assembly and the Council.

The Committee also has a number of statutory responsibilities in relation to the Office of the Auditor-General. The Committee is required to:

- recommend the appointment of the Auditor-General and the independent performance and financial auditors to review the Victorian Auditor-General’s Office;
- consider the budget estimates for the Victorian Auditor-General’s Office;
- review the Auditor-General’s draft annual plan and, if necessary, provide comments on the plan to the Auditor-General prior to its finalisation and tabling in Parliament;
- have a consultative role in determining the objectives and scope of performance audits by the Auditor-General and identifying any other particular issues that need to be addressed;
- have a consultative role in determining performance audit priorities; and
- exempt, if ever deemed necessary, the Auditor-General from legislative requirements applicable to Government agencies on staff employment conditions and financial reporting practices.
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CHAIR’S INTRODUCTION

The government’s annual financial and economic policy statement is presented in the state budget. In 2003-04 the government spent $27,353 million delivering services and programs, and raised $28,343.8 million in revenue. But how accountable, effective and efficient was the public sector in delivering the initiatives and programs outlined in the government’s 2003-04 budget?

The Public Accounts and Estimates Committee undertook this review to assist Parliament and the community to assess what the government actually achieved in 2003-04, compared to what it intended to achieve. The results of the review are contained in this report. The Committee has made 97 recommendations where it believes improvements in public accountability and public administration can be made. Many of the recommendations focus on the need for a more robust performance management and reporting framework.

As mentioned in the report, the government rejected 24 recommendations in the Committee’s report on the 2002-03 budget outcomes. The Committee believes that as the majority of the recommendations advocate greater accountability in the public sector, government should minimise the number of recommendations it rejects. In the future, the Committee intends to follow up with agencies on the progress made with implementing the recommendations.

I would like to thank the Ministers and departmental officials who were involved in preparing responses to our budget outcomes questionnaire and providing supplementary information. This information provides valuable information about the government’s discharge of its stewardship responsibilities.

I would also like to acknowledge the valuable contribution made by Committee members in preparing this important accountability document, and the research assistance provided by Ian Claessen and the other staff of the Committee’s secretariat, including Martin Newington. The Committee is again indebted to the secretariat for its professional advice, hard work and dedication.

We await with interest the government’s response to our recommendations.

Hon. Christine Campbell, MP
Chair
EXECUTIVE SUMMARY

Chapter 1: Introduction

The Public Accounts and Estimates Committee’s review of the budget outcomes is intended to enhance the accountability of Victorian Government departments and agencies, and provide Parliament and the community with more meaningful information about results achieved in 2003-04 compared to expectations. This follow-up process is intended to complement the Committee’s initial review of the budget estimates.

This report is based on analysis of the government’s 2003-04 budget outcomes (consisting of $27,353.7 million expenditure and $28,343.8 million revenue) and information contained in a range of documents. These documents include the annual reports of all departments and some portfolio agencies; the responses to the Committee’s questionnaire; the Auditor-General’s report on the Finances of the State for 2003-04 and other relevant reports; the Budget Papers for 2003-04; and the government’s financial report for 2003-04.

Following its review of the 2002-03 budget outcomes, the Committee made 106 recommendations on annual reporting, financial performance, governance processes and the monitoring of some key activities. The government and the Auditor-General accepted 46 recommendations, accepted 12 in part, accepted 18 in principle, and rejected 24 (mainly relating to departmental trust funds) while six recommendations were subject to review.

In Chapter 1, the Committee summarises the government’s response to its key recommendations relating to the budget outcomes for 2002-03.

Chapter 2: 2003-2004 Budget overview

The Victorian Government met its commitment to maintain an operating surplus of at least $100 million in 2003-04. The budget surplus for 2003-04 was $990.1 million, which was $745.1 million higher than the initial estimate of $244.5 million. The significant operating surplus was achieved as a result of higher than budgeted revenue in conjunction with expenditure increases being lower than the increase in revenue.

Revenue was $28,343.8 million in 2003-04, which was $1,745.4 million higher than the budget estimate. This significant increase in revenue was mainly the result of sustained growth in the property market, higher dividends from government business enterprises and an increase in grants from the Commonwealth Government (mainly from higher than expected revenue collection from the goods and services tax (GST)). While Victoria’s share of GST related grants increases with the growth in the GST revenue pool, the rate of increase in 2005-06 is projected to be marginally more than the growth rate of the GST revenue pool.
Revenue from stamp duty on land transfers and mortgage duty in 2003-04 was $646.8 million higher than the initial budget estimate. The Committee’s analysis identified that the government’s projections of land transfer duty and other property stamp duty have been consistently well below actual results for several years. Accordingly, the Committee considered that the government must improve both its estimates forecasting methodology and property data collection, given the risks to the government of inaccurate forecasts.

Fines and regulatory fees were the only revenue source in 2003-04 that were below budget projections. The decrease of $132.7 million was attributed mainly to the temporary suspension of traffic infringement notices due to extensive testing of faulty speed cameras and a change in driver behaviour. Collection of outstanding fines continued to be an ongoing problem for the Department of Justice, with the Auditor-General reporting that unpaid fines further deteriorated during 2003-04. At 30 June 2004, 52 per cent of outstanding fines had remained unpaid for longer than two years.

Expenditure was $27,353.7 million in 2003-04, which was $999.8 million above the budget estimate. Total expenditure would have been higher if not for a smaller than expected superannuation expense of $300.2 million, which was $1,650.6 million below the budget estimate. The substantial reduction resulted from the stronger than expected equity market performance delivering an investment return of 15.9 per cent (compared to a budgeted 7 per cent) for the State Superannuation Fund in 2003-04. Off-setting the effect of the significant reduction in superannuation expense was an abnormal expense of $1,232 million, which was attributed to the smelter reduction levy not being collected after 30 June 2004.

The outcomes for 2003-04 showed revenue increasing by 6.6 per cent compared to the budget, while expenditure increased by only 3.8 per cent. The increase in expenditure was distorted by the lower than budgeted superannuation expense. Other expenditure increases included an additional cost of $390.7 million in employee benefits. This increase was attributed mainly to higher staffing levels in departments to improve services in the priority areas of health and education.

The Committee reiterates that care must be taken to monitor additional spending in recurrent expenditure, such as employee benefits.

The strong financial position has enabled the government to apply cash surpluses to reducing debt, with general government net debt reduced to $1.6 billion at 30 June 2004, and to undertake a significant infrastructure program – with net infrastructure spending totalling $2,378.4 million in 2003-04. The Committee emphasises the importance of managing spending within budget estimates so the government can fund the expansion of state infrastructure within acceptable long-term debt levels, including finance lease obligations arising from some public-private partnership arrangements.
Chapter 3: Performance management in the Victorian Public Service

The Committee noted that the actual staff numbers of equivalent full time (EFT) executive officers (EO) excluding vacancies decreased by 0.27 per cent across departments in 2003-04 compared to the number in the previous year. While increases were observed in EO1 and EO2 staff of two (11 per cent) and 16 (8.9 per cent) respectively, the number of EO3s declined by 19.5 (5.3 per cent). The most notable reduction occurred at the Department of Education and Training which had 10.9 (25.4 per cent) fewer EFT EO3 staff, influenced by a departmental restructure in 2003-04. In contrast, the senior complement of staff at the Department of Premier and Cabinet grew by seven (33.3 per cent) as a result of the Office of the Chief Information Officer being established.

A cross-agency analysis of the proportion of executives in the most senior ranks revealed some significant variations: the Victorian Auditor-General's Office (six EO2s and 20.6 EO3s – a ratio of one to 3.43) and the Department of Treasury and Finance (four EO1s, 16 EO2s and 50 EO3s – a ratio of one to 2.5) had the lowest proportion of EO1s and EO2s to EO3s at 30 June 2004, while the Department of Premier and Cabinet had the highest (three EO1s, 12 EO2s and 13 EO3s – a ratio of 1.15 to one). The Committee was interested in the different senior level structures employed by the two central agencies and that the composition of executives per classification varied considerably.

Another interesting variance related to the comparison of EOs to non-executive staff across agencies. Reflecting a diverse range of functions and structures, the Victorian Auditor-General's Office had one executive officer staff member for every four non-executives, the Department of Treasury and Finance had one executive officer for every six non-executive staff members and the Department of Premier and Cabinet had one executive officer for every 11 non-executives, while the Department of Primary Industries had only one executive officer for every 150 non-executives.

Regarding non-executive officers, the Committee found that the numbers increased by less than one per cent in 2003-04 compared to those of the previous year. Some major variances occurred at the agency level, however, with a reduction of 236.9 EFT staff (-13.9 per cent) at the Department of Education and Training following a reorganisation of the central office, and an increase of 68.3 EFT staff at the Department of Infrastructure for a range of reasons, including the expansion of contract and risk management areas. In connection with Department of Education and Training the number of teaching and non-teaching staff located in schools has increased from 48,200 at June 2003 to 48,526.4 at June 2004.

The Committee found that 81.8 per cent (473) of eligible executives received performance bonuses totalling $5.3 million for the 2003-04 assessment period. However, the proportion of executives who received a performance bonus varied considerably across agencies. At one extreme, 73 per cent of executives at both the Department of Innovation, Industry and Regional Development and the Department of
Treasury and Finance received a bonus compared to 95 per cent or more at the Department of Primary Industries (100 per cent), the Department for Victorian Communities and the Victorian Auditor-General's Office.

The Committee also found that a greater proportion of executives in the higher classifications (85.1 per cent of EO1s and EO2s) were paid bonuses for 2003-04, compared to 79.9 per cent of EO3s.

With an average executive performance bonus of $11,160 across agencies, the Committee’s review revealed that:

- the Department for Victorian Communities, which had the third highest proportion of executives receiving a bonus (95.2 per cent) and no EO1s, also had the highest average performance pay ($12,841 per executive);
- the Department of Treasury and Finance, with the lowest proportion of executives receiving a bonus (73.2 per cent), had the third highest average performance pay ($11,967 per executive). This might have reflected the composition of EO1s in the organisational structure on higher levels of remuneration, and indicated a high proportion of executives assessed as displaying exceptional performance during 2003-04; and
- the Department of Primary Industries, which had the highest proportion of executives receiving a bonus (100 per cent), had the lowest average performance pay ($8,746 per executive), which indicated a large proportion of executives assessed in the lower category achieving a ‘superior’ (rather than ‘exceptional’) level of performance in 2003-04.

**Chapter 4: Occupational health and safety**

In October 2001, the Victorian Government released an Occupational Health and Safety (OH&S) Improvement Strategy for the budget sector. An objective of the strategy was for agencies to achieve a 20 per cent improvement in four WorkCover performance indicators over a three year period. These indicators related to the following:

**Incidence of claims**

- The number of reported standard claims
- The claims frequency rate (number of reported claims per $ million remuneration)
Executive Summary

Claims costs

- The average cost of claims
- The claims cost ratio (claims cost per $ million remuneration)

The strategy was designed to provide a coordinated approach to improving OH&S and injury management outcomes, thereby reducing and containing premium costs. Notwithstanding the three year duration of the initial project, the intention was for agencies to continue to review their management of OH&S and to adopt improved work safety practices.

Given that 2003-04 was the final year of the strategy, the Committee was interested in examining, across a number of agencies, issues with WorkCover premiums, the management of OH&S and the extent to which agencies achieved a 20 per cent improvement in performance by 2003-04 against the four WorkCover performance indicators.

The Committee noted the following particular outcomes from its analysis:

- the largest increases in WorkCover premium costs for 2003-04 were incurred by the Parliamentary Departments ($326,700 or 100.6 per cent) and the Department of Innovation, Industry and Regional Development ($46,900 or 25.9 per cent);
- increases in remuneration and growth in staff numbers were the main factors contributing to higher WorkCover premium costs together with increases in the number and cost of claims.

With regard to the Parliamentary Departments, the Committee was advised that as claims experience is factored into the calculation of WorkCover premiums and a claim has a flow on effect for three years, the bad claims year in 2000-01 together with increases in remuneration and staff had contributed to the increase in premiums.

The performance of agencies in managing their occupational health and safety (OH&S) responsibilities in 2003-04 compared to 2002-03 showed some favourable results, although there was room for improvement at certain agencies. Despite the adverse effect that the growth in staff numbers and remuneration can have on OH&S performance, some agencies experienced a relatively stable or reduced number of WorkCover claims (for example the Department of Education and Training, the Department of Infrastructure, VicRoads and the Department of Justice). The Committee was interested to learn that the Department of Education and Training had lowered costs for stress-related claims while the average cost of claims at the Department of Justice decreased from $30,000 in 2000-01 to $12,500 in 2003-04. Alternatively, the Department of Innovation, Industry and Regional Development experienced a 60 per cent increase in active claims and an 80 per cent increase in days lost. The department regarded volatility across years and a historical low level of
incidents as contributing factors. The Committee noted that at Victoria Police, while there was a reduction of 10.2 per cent in the number of standard claims from 2000-01 to 2001-02, the number of claims increased by 4.4 per cent from 2002-03 to 2003-04.

The Committee’s analysis revealed that the Parliamentary Departments were the only agency to achieve a 20 per cent improvement in all of the government’s indicators compared to the 2000-01 baseline data over the three year period.

VicRoads, in achieving reductions of more than 20 per cent for all indicators except for the average claims cost (which improved by 3.6 per cent), was the second leading agency during this period. Except for the Department of Innovation, Industry and Regional Development, VicRoads, Parliamentary Departments and, to a lesser extent, Victoria Police, agencies performed poorly in meeting targets for indicators relating to the incidence of claims (i.e. the number of reported standard claims, and the claims frequency rate which shows the number of reported claims per $ million remuneration).

In focusing on the OH &S performance of agencies in terms of the claims frequency rate and the claims cost ratio, which reflected variations in remuneration, the Committee found that both indicators rose for six agencies, the Department of Education and Training; the Department of Human Services; the Department of Infrastructure; the Department of Premier and Cabinet; Museum Victoria and the Department of Treasury and Finance.

**Chapter 5: Asset investment initiatives**

The Victorian Government’s Gateway initiative, endorsed by the Expenditure Review Committee in March 2003, seeks to establish a best practice, consistent approach to capital investment, focusing on the delivery of infrastructure projects according to scope, on time and to budget within a robust risk management framework. The initiative involves undertaking an appraisal at key stages and identifying risks. It incorporates the development of a business case, the conduct of reviews at six key decision points known as Gateways, the preparation of a multi-year strategy, presenting proposal information according to three timeslots (0 to 2 years, 3 to 5 years and 6 to 10 years), and Gateway reporting.

In the first 14 months of operation, 37 Gateway reviews were completed on 27 projects (varying from scientific and infrastructure projects through to information technology projects) valued at more than $5 billion dollars, with a further 20 reviews planned over the next six months. Leading up to the 2005-06 State Budget, more projects were expected to be nominated for reviews, before seeking funds from the Expenditure Review Committee.

The Committee was interested in assessing the progress made in 2003-04 with implementing the Gateway initiative for larger projects across agencies. The larger projects are shown in the following table.
### Major asset investment projects under the Gateway initiative

<table>
<thead>
<tr>
<th>Agency</th>
<th>Major asset investment projects under the Gateway initiative</th>
</tr>
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<tbody>
<tr>
<td>Department of Human Services</td>
<td>Kew Residential Services Redevelopment&lt;br&gt;Royal Women’s Hospital relocation</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>Rosetta&lt;br&gt;Channel Deepening Project</td>
</tr>
<tr>
<td>VicRoads</td>
<td>Geelong Bypass</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>Australian Synchrotron Project</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>Mildura Police Station&lt;br&gt;Victorian Police Information Communication Strategy</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>Data Centre Consolidation</td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>Relocation of Melbourne Wholesale Markets</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>Wimmera Mallee Pipeline&lt;br&gt;Balliang Recycled Water Scheme</td>
</tr>
<tr>
<td>Department for Victorian Communities</td>
<td>Commonwealth Games Village&lt;br&gt;National Ice Sports Centre</td>
</tr>
</tbody>
</table>

According to departments the majority of the above capital projects were being delivered within 2003-04 budget parameters.

### Chapter 6: Parliamentary Departments

In 2003-04 the budget for the Parliamentary Departments stood at $92.7 million. Actual expenditure for the year amounted to $92 million, which was a variation of less than one per cent of budget.

The Committee considers that the annual reports of the Department of the Legislative Assembly and the Department of Parliamentary Services should report on output cost information when comparing output targets against actual performance. Each Parliamentary Department should also include in their annual report explanations for major variances between performance targets and actual results.

The Committee also found that the annual report of the Department of Parliamentary Services did not include a set of portfolio financial statements for controlled and administered financial transactions for the Parliamentary Departments. This occurred because the Budget Papers provided a single set of portfolio financial statements that combined the financial transactions of the Parliament and the Auditor-General’s Office. The Committee has recommended that the Parliamentary Departments discuss with the Department of Treasury and Finance the possibility of the separate disclosure
of portfolio financial statements for the Parliament and the Victorian Auditor-General's Office.

A new information technology strategic plan is being developed for the Parliamentary Departments, but its completion has been delayed pending the resolution of matters under consideration by the information technology sub-committee. The Committee considers that the development and completion of the strategic plan should be given priority, and representations to government may be required to secure additional funding to enable the plan to be implemented in a timely manner.

**Chapter 7: Victorian Auditor-General’s Office**

The budget for the Victorian Auditor-General’s Office for 2003-04 was $24.1 million. Actual expenditure for the year was $23.4 million, which was $700,000 (or 3 per cent) under the budget estimates.

The Victorian Auditor-General’s Office achieved or exceeded four of its eight 2003-04 performance targets. The two performance measures that attracted the largest variations concerned the finishing of reports and issuing of management letters within established time frames.

While the Victorian Auditor-General’s Office collected information from client agencies on whether the Auditor-General’s reports provided value and if they agreed with the audit recommendations, it did not quantify the impact or benefits derived by agencies from implementing audit recommendations. The Committee looks forward to monitoring developments in response to the announcement by the Auditor-General that his Office intends to measure savings generated by agencies from acting on audit recommendations.

The Committee was advised that the average cost of a performance audit completed in 2003-04 was $466,000 with costs ranging from $358,493 to $631,086.

In view of the concept promoted by CLERP 9 that calls for the five year rotation of lead and review audit partners for all listed companies and the reference in the 2003-04 annual report of the Victorian Auditor-General's Office that external audit service providers carry out financial audits under a three year contract, the Committee was interested in examining whether any contracts had been extended for two years under the contract conditions, but then subsequently extended for a further period during 2003-04 and 2004-05. The Office advised the Committee that 100 audits had been rolled-over beyond a five year period for a further one year term before the audits were publicly re-tendered. The larger audits in question included the Roads Corporation, the Yarra City Council and Monash University.
Chapter 8:  Department of Education and Training

The 2003-04 budget for the Department of Education and Training was $6,258.4 million. Actual expenditure for the year was $6,453 million, which was $194.6 million (or 3 per cent) over the budget estimates. The additional expenditure related mainly to salary increases for staff and teachers, and other increased costs.

It is disappointing that the Department of Education and Training’s 2003-04 annual report did not include budget estimated and actual costs for outputs, particularly given that the department received the second highest budget allocation in 2003-04, equivalent to 24 per cent of budget appropriations. The omission of this information obviates accountability and transparency, and limits the ability of Parliament and other users of the department’s annual report to assess the department’s performance in delivering services and programs within budget. The Committee strongly recommends that this situation be rectified in 2004-05.

The department met or exceeded 61 per cent of its performance targets in 2003-04, which was comparable with its achievement in 2002-03.

The release by the Government of the BluePrint for Government Schools was a significant event that occurred in 2003-04. Launched in November 2003, it identified the three areas for reforming school education. The Committee believes that it would now be timely for a performance measurement and reporting framework to be developed to ensure the intended outcomes under the policy are delivered in an accountable and transparent manner.

In analysing the revenue generated by the department for the year, the Committee observed that schools revenue fell by $32.8 million to $349.3 million in 2003-04. This result reversed the trend whereby schools revenue had increased each year since 2001-02. No explanation was provided in the department’s 2003-04 annual report to explain the sudden reduction in schools revenue.

Of the 1,632 Victorian school councils established to oversee government schools, 10 per cent received qualified audit opinions on their financial reports relating to the incompleteness of cash takings because they had limited evidence to verify the amount of monies collected from fund-raising activities. The Committee considers that school councils need guidance to ensure adequate internal control exists over cash takings. The Committee noted that the government has recently announced an examination of governance in schools.

The financial analysis by the Committee of the financial results of education bodies revealed that since its inception in March 2001, the Victorian Curriculum and Assessment Authority had incurred average annual operating deficits of more than $1.4 million, which culminated in an accumulated deficit of $4.6 million at 30 June 2004.
Chapter 9: Department of Human Services

Actual expenditure incurred by the Department of Human Services in 2003-04 amounted to $9,269.2 million, which included $278.3 million of additional expenditure above the initial budget. Budget supplementation enabled additional expenditure to be incurred in meeting costs largely associated with:

- wage decisions for employees in the non-government sector when wage agreements were finalised;
- maintaining the sustainability of the public hospital system (additional funding of $79.2 million was provided in 2003-04);
- outstanding medical indemnity insurance claim liabilities; and
- increasing costs connected with concessions to pensioners and beneficiaries.

In terms of service delivery, the department achieved or exceeded 71 per cent of its performance targets during 2003-04. The Committee is pleased to report that from an accountability viewpoint, explanations for major variations were adequately disclosed in the department’s 2003-04 annual report.

The total number of admissions to Victoria’s public hospital system from emergency departments and other areas of hospitals such as outpatients has been an area that has attracted the Committee’s attention over recent years. In continuing this theme, the Committee noted that 241,835 emergency admissions occurred during 2003-04 compared to a target of 261,000 for Victoria’s major metropolitan hospitals. The department told the Committee that this shortfall of 19,165 admissions reflected the successful implementation of prevention and substitution programs under the Hospital Demand Management Strategy and that these initiatives had not been associated with adverse health effects.

The number of emergency department presentations admitted to an inpatient bed over the past four financial years has shown a continual increase from 153,055 in 2000-01, 167,787 in 2001-02, 172,920 in 2002-03 and 183,356 in 2003-04.

Regarding emergency patient waiting times for a hospital bed, 86 per cent of emergency patients transferred from emergency departments were admitted to a hospital bed within the recommended period of less than 12 hours compared to a target of 95 per cent for 2003-04, a result that has not shown any marked improvement when compared to the previous two financial years (87 per cent for 2002-03 and 84 per cent in 2001-02). Figures released by the Government showed that 26,220 patients stayed in emergency departments for over 12 hours during 2003-04 while waiting for a bed in a hospital ward. The Committee’s examination of the performance of individual hospitals against this indicator revealed that during 2003-04, on average one in every three emergency patients at the Alfred Hospital were required to wait for more than 12 hours for admission, whereas around one in every four patients was in this category at the Dandenong Hospital, Monash Medical Centre and the Royal Melbourne Hospital.
In relation to access to elective surgery, the effectiveness of the department in ensuring that 80 per cent of semi-urgent (Category 2) elective patients were admitted within the clinically ideal time of 90 days was another area that the Committee reviewed. While this target was achieved during 2003-04 on a state-wide basis, the Committee’s analysis of the performance of individual hospitals revealed that the majority of the non-major metropolitan hospitals, major regional hospitals and other rural hospitals admitted more than 80 per cent of their semi-urgent cases from the elective surgery waiting list within the clinically ideal 90 day timeframe. However the majority of the major metropolitan hospitals did not reach this target, with the lowest achievers being the Dandenong Hospital (an average rate of 58 per cent) and the Frankston Hospital (an average rate of 53 per cent). At the Dandenong Hospital, the Frankston Hospital, the Monash Medical Centre and Barwon Health the numbers waiting over 90 days stood at 1,079, 1,301, 1,049 and 453 respectively at 30 June 2004. The Committee considers that the department needs to focus on improving the performance of Victoria’s major metropolitan hospitals by increasing the number of semi-urgent patients admitted within 90 days.

As 2003-04 was a year where there was an unprecedented level of concern about influenza, SARS and meningococcal disease, the Committee found that the department had been very active in addressing these concerns. The department advised the Committee that the Better Health Channel was popular with internet users and the number of visits to the site was more than double the target.

In examining issues surrounding the way in which quality of care is enhanced throughout Victoria’s public hospital system, the Committee was informed of a wide range of measures to improve the safety and quality of care provided to patients. While the Committee was advised of various actions directed at controlling the risk of infection, minimising medication errors, preventing and managing the incidence of falls and pressure wounds and providing an effective system for the continuity of care to patients, the relatively recent implementation of the sentinel event program deserves special mention. Introduced in 2002-03, this program enables systemic analysis and the development of preventative strategies, based on the reporting of serious adverse events in hospitals, such as procedures that involved the wrong patient or body part or the retention of instruments or other material after surgery that required re-operation or further surgical procedure. Notwithstanding this procedural framework, the Committee believes there is scope for the department to develop a more focused suite of performance measures dealing with quality of patient care in public hospitals for inclusion in the Budget Papers and for annual reporting purposes.
Chapter 10: Department of Infrastructure

Output expenditure incurred by the Department of Infrastructure in 2003-04 amounted to $2,948.6 million, which was $381.6 million (or 15 per cent) above budget. This was mainly due to higher than expected expenditure of $201.8 million on metropolitan train services and $95.6 million on Melbourne’s tram services. The funding was required to ensure the public transport partnership arrangements, entered into in February 2004, were financially sustainable.

The department achieved 67.4 per cent of its performance targets in 2003-04, while for almost one in every four outputs (seven out of 30 outputs), 33 per cent or more of the performance targets for each output were not met in 2003-04. After examining the disclosure of financial and performance related information in the department’s 2003-04 annual report, the Committee considered that there was scope for explaining in greater detail variances of greater than 10 per cent in order to enhance public accountability.

In reviewing the outcomes of one of the state’s most significant transport projects, namely the Regional Fast Rail Project, the Committee found that progress at 30 October 2004 in terms of completing the project occurred more slowly than planned for the Bendigo and Latrobe Corridors. At that time, the Bendigo and Latrobe projects were 55 per cent and 75 per cent completed respectively, based on the actual cost incurred as a percentage of the forecast final cost. The department advised that completion dates for individual projects connected with the project were revised with a view to achieving the government’s 2005 completion date for the entire project. In order to sequence the required works, the initial completion date for the Bendigo Corridor was extended from 28 October 2004 to December 2005, while the deadline for the Latrobe Corridor was revised from 19 April 2004 to December 2005.

The Committee also enquired into outcomes achieved from the government’s Arrive Alive! 2002-07 Victoria’s Road Safety Strategy, given its significance to the state in aiming to reduce the number of deaths and serious injuries on Victorian roads by 20 per cent by 2007. For the 2003 calendar year, the Committee learnt that Victoria recorded its lowest annual road toll of 330 since comprehensive records began in 1951 and that, if the road toll could be restricted to this level by the year 2007, the Government would achieve its Arrive Alive! target of no more than 330 fatalities by the end of 2007. The Committee noted that the road toll for 2004 stood at 344, which was the second lowest on record. Notwithstanding the progress achieved to date, the Committee believes that a review of the strategy would be timely with the prospect of identifying new initiatives to address emerging problem areas. For example, the 20 per cent increase in the number of road fatalities relating to young people in the 18 to 25 year old bracket during 2004 is of concern to the Committee and needs to be addressed.
Given the lower than expected level of patronage on Melbourne’s trams in 2003-04 by 4.1 million passengers (135.9 million tram travellers compared to a target of 140 million passengers, the Committee believed there would be merit in the department commissioning a study to evaluate the extent of fare evasion and whether compliance with the department’s ticket inspection policy is enforced.

**Chapter 11: Department of Innovation, Industry and Regional Development**

Expenditure incurred by the Department of Innovation, Industry and Regional Development in 2003-04 amounted to $311.4 million, which was $68.4 million (or 18 per cent) under budget. The major variations in expenditure compared to the budget estimates occurred in relation to the Innovation and Policy and Regional Development output groups, for which expenditure was under budget by $55.6 million and $33.4 million respectively. Significant underspending by the department has concerned the Committee for a number of years. While the Committee was advised that the department was improving its monitoring of such activity, the department maintains the view that there are sound business reasons for this underspending.

The Committee noted that the department continued to refrain from disclosing in its annual report the cost of delivering outputs against budget. Apart from not complying with a mandatory requirement under the Standing Directions of the Minister for Finance, the failure to provide these details prevents effective scrutiny by the Parliament and the public of the department’s use of public resources and the achievement of financial outcomes.

The department met or exceeded 90 per cent of its performance targets in 2003-04, with substantially higher than expected performance achieved in a number of areas connected with, for example, the facilitation of new investments especially in regional Victoria. The Committee considers that there may now be scope for the department to make its targets more challenging in light of past performance.

In acknowledging that innovation is the key to international competitiveness, the department reported that the government’s Science, Technology and Innovation (STI) Initiative, launched in 1999-2000, has been a centrepiece to its activities in this area. According to the department, the initiative is already demonstrating economic, social and environmental benefits for the state. The Committee noted that:

- with 109 patents of projects funded through the STI initiative, the ratio of patents per $1 million funding in Victoria of 0.32 exceeded the average rate in Australia of 0.23; and
- the number of patents sought by STI funded organisations during 2003-04 of 14 exceeded the established target of 10, leading to an increase of the target to 14 for 2004-05.
In terms of the effectiveness of tourism strategies and the benefits to the state, while it was not feasible to draw any direct correlation to the impact of international marketing campaigns, the Committee’s examination revealed a number of positive outcomes for 2003-04 that included the following:

- higher than expected international nights of at least 8 million, driven by significant growth in nights from key international markets of Japan, China and the United Kingdom; and
- expenditure by international visitors of $2.2 billion, which exceeded the target (for between $1.4 billion and $1.7 billion expenditure to be incurred by international visitors) and the previous year’s result of $1.6 billion.

Chapter 12: Department of Justice

The Department of Justice’s budget was $2,177.2 million for 2003-04. Actual expenditure amounting to $2,221.0 million which was $43.8 million (or 2 per cent) over budget mainly as a result of additional expenditure by Victoria Police on Operation Purana, road safety, community policing, the national handgun buyback scheme and additional staff entitlement and contracts costs.

The Committee noted that there was a significant improvement in the department’s performance reporting in 2003-04 because its annual report included the majority of the performance targets set out in the 2003-04 Budget Papers for the Justice portfolio. The Committee felt that the standard of reporting would be further enhanced by the inclusion of performance targets and results for outputs delivered by Victoria Police, the Melbourne Fire and Emergency Service and the Country Fire Authority in future annual reports.

The budgeted costs used for comparisons with actual costs in both the Department of Justice’s budget portfolio output statements and the budget portfolio financial statements, contained in the 2003-04 departmental annual report, differed from the budgeted output costs set out in the 2003-04 Budget Papers for the Justice portfolio. This limits the extent to which the department’s budgetary performance can be analysed, particularly given that the department’s alternative measures of budgeted output costs were not adequately disclosed.

While 73 per cent of the department’s budget portfolio performance targets were met or exceeded during 2003-04, the reported reduction in the Victorian crime rate in 2003-04 was not demonstrated in a quantifiable manner. In addition, the Committee found that commentary on significant variations between performance targets and actual achievements for budget portfolio outputs needs to be provided in future departmental annual reports.
The Committee noted that Victoria Police’s working capital deficit declined from $32.8 million at 30 June 2003 to $14.4 million at 30 June 2004.

The Committee considers the recommended annual savings targets established for the Victorian Electoral Commission, needs to be kept under review as these savings were equivalent to almost 30 per cent of the Office’s annual grant income in 2003-04.

The Committee also considers that the department needs to improve its cash management procedures involving the recovery of court fines, as outstanding fines increased in 2003-04 by $67 million to $554.4 million and 51.5 per cent of this debt had remained outstanding for more than two years.

The Committee also found that there was scope for strengthening the reporting and audit regime for Community Benefits Statements. The first round of Community Benefit Statements covering 2003-04 for gaming venue club and hotel operators was not made accessible to the public until 1 February 2005. The Committee considers that the approved format for the Community Benefit Statements should provide for the inclusion of the independent auditor’s report on the statement, rather than the operator’s certification that an audit opinion had been provided and the Community Benefit Statements complied with all reporting requirements.

Chapter 13: Department of Premier and Cabinet

The budget of the Department of Premier and Cabinet for outputs was $392.7 million for 2003-04. Actual expenditure for the year amounted to $395.9 million, which was $3.2 million (or less than 1 per cent) over budget. Overspending in the Strategic Policy Advice and Public Sector Management, Governance and Support output groups of $3.6 million and $2.1 million respectively was offset by underspending of $2.5 million in the Arts and Cultural Development output group.

The department met nearly 80 per cent of its performance targets, of which half the targets were exceeded. The Committee considers that the department should explain in its annual report key variances in budget portfolio costs and performance targets.

The surplus for budget portfolio controlled financial transactions was $23.4 million compared to a budget of $3.3 million due to an unexpected revenue gain of $20.1 million, which primarily arose from a gift that was made during the year to the National Gallery of Victoria of the Dr Joseph Brown art collection valued at $21 million.

The department advised the Committee that reviews of government information service delivery arrangements during 2003-04 generated whole of government, ongoing savings of more than $3 million.

The Committee noted that 8.3 million visitors/users attended state owned cultural agencies during 2003-04 compared to a target of 9.2 million. The department informed the Committee that the target for visitors/users was over estimated in
2003-04 due to a lack of historical data to assess the impact of the recent expansion of these facilities. The Committee would expect that over time, more reliable attendance figures will be able to be collected, enabling target setting to be accurately determined and informed assessments to be made of the numbers of visitors/users attending state owned cultural agencies.

Funding to cover annual depreciation expenses of arts agencies was not included in grants provided by Arts Victoria. This was a major factor leading to the Museums Board of Victoria reporting accumulated losses of $42.31 million at 30 June 2004. The Committee also observed that funding of $2 million was provided in 2003-04 by Arts Victoria to 14 per cent of grants recipients that subsequently did not meet agreed outcomes for programs or projects. The Committee believes that better assessment of applications for grants is required, particularly to establish the financial viability of projects for which funding is sought by organisations.

**Chapter 14: Department of Primary Industries**

The Department of Primary Industries’ output expenditure in 2003-04 of $310.4 million was $13.1 million (or 4.4 per cent) over budget. All of the department’s outputs were within 10 per cent of budget, except the Industry and Community Compliance Services output, which was under budget by $2.2 million (or 12.2 per cent), mainly because implementation of the plan for the Marine Parks Act was delayed and the two compensation claims were not finalised.

The department achieved or exceeded 84 per cent of its 2003-04 targets. The Committee found that the quality of information disclosed in the department’s annual report to explain variances between actual results and performance targets was of a high standard.

Given that the department had embarked on an ongoing program to modernise its rural research centres with an injection of $50 million from the *Growing Victoria* infrastructure reserve, the Committee reviewed developments in this area during 2003-04. In expending $16.7 million during this period on the modernisation program, two projects that fell behind schedule involved works to be undertaken at Agriculture Victoria Ellinbank and the acquisition of research equipment.

With regard to other capital projects, the Committee noted that as the Royal Melbourne Showgrounds Redevelopment had been approved to proceed as a *Partnerships Victoria* project, the revised cashflow was to be re-phased for a second time, although the scheduled completion date by September 2006 remained unchanged.

In examining the department’s performance information relating to environmental threats to Victoria’s land and water resources, the Committee noted the recent finding from the Australian National Audit Office that assessing the achievement of targets relating to this issue was a long-term exercise and would not be possible within the eight year timeframe originally envisaged for the National Action Plan for Salinity
Executive Summary

and Water Quality. The Committee reiterates its previous advice that reliable performance information needs to be developed so Parliament and the community can assess the effectiveness of salinity mitigation measures.

Chapter 15: Department of Sustainability and Environment

The 2003-04 budget of the Department of Sustainability and Environment for outputs amounted to $901 million. The department, in incurring actual expenditure of $951.4 million, was $50.4 million (or 5.6 per cent) over budget, mainly as a result of additional expenditure on the cost of fighting Victorian bushfires ($31.8 million) and the carryover of 2002-03 funding for the Snowy River water flow restoration project ($17.6 million).

Review and analysis of the Department of Sustainability and Environment’s budgetary and service delivery performance was limited by the omission of:

- the budget and performance targets for the Environment Protection output group;
- explanations for cost variations for a number of outputs; and
- an explanation of unbudgeted expenditure of $144.1 million in the budget portfolio statement of financial performance, which is presumed to be a write down of natural resource assets.

The Committee noted that since the Auditor-General first raised this matter, little progress had been made by the department in resolving accuracy, completeness and valuation issues for its crown land holdings. The adoption of Australian equivalents to International Financial Reporting Standards make it imperative that these issues are remedied.

The initial round of performance statement reporting by regional water authorities was concluded in 2003-04. The Committee found that a small number of regional water authorities need to correctly publish in their annual reports the performance statement or the associated Auditor-General’s audit opinion on the performance statement.

In terms of annual reporting, the Committee noted that the Environment Protection Authority produced two annual reports in 2003-04. The Committee considers that annual reporting by the Authority to the Parliament and the community would be best served by the material in both reports being incorporated into a single report.

Chapter 16: Department of Treasury and Finance

The 2003-04 budget of the Department of the Treasury and Finance was $178.4 million. The department incurred expenditure of $180 million, which was $1.6 million (or less than one per cent) over budget. Minor budget variations occurred across all of the department’s output groups.
The Department of Treasury and Finance met 80 per cent of its targets. The Committee noted that departmental client satisfaction with the revised vehicle fleet leasing arrangements introduced in 2004 was significantly below the target set by the Department of Treasury and Finance.

Further work is required to ensure that Victorian public sector agencies are fully prepared and trained for the adoption of Australian equivalents to the International Financial Reporting Standards. The Committee noted that at December 2004 about half of the Victorian public sector entities had been provided with training, organised by the Department of Treasury and Finance.

The 2003-04 financial year marked the inaugural year of the Financial Management Compliance Framework, which included an annual certification process to be completed by departments and agencies of their compliance with the Standing Directions of the Minister for Finance. While the certification process was substantially completed by December 2004, there was no legislative requirement for the Minister for Finance to publicly report on the results of the operation of the framework and as such a report was not published disclosing the first year’s results. The Committee maintains that good governance within the Victorian public service would be enhanced by publicly reporting on the outcomes of the compliance and certification process of the framework.

The Committee noted that commercial in confidence clauses built into sponsorship agreements between the Transport Accident Commission and two AFL football clubs prevented public scrutiny of these arrangements for 15 years. The Committee considers that expenditure by publicly owned and operated entities should be subject to the same scrutiny as other areas of government and no barriers should exist to disclosing to the Parliament the value of such sponsorships. The Committee noted the recent decision of the Commission to withdraw its sponsorship from the Richmond Football Club. The issue of commercial in confidence clauses in agencies’ sponsorships agreements will be further considered by the Committee as part of its review of the 2005-06 Budget Estimates.

**Chapter 17: Department for Victorian Communities**

The 2003-04 budget of the Department for Victorian Communities for outputs was $357.8 million. Actual expenditure was $330.9 million, or $26.9 million (or 7.5 per cent) under budget. The budget variation arose from under spending on outputs within the People, Community Building and Information Services output group and the Supporting Local Government output group of $45.8 million and $400,000 respectively that was off-set against over spending within the Sport, Recreation and Commonwealth Games output group of $19.3 million.

Eighty three per cent of the department’s performance measures were either met or exceeded. The Committee is concerned that the job, apprenticeship and traineeships completion targets were not achieved. Performance reporting by the department could
be enhanced by providing explanations for all major variations in key output costs and performance targets, a practice adopted by many other departments.

The Committee learnt that contingency funding of $21.8 million was carried over into the 2004-05 budget estimates for the Commonwealth Games output and will be carried forward into the following year, if not required. Providing such a large contingency for cash flow purposes can overstate the budget estimates for the Commonwealth Games output as all anticipated costs associated with delivering the Games have been included in the budget.

The Committee noted that expenditure on new community and youth employment programs was under budget by $6.5 million.

The financial report of the Melbourne and Olympic Park Trust has been qualified by the Auditor-General over the last four consecutive financial years. It is matter of concern that the qualification issue has remained unresolved over a long period of time.

With regard to the Commonwealth Games Village, the Committee established that the government’s net contribution to the village is more than $50 million and total cash outflows in the period 2002-06 exceeds $150 million, some of which will be offset by revenue from housing sales in the post games 2006-12 period. The Committee noted that the government’s capital contribution towards the construction of social housing in the 2006 Commonwealth Games Village at Parkville is set at $35.1 million and payments to 30 June 2004 totalled $703,000.

The Committee also noted that the additional costs, associated with redesigning the Commonwealth Games Village in order to reduce overcrowding and improve temporary accommodation for athletes and officials, were not yet known.
The Committee recommends that:

Chapter 1: Introduction

Recommendation 1: The Department of Treasury and Finance report on the progress of projects funded through the Growing Victoria Infrastructure Reserve. The report should include:

(a) the status of each project at the end of each financial year;
(b) for each project, a comparison of budget and actual capital expenditure for the financial year; and
(c) project time frames and reasons for changes.

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Recommendation 2: The annual reports of departments include details of budget and actual costs for outputs.

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Chapter 2: 2003-2004 Budget overview

Recommendation 3: The Department of Treasury and Finance address data collection deficiencies, particularly for property activities, and re-evaluate its budget forecasting methodology in line with best practice in other jurisdictions in Australia and overseas, where comparable.

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Recommendation 4: The Department of Treasury and Finance include in the annual Budget Papers comprehensive details of the methodology and economic forecasts underlying its revenue estimates.

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Chapter 3: Performance management in the Victorian Public Service

Recommendation 5: In disclosing workforce statistics in annual reports, departments explain changes in executive officer positions compared to the number in the previous year.

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Recommendation 6: In disclosing workforce statistics in annual reports, departments explain material changes in non-executive officer positions compared with the number in the previous year.

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Recommendation 7: The Department of Premier and Cabinet ensure government agencies correctly apply the criteria for assessing the performance of executives.

Page 90

Recommendation 8: A stronger nexus be developed between the executive performance management system and agencies’ accountability for the delivery of outputs and the achievement of business objectives.

Page 90

Chapter 4: Occupational health and safety

Recommendation 9: The Department of Sustainability and Environment monitor the occupational health and safety performance of its agencies to ensure that sound work safety practices are adopted and exposure to risks are minimised.

Page 110

Recommendation 10: The Department of Treasury and Finance develop a range of performance indicators to assess its effectiveness in managing occupational health and safety responsibilities and risks.

Page 111
Recommendation 11: Agencies adopt a continuous improvement focus to the management of their occupational health and safety responsibilities and to the risks associated with workplace injury and illness.

Page 125

Chapter 5: Asset investment initiatives

Recommendation 12: To be assured that the state’s major asset investment projects under the Gateway initiative are progressing in line with budget and the planned schedule, the Department of Treasury and Finance disclose in its annual report details of Gateway reviews undertaken during the year and indicate the status of these projects against budget and timelines.

Page 143

Chapter 6: Parliamentary Departments

Recommendation 13: The Parliamentary Departments ensure that their annual reports include details of budgeted and actual costs for outputs together with explanations of major variances.

Page 147

Recommendation 14: The Department of Parliamentary Services consult with the Department of Treasury and Finance about the possibility of the Budget Papers providing a set of portfolio financial statements for controlled and administered financial transactions for the Parliamentary Departments.

Page 147

Recommendation 15: The Department of Parliamentary Services include a note in the Parliament’s financial statements on transfers between output group pursuant to section 31 of the Financial Management Act.

Page 148
Recommendation 16: Parliamentary Departments include in their annual reports explanations of significant variations between performance targets and actual achievements.

Page 150

Recommendation 17: The Department of Parliamentary Services include in its annual report specific performance results against performance targets.

Page 151

Recommendation 18: The annual report of the Department of Parliamentary Services include performance reporting against the annual business plans of the department’s business units.

Page 152

Recommendation 19: The Presiding Officers give priority to developing and completing a new information technology strategic plan for the Parliament.

Page 153

Chapter 7: Victorian Auditor-General’s Office

Recommendation 20: The Auditor-General consider including in the Victorian Auditor-General’s Office annual report the extent of changes and savings achieved as a result of, or partly due to, the implementation of audit recommendations.

Page 158

Recommendation 21: From a risk management perspective, the Victorian Auditor-General’s Office should aim to employ no external audit service provider to carry out the same financial statement audits for longer than five years.

Page 162
Recommendation 22: In the event that any contracts for the conduct of financial statement audits are extended beyond a five year term, this information, together with reasons for the extension, be disclosed in the annual report of the Victorian Auditor-General’s Office.

Page 162

Chapter 8: Department of Education and Training

Recommendation 23: The Department of Education and Training ensure its annual report includes details of budgeted and actual costs for outputs with explanations for major variations.

Page 166

Recommendation 24: The Department of Education and Training include in its annual report an explanation for major variations in schools’ revenue.

Page 167

Recommendation 25: The Department of Education and Training examine the long term financial viability of the budget for the Victorian Curriculum and Assessment Authority.

Page 168

Recommendation 26: The Department of Education and Training aim to improve the number of performance targets being met or exceeded.

Page 169

Recommendation 27: The Department of Education and Training finalise, as a priority, implementation of strategies associated with the Blueprint for Government Schools framework and develop a performance measurement and reporting regime for outcomes delivered under this initiative.

Page 177
Recommendation 28: The Department of Education and Training provide practical guidance to school councils in the form of an easily adapted template to assist with accounting for cash collections, particularly moneys collected from fund-raising activities.

Page 178

Recommendation 29: The Department of Education and Training, in conjunction with the Department of Treasury and Finance, ensure a practical financial audit and reporting regime is developed for school councils.

Page 179

Recommendation 30: The annual report of the Department of Education and Training include details of the expenditure incurred, projects funded and outcomes achieved under the Reform and Demand Strategy.

Page 180

Recommendation 31: The Department of Education and Training ensure Budget Information Paper No. 1 does not omit details of any asset initiative projects of $100,000 and above.

Page 181

Chapter 9: Department of Human Services

Recommendation 32: The Department of Human Services closely monitor performance against targets on a progressive basis for all its outputs.

Page 186

Recommendation 33: The Department of Human Services continue its success rate for admitting people categorised as urgent from elective surgery waiting lists.

Page 192
Recommendation 34: The Department of Human Services give further attention to the admission of semi-urgent cases on the waiting lists of the major metropolitan hospitals within the clinically ideal time of 90 days.

Page 192

Recommendation 35: The Department of Human Services develop a more focused suite of performance measures dealing with quality of patient care in public hospitals for inclusion in the Budget Papers and for annual reporting purposes.

Page 198

Recommendation 36: In terms of improving human service safety and quality, the Department of Human Services consider expanding its performance measures to also include surveying semi-urgent patients on the elective waiting list for more than the recommended limit of 90 days to ascertain their health status.

Page 198

Chapter 10: Department of Infrastructure

Recommendation 37: To enhance accountability, assist understanding of the Department of Infrastructure’s financial performance and enable informed judgements about the department’s financial management, the department’s annual report explain all output costs that exceed the budget estimates by 10 per cent.

Page 206

Recommendation 38: The Department of Infrastructure closely monitor its output performance against targets on a progressive basis, with a view to increasing the proportion of its published targets met and thereby improving the overall performance of its operations against planned activity levels.

Page 209
Recommendation 39: The Department of Infrastructure provide more expansive material in its annual report to fully explain major variations in achieving its performance targets.

Page 213

Recommendation 40: The Department of Infrastructure subject the future stages of the Regional Fast Rail Project to a rigorous monitoring regime to ensure that it is completed within current timelines and budgets, and that the planned outcomes are achieved. The department’s 2004-05 annual report should report such information.

Page 217

Recommendation 41: The Department of Infrastructure commission a mid-term review of the effectiveness of the Arrive Alive! road safety strategy to ensure it achieves the target of a 20 per cent reduction in the number of deaths and serious injuries by 2007.

Page 218

Recommendation 42: The Department of Infrastructure commission a study to assess the true extent of fare evasion throughout Melbourne’s tram system, with a view to continuously improving the existing Metcard system and addressing any weaknesses, before a decision is made on the public transport ticketing system beyond 2007.

Page 219

Recommendation 43: In order to minimise the extent of fare evasion occurring on Melbourne’s tram network and enable the number of passengers on particular routes to be effectively monitored, the Department of Infrastructure ensure that its ticket inspectorial policies are being enforced by the team of Authorised Officers.

Page 219
Chapter 11: Department of Innovation, Industry and Regional Development

Recommendation 44: The Department of Innovation, Industry and Regional Development publish a comparison of output costs against budget estimates in its annual report, to ensure it is publicly accountable for its use of public moneys in line with the targets set for the department in the Budget Papers.

Page 225

Recommendation 45: To develop appropriate performance targets and enhance continuous improvement, the Department of Innovation, Industry and Regional Development review whether there is scope for making its targets more challenging to reflect past performance.

Page 227

Recommendation 46: In terms of demonstrating that economic, social and environmental benefits are flowing to the state from the first and second generations of the $620 million STI Initiative, the Department of Innovation, Industry and Regional Development:

(a) publish in its annual report, after a sufficient lead time, relevant details on outcomes realised (including progress achieved against forecasted outcomes), and good examples of benefits realised and any lessons learnt; and

(b) require agencies that receive funding through the STI Infrastructure Grants Program to publish in their annual reports, the outcomes from the use of such funds.

Page 229
Recommendation 47: To assess the effectiveness of the Victorian Government’s $25 million VicStart initiative in assisting the commercialisation of Victoria’s science, technology and innovation ideas, the Department of Innovation, Industry and Regional Development describe examples of successful intellectual property arrangements in its annual report, particularly where the management arrangements have enabled the government to secure a financial benefit from the commercialisation of state funded research activities.

Page 231

Recommendation 48: The Department of Innovation, Industry and Regional Development:

(a) monitor the effectiveness of its international marketing campaigns in attracting international tourists to Victoria; and

(b) quantify in its annual report the contribution of international tourism to enhancing Victoria’s economic and social development.

Page 234

Chapter 12: Department of Justice

Recommendation 49: The Department of Justice ensure the full costs for outputs are disclosed and that any unusual cost components are explained rather than netted against the total.

Page 239

Recommendation 50: The Department of Justice ensure the budget estimate of output costs include grant funding for outputs from the Community Support Fund.

Page 239
Recommendation 51: The Department of Justice ensure that budget output cost details published in the Budget Papers are the sole basis of comparison with actual costs reported in the budget portfolio statement published in future annual reports.

Page 241

Recommendation 52: The Department of Justice disclose in its annual report the budget and performance outcomes for outputs delivered by Victoria Police, the Metropolitan Fire and Emergency Services and the Country Fire Authority.

Page 241

Recommendation 53: When publishing budget portfolio financial statements for reporting controlled and administered financial transactions, the Department of Justice disclose the budgeted amounts set out in annual Budget Papers, and include adequate note disclosure for major account balances and material variations between actual and budgeted costs.

Page 243

Recommendation 54: Victoria Police improve its short term financial viability by reducing the working capital deficit, with an emphasis on reducing excess leave entitlements.

Page 244

Recommendation 55: The Department of Justice include in its annual report a commentary on significant variations between performance targets and actual achievements for the budget portfolio outputs.

Page 244


Page 248
Recommendation 57: The Department of Justice publish in its 2004-05 annual report the results of the whole of government infringements review, and any other reviews or initiatives aimed at improving collection of outstanding fines along with the expected financial outcomes for reducing outstanding fines.

Page 249

Recommendation 58: The Department of Justice develop an appropriate suite of performance indicators to manage uncollected fines and ensure the publication of targets and results in future departmental annual reports.

Page 251

Recommendation 59: The Department of Justice review doubtful debt practices for outstanding fines to ensure provisioning levels reflect reasonable expectations that collection of the debt is doubtful.

Page 252

Recommendation 60: The government consider the impact of recommended saving proposals arising from the recent review of the Victorian Electoral Commission on the effective operations of the Office.

Page 253

Recommendation 61: The Department of Justice ensure Budget Information Paper No. 1 clearly identifies details of the prison capacity expansion program and related projects to facilitate transparency in the progress of the prison expansion program.

Page 258

Recommendation 62: The Victorian Commission for Gambling Regulation ensure licensees lodge community benefit statements for 2004-05 and beyond by 30 September each year.

Page 261
Recommendation 63: The Department of Justice consider amending the *Gambling Regulation Act* 2003 to provide a deadline for the publication of community benefit statements on the web site of the Victorian Commission for Gambling Regulation, to ensure the statements remain timely and relevant to the users.

*Page 262*

Recommendation 64: The Victorian Commission for Gambling Regulation amend the format of the community benefit statement to require the inclusion of the audit report of the independent auditor.

*Page 263*

**Chapter 13: Department of Premier and Cabinet**

Recommendation 65: The Department of Premier and Cabinet include in its annual report, explanations for material differences between budgeted and actual output costs.

*Page 267*

Recommendation 66: The Department of Premier and Cabinet include in its annual report explanations for key variations between targets and actual achievement for performance measures.

*Page 268*

Recommendation 67: The Department of Premier and Cabinet ensure it has a reliable and accurate system for recording the number of visits to art facilities.

*Page 270*

Recommendation 68: The Department of Premier and Cabinet ensure that the annual reports and financial statements of its agencies disclose financial policies for funding depreciation and provide an explanation about the impact of these arrangements on financial performance and asset replacement needs.

*Page 272*
Recommendation 69: The Department of Premier and Cabinet, in conjunction with National Gallery of Victoria, develop a financial strategy to ensure the financial sustainability of NGV’s operating activities and focus on revenue raising opportunities, cost containment and productivity improvements.

Page 274

Recommendation 70: The Department of Premier and Cabinet review the process used by Arts Victoria to ensure a more rigorous approach is adopted to the assessment of revenue and economic projections underpinning applications for arts funding.

Page 275

Recommendation 71: The Department of Premier and Cabinet develop a performance reporting framework to monitor and publicly report on achievements and cost savings generated from the government’s Standard Corporate ICT Infrastructure Strategy.

Page 276

Chapter 14: Department of Primary Industries

Recommendation 72: While noting that the majority of research and development infrastructure projects were delivered on time and budget, the Department of Primary Industries ensure effective contract management procedures are applied to its capital works program so as to minimise the risk of delays to the completion of its asset investment projects, particularly for the planning and design phase and the selection of contractors.

Page 283
Recommendation 73: The Department of Primary Industries’ 2004-05 annual report summarises information on the benefits derived from the modernisation of its science, innovation and education precincts across regional Victoria. In addition to disclosing information on the department’s success in securing further rural industry research funding from co-investors and attracting co-location of education providers and industry to its regional research centres, the department should disclose the impact of the additional scientific research on regional economies, employment, productivity, environmental sustainability and economic growth.

Page 284

Recommendation 74: In undertaking its governance role for the redevelopment of the Royal Melbourne Showgrounds, the Department of Primary Industries closely monitor progress against each of the milestone stages to ensure compliance with the financial budget, completion of timelines and quality standards, so the project is delivered in an efficient and effective manner.

Page 287

Recommendation 75: For its salinity related research activities, the Department of Primary Industries ensure good practices and lessons learned are disseminated nationally and carefully prioritise on-ground investment in projects.

Page 289

Chapter 15: Department of Sustainability and Environment

Recommendation 76: The Department of Sustainability and Environment’s annual report disclose the budgeted and actual costs and associated performance results for all the outputs within the Environment Protection output group.

Page 294
Recommendation 77: Output performance reporting by the Department of Sustainability and Environment encompass explanations of all significant output cost variations from the budget estimates.

Page 294

Recommendation 78: The Department of Sustainability and Environment’s annual report explain the nature of, and reason for, unbudgeted transactions that have a material impact on the financial result for budget portfolio operating activity transactions.

Page 295

Recommendation 79: The Department of Sustainability and Environment confirm the completeness and accuracy of current Crown land records and ensure timely valuations are undertaken for Crown land.

Page 296

Recommendation 80: The Department of Sustainability and Environment ensure that the projects identified under the Bushfire Recovery Program are completed within the four year target.

Page 303

Recommendation 81: The Department of Sustainability and Environment:

(a) develop a performance monitoring and evaluation framework for the Bush Fire Recovery Program to assess the outcomes of the program’s activities; and

(b) report the performance outcomes in its annual report.

Page 304
Recommendation 82: The Department of Sustainability and Environment:

(a) develop a performance monitoring and evaluation framework for the Victorian Water Trust to assess the outcomes of the Trust’s activities; and

(b) report the performance information in the Budget Papers and the department’s annual report.

Page 306

Recommendation 83: The Environment Protection Authority comply with the requirements of the Financial Management Act 1994 for annual reporting, by producing a single annual report containing a report of operations and a financial report.

Page 310

Recommendation 84: The Environment Protection Authority explain in its annual report major variances from performance targets and budgeted costs.

Page 310

Chapter 16: Department of Treasury and Finance

Recommendation 85: The Department of Treasury and Finance give consideration to what other steps need to be taken to ensure the preparedness of agencies to efficiently and effectively implement the Australian equivalents to the International Financial Reporting Standards.

Page 317

Recommendation 86: The Department of Treasury and Finance issue as soon as possible all financial reporting directions for all outstanding issues with the transition to the Australian equivalents to the International Financial Reporting Standards.

Page 318
Recommendation 87: The Department of Treasury and Finance develop guidelines for public sector insurers on capital adequacy reserves and any related insurance financial practices, following examination of Australian Prudential Regulation Authority guidelines and related insurance industry guidance.

Page 321

Recommendation 88: The Department of Treasury and Finance review the cost effectiveness of winding up the vehicle lease agreement with the Commonwealth Bank of Australia earlier than 2007-08.

Page 323

Recommendation 89: The Department of Treasury and Finance and the Transport Accident Commission ensure that future AFL sponsorship arrangements provide for public disclosure of the costs and benefits of these arrangements.

Page 324

Recommendation 90: The Government advise the Public Accounts and Estimates Committee whether the AFL sponsorship arrangements between the Transport Accident Commission and AFL clubs comply with the government’s guidelines on confidentiality.

Page 324

Chapter 17: Department for Victorian Communities

Recommendation 91: The Department for Victorian Communities improve its budgetary practices for estimating the Commonwealth Games output costs and forecasting cash flow needs, to reduce the incidence of contingency funding provided in the budget estimates for the Commonwealth Games output.

Page 328
Recommendation 92: The Department for Victorian Communities evaluate practices for estimating grant claims and set performance targets as a means of forecasting accurate budget estimates for the Community Building output.  

Page 328

Recommendation 93: The annual report of the Department for Victorian Communities include details of specific projects and programs receiving carry over funding from parliamentary appropriations.  

Page 331

Recommendation 94: The Melbourne and Olympic Park Trust recognise liabilities in accordance with accounting concepts issued by the professional accounting bodies in Australia, to ensure an unqualified audit opinion is issued for the 2004-05 financial report.  

Page 331

Recommendation 95: Output performance reporting by the Department for Victorian Communities include explanations for key variations from output budget and performance targets.  

Page 332

Recommendation 96: The Aboriginal Affairs unit report on Indigenous affairs on an annual basis and highlight financial and service delivery outcomes.  

Page 335

Recommendation 97: The Department for Victorian Communities ensure that the internet version of the new Victorian Community Support Grant guidelines and application processes are user friendly and interactive.  

Page 335
CHAPTER 1: INTRODUCTION AND RESPONSES TO PREVIOUS BUDGET OUTCOMES REPORT

1.1 Introduction

The Public Accounts and Estimates Committee’s review of the budget outcomes is intended to improve the accountability of Government departments and agencies to Parliament for the money that was raised (revenue $28,343.8 million) and spent (expenditure $27,353.7 million) in 2003-04.¹ This follow-up process complements the budget estimates hearings that the Committee held in May and June 2003 to review the new initiatives and various programs and services to be delivered in 2003-04. This report comments on some aspects of what Government departments and agencies intended to achieve in 2003-04 and what they did achieve.

1.2 Process followed by the Committee

On 25 November 2004, the Committee wrote to the Premier, senior Ministers for each department and the Presiding Officers of the Parliament seeking a response to questions relating to the outcomes of various departmental activities in 2003-04. In particular the Committee sought details on:

- the level and purpose of funding provided through Treasurer’s Advances;
- the projects and services with carry-over funding at 30 June 2004;
- actual output costs and the variations between the budget estimates and actual expenditure and the reasons for the variations;
- the reasons for variations in performance targets;
- the level of performance bonus payments paid to executive and non-executive officers;
- total WorkCover premiums paid by departments and the key factors contributing to the increase or decrease in premiums;
- issues relating to occupational health and safety;
- asset investment projects under the Gateway initiative;
- departmental trust funds; and
- progress achieved with new initiatives.

¹ Department of Treasury and Finance, 2003-04 Financial Report for the State of Victoria, p.64
Appendix 3 contains a copy of the generic questions. Ministers were asked to respond to the Committee’s questions by 17 December 2004. The Committee is very appreciative of the prompt responses by Ministers and the Presiding Officers to the Committee’s questionnaire. Unfortunately, this was not the case when the Committee sought clarification of technical or complex issues or requested additional information. As outlined in appendix 4 in some cases the Committee encountered considerable delays in obtaining this information from departments, which consequently delayed the presentation of this report to Parliament. The Committee seeks the co-operation of all Ministers to ensure that information is provided in a reasonable timeframe in future. The Committee hopes that the details in appendix 4 will not need to be included in the report on the 2005-06 budget estimates.

In preparing this report, the Committee has drawn heavily on the material provided in the departmental responses to the Committee’s questionnaire and follow-up questions, departmental annual reports for 2003-04, various reports of the Auditor-General, and the Department of Treasury and Finance’s 2003-04 financial report for the State of Victoria.

The cost of this inquiry was $80,262.

1.3 Legislative requirement to respond to the Committee’s recommendations

Section 36(1) of the Parliamentary Committees Act 2003, provides that:

If a Joint Investigatory Committee's report to the Parliament recommends that the Government take a particular action with respect to a matter, within 6 months of the report being laid before both Houses of the Parliament or being received by the clerks of both Houses of the Parliament, the appropriate responsible Minister must (a) provide the Parliament with a response to the Committee's recommendations; or (b) if Parliament is not sitting, give a response to the report to the clerk of each House.

1.4 Previous recommendations

The Committee made 106 recommendations in its report on the 2002-03 budget outcomes. Two recommendations related to the operations of the Victorian Auditor-General’s Office.

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1.4.1 Auditor-General’s response

The Auditor-General responded separately to the Committee’s recommendations relating to his Office. The Auditor-General accepted in principle the recommendations that related to expanding the detail included in the Victorian Auditor-General’s annual report to disclose whether outcomes were achieved and provide a comparison of performance against national benchmarks.

1.4.2 Government’s response

Exhibit 1 provides a summary of the government’s response to the Committee’s recommendations relating to individual departments, while appendix 5 contains the details.

**Exhibit 1.1: Government response to the recommendations in the PAEC's report on the 2002-03 budget outcomes**

<table>
<thead>
<tr>
<th>Department</th>
<th>Accept</th>
<th>Accept in part</th>
<th>Accept in principle</th>
<th>Under review</th>
<th>Reject</th>
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<tr>
<td>Education and Training</td>
<td></td>
<td>8</td>
<td>2</td>
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<td>Innovation, Industry and Regional Development</td>
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<td>2</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>46</strong></td>
<td><strong>12</strong></td>
<td><strong>16</strong></td>
<td><strong>6</strong></td>
<td><strong>24</strong></td>
<td><strong>104</strong></td>
</tr>
</tbody>
</table>
The Committee was disappointed that the proportion of its recommendations rejected by the government had grown from 9 per cent (4 out of 45) in relation to the 2000-01 budget outcomes report\(^3\) to 23 per cent (24 out of 106) in relation to the 2002-03 budget outcomes report. The Committee noted that all its recommendations promote disclosure and accountability and believes their rejection by government should be minimal.

The Committee draws attention to the government’s response to the following recommendations.

**Under review – Recommendation 7, 2002-03 Budget Outcomes**

*The Department of Treasury and Finance develop a process for reporting progress of major cross agency and whole of government initiatives by departments.*

The government advised the Committee that it was seeking to continuously improve its financial and non-financial reporting frameworks and processes. Changes to the 2004-05 Budget Papers, in particular Budget Paper No. 3, *Service Delivery*, were aimed at strengthening the links between the government’s high level outcomes and the outputs to be delivered by departments. In terms of further action planned, the government informed the Committee that it would examine measures and processes to improve the reporting of cross-agency and whole of government initiatives, especially in the context of further linkages with the *Growing Victoria Together* policy framework.

The Committee looks forward to more comprehensive disclosure by central agencies of outcomes achieved as a result of the implementation of cross-agency and whole of government issues, and it intends to monitor the extent of improvements in this area. The compliance and certification outcomes generated annually under the Financial Compliance Management Framework and the achievements from the whole of government vehicle fleet operations under the revised leasing arrangements, as recommended in the 2004-05 budget estimates report (recommendations 153 and 154 respectively), are good examples of areas in which there is scope for more comprehensive reporting.\(^4\)

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\(^4\) ibid., p.75
Reject – Recommendation 10, 2002-03 Budget Outcomes

The Department of Treasury and Finance report on the progress of projects funded through the Growing Victoria Infrastructure Reserve. The report include the status of each project, a comparison of budget and actual capital expenditure and project time frames and reasons for changes.

The government informed the Committee that information on the capital asset investment program is available in Budget Information Paper No. 1, 2004-05 Public Sector Asset Investment Program and, as such, that it would take no further action on the Committee’s recommendation. Budget Information Paper No. 1 reveals that the government’s allocation to the reserve of $1.6 billion is fully committed and will be exhausted in 2005-06. The primary focus of the reserve has been on:

- major transport infrastructure projects – Linking Victoria;
- significant modernisation programs in education and training – Skilling Victoria; and
- information and communication technology facilities and capabilities – Connecting Victoria.

Given that the information disclosed in Budget Information Paper No. 1 is confined to disclosing the funding for each project for each year since the inception of the Growing Victoria Infrastructure Reserve in 2001-02 and the government’s 2003-04 Financial Report does not disclose the status of individual capital projects, the Committee considers that the government needs to be more accountable for these projects.

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5 Budget Information Paper No. 1, 2004-05 Public Sector Asset Investment Program, p.10
6 ibid., p.11
7 ibid., p.11–12
The Committee thus reiterates its previous recommendation that:

**Recommendation 1:** The Department of Treasury and Finance report on the progress of projects funded through the Growing Victoria Infrastructure Reserve. The report should include:

(a) the status of each project at the end of each financial year;

(b) for each project, a comparison of budget and actual capital expenditure for the financial year; and

(c) project time frames and reasons for changes.

**Reject – Recommendation 16, 2002-03 Budget Outcomes**

The Department of Premier and Cabinet issue additional directions that:

(a) reinforce the application of performance bonus policy as set out in the Executive Employment Handbook; and

(b) where departments vary the performance assessment ratings for their senior executives, the criteria applied should be disclosed in departmental annual reports.

The government advised the Committee that consideration of current practice indicates that additional directions are not warranted and it would take no further action on this recommendation. The Committee understands that the Department of Premier and Cabinet issued performance bonus guidelines for the 2003-04 assessment period and a report on the extent of payments has been forwarded to the Premier, as the responsible Minister. The Committee revisited this issue for the 2003-04 assessment period and its suggestions for further improvements are reported in chapter 4.

**Reject – Recommendation 26, 2002-03 Budget Outcomes**

Financial information relating to each departmental trust fund be summarised in the annual report of the Department of Education and Training
The government’s response indicated that the *Model Financial Report for Victorian Government Departments* outlines the disclosure requirements for annual reports. Developed in consultation with the Auditor-General, the model was prepared in accordance with the requirements of the *Financial Management Act 1994*, Australian Accounting Standards, Statements of Accounting Concepts and other pronouncements of the Australian Accounting Standards Board, and the Urgent Issues Group Consensus Views. For these reasons the government indicated that it would take no further action on the Committee’s recommendation.

The Committee made this recommendation also in relation to the Department of Human Services (recommendation 40), the Department of Premier and Cabinet (recommendation 72), the Department of Sustainability and Environment (recommendation 85) and the Department of Treasury and Finance (recommendation 95). Given the lack of transparency of transactions through departmental trust funds, the Committee intends pursuing this matter as part of its forthcoming report on the management and control of parliamentary appropriations, which will be tabled later this parliamentary session.

### 1.5 Annual reports of departments – compliance with reporting framework

Guidance regarding the form and content of departmental annual reports is provided in the Standing Directions of the Minister for Finance, the *Financial Reporting Directions* and the *Model Financial Report for Victorian Government Departments* issued by the Department of Treasury and Finance. Other requirements for annual reporting by departments are outlined in:

- *Freedom of Information Act 1982*
- *Building Act 1993*
- *Whistleblowers Protection Act 2001*
- *Victorian Industry Participation Policy Act 2003*
- the *Premiers Circular 2003* which requires certain disclosures of whole of government initiatives for cultural diversity, women, youth and indigenous communities.

The Committee noted that the key elements of the departmental reports of operations are:

- general and financial information outlining and explaining the department’s operations and activities for the reporting period;
- a summary of the department’s operational and budgetary objectives and the performance against those objectives and other significant achievements; and
- a comparison between a department’s portfolio financial statement, as published in the Budget Papers, and the actual results.
The Committee reviewed the annual reports of departments for 2003-04 and noted substantial compliance by departments with the annual reporting requirements. An exception noted by the Committee was the failure by the Department of Education and Training, Department of Innovation, Industry and Regional Development, the Department of the Legislative Assembly and the Department of Parliamentary Services to publish output budget and cost details when reporting on performance.

The Committee considers that the publication of these details is essential for Parliament and the community to assess the efficiency and economy of services and programs provided by departments. The failure to provide this information inhibits transparency and accountability in annual reporting.

The Committee recommends that:

**Recommendation 2:** The annual reports of departments include details of budget and actual costs for outputs.

Analysis by the Committee of departmental audited financial reports for 2003-04 indicated:

- all departments received unqualified audit opinions from the Auditor-General;
- all departments provided note disclosure of the impact of the adoption of the Australian equivalents to international financial reporting standards;
- all departments reported positive net financial positions at 30 June 2004 except for the Department of Treasury and Finance which reported net liabilities of $12.63 billion. The Committee noted this negative net financial position, arises from the recognition of the state’s superannuation liabilities as controlled items for annual financial reporting purposes. Section 16.3.2 of this report further discusses the classification and reporting of superannuation liabilities by the Department of Treasury and Finance; and
- operating deficits were reported for
  - Department of Infrastructure;
  - Department of Innovation, Industry and Regional Development;
  - Department of Sustainability and Environment; and
  - Department for Victorian Communities.

These deficits were adequately explained in the financial reports of the departments.
In 2002–03, the Committee made a number of suggestions for improving the annual reports of departments. While the 2003-04 departmental annual reports continued to focus on initiatives, projects and activities rather than responding on their progress towards achieving departmental and government objectives, and there is a lack of benchmarking against the performance of similar agencies in other Australian jurisdictions and limited commentaries on future challenges, there has been some improvement. The Committee is particularly pleased that a number of departments have taken action to implement its suggestions. A summary of the key changes is detailed below.

**Department of Education and Training**

The report addressed future outlooks and developments through its inclusion of the *Blueprint for Government Schools* (launched in November 2003); and *Future Directions for Adult Community Education in Victoria* (released in June 2004).

**Department of Human Services**

The 2003-04 annual report of the Department of Human Services contains a lift-out summary of objectives, key results, key challenges and future directions. As recommended by the Committee in its *Report on the 2002–03 Budget Outcomes* a section on future directions has been added to the body of the annual report. This section identifies the key challenges faced by the department, along with its responses to those challenges. As recommended by the Committee, the 2003-04 annual report specifies actual achievements against targets for each output.

**Department of Infrastructure**

As recommended by the Committee, the department’s 2003-04 annual report explained major variations between the actual and budget figures shown in the Budget Portfolio Outcomes Statement. Information on executive numbers for statutory authorities includes comparative figures for 2003 and 2004. However, the statement on occupational health and safety does not identify the performance indicators adopted to monitor such matters and performance of the department is not measured against those indicators.

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10 ibid., p.30
11 ibid., p.483
12 Department of Human Services, *2003-04 Annual Report*, pp.79–82
13 Department of Infrastructure, *2003-04 Annual Report*, p.146
**Department of Innovation, Industry and Regional Development**

As recommended by the Committee, the department’s 2003-04 annual report includes the budget portfolio outcomes statement. Explanations were not provided, however, for major variations between the actual and budget figures.\(^\text{14}\)

The report also includes the numbers of executive officers, their classifications and variations from the previous year.\(^\text{15}\)

**Department of Justice**

The 2003-04 Department of Justice report includes a chart outlining the links between portfolio objectives, department policy outcomes and government outcomes through the *Growing Victoria Together* policy framework.\(^\text{16}\) Occupational health and safety data are included.\(^\text{17}\) Output costs have also been added in the ‘Report on Outputs’ section.\(^\text{18}\)

**Department of Premier and Cabinet**

The department did not make any changes to its annual report.

**Department of Primary Industries**

The department’s annual report ‘Review of Services’ Section now categorises performance measures into quantity, quality, timeliness and cost for each output group. The report also includes comparative workforce data.\(^\text{19}\)

**Department of Sustainability and Environment**

The Department of Sustainability and Environment provided comparative information of executive officer numbers.\(^\text{20}\)

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\(^{15}\) ibid., p.80

\(^{16}\) Department of Justice, *2003-04 Annual Report*, p.9

\(^{17}\) ibid., p.147

\(^{18}\) ibid., p.64–76

\(^{19}\) Department of Primary Industries, *2003-04 Annual Report*, p.57

\(^{20}\) Department of Sustainability and Environment, *2003-04 Annual Report*, p.98
Department of Treasury and Finance

The 2003-04 annual report includes an organisational chart.\footnote{Department of Treasury and Finance, \textit{2003-04 Annual Report}, p.12}

Department for Victorian Communities

The 2003-04 annual report is better structured and more informative than the report of the previous year. It includes a statement of its values and objectives and a chart that shows the links between the government’s goals and the department’s values, objectives, output structure and outcomes framework. Output data are included in the main body of the report and now cover quality, quantity, timeliness and cost measures. Explanations of major variations in performance measures are provided, together with an overview of the performance of each output and its future directions. Information on workforce statistical and compliance details has been enhanced.
CHAPTER 2: 2003-2004 BUDGET OVERVIEW

Key Findings of the Committee:

2.1 The operating result for 2003-04 was a budget surplus of $990.1 million, up $745.6 million from the initial budget estimate of $244.5 million. In 2003-04 revenue growth increased by 6.6 per cent compared to the budget, while expenditure was 3.8 per cent higher than estimated.

2.2 Total revenue was $28,343.8 million, which was $1,745.4 million higher than the budget estimates. This result mainly reflected sustained growth in the property market, which had been predicted to moderate in 2003-04. Revenue growth was also assisted by better than expected investment returns, increased dividends from government business enterprises and increased grants from the Commonwealth Government due mainly to increased collections of GST revenue.

2.3 GST arrangements between Victoria and the Commonwealth Government, whereby Victoria receives only 80 per cent of the GST collected within the state, are part of a review by Heads of Treasury from all jurisdictions in Australia.

2.4 The collection of fines and regulatory fees during 2003-04 was $132.7 million below budget, partly as a result of the temporary suspension of traffic infringement notices due to faulty speed cameras, along with a general improvement in driver behaviour.

2.5 The collection of court fines by the Department of Justice further deteriorated, with unpaid fines totalling $554.4 million at 30 June 2004, of which 52 per cent had been outstanding for more than two years. The Committee urges the government to take further action to improve collections from this important revenue source.

2.6 The superannuation expense of $300.2 million was $1,650.6 million (or 84.6 per cent) below budget projections as a result of high investment returns by the State Superannuation Fund. The reduced expense influenced the better than expected budget surplus for 2003-04.

2.7 The additional revenue derived by the government in 2003-04 was applied in part to a range of additional programs in the health, welfare and education sectors. The government needs to carefully monitor recurrent spending in excess of budget estimates because it could limit budget flexibility for infrastructure investment in future years.
Key Findings of the Committee - continued:

2.8 The strong financial position of Victoria in conjunction with the large operating surplus in 2003-04 enabled the government to reduce debt, and contribute $491 million extra towards the state’s unfunded superannuation liability and, at the same time, fund infrastructure spending of $2,378.4 million during the year.

2.9 The extent to which the government enters finance leases as a result of public private partnerships will need to be carefully monitored in the future, given that these leases represent long-term financial commitments that increase the government’s gross debt levels.

2.10 Budget projections for land transfer duty and other property stamp duty have been consistently well below actual collections for several years. The Committee considers that the government must further improve both its estimates forecasting methodology and property data collection.

2.1 General government sector outcomes for 2003-04

As part of the Victorian Government’s financial policy objectives and strategies it is committed to achieving an operating surplus of at least $100 million in each year. This objective was easily achieved in 2003-04 with an operating surplus of $990.1 million, which exceeded the initial budget estimate of $244.5 million by $745.6 million (exhibit 2.1) and the revised budget estimate of $432.5 million by $557.6 million. This large surplus was achieved despite an increase in expenses over budget of $999.8 million (exhibit 2.1), including a one-off adjustment for the write-off of a smelter reduction levy receivable of $1,232 million following court action.

The Committee noted that at the time of the preparation of the 2003-04 budget property market activity and consumer spending were projected to moderate, although export activity was expected to grow. The economic growth rate was estimated at 3.25 per cent in the revised budget estimate for 2003-04. In reality, the economic growth rate expanded to 3.7 per cent for 2003-04, contributing to the large increases in revenue, particularly from property taxes, such as land transfers and stamp duty on mortgages.

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23 Budget Paper No. 4, 2004-05 Statement of Finances, p.216
26 2003-04 Budget Update, p.26
27 Treasurer, media release, AAA rating for Victoria’s Finances, 23 December 2004
Total general government sector revenue for 2003-04 was $28,343.8 million, up $1,745.4 million (or 6.6 per cent) from the initial 2003-04 budget of $26,598.4 million (exhibit 2.1). The Committee noted that estimated revenue for 2004-05 is $28,984.9 million\(^{28}\), which indicates an expectation from the government that revenue growth will continue in 2004-05.

Exhibit 2.1 shows the budgeted and actual results for 2003-04.

### Exhibit 2.1: General government sector
Statement of financial performance 2003-04

<table>
<thead>
<tr>
<th></th>
<th>Column 1</th>
<th>Column 2</th>
<th>Variation (a)</th>
<th>Variation (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget $ million</td>
<td>Actual $ million</td>
<td>$ million</td>
<td>%</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>9,593.2</td>
<td>10,155.7</td>
<td>562.5</td>
<td>5.9</td>
</tr>
<tr>
<td>Fines and regulatory fees</td>
<td>637.2</td>
<td>504.5</td>
<td>-132.7</td>
<td>-20.8</td>
</tr>
<tr>
<td>Investment revenue</td>
<td>895.9</td>
<td>1,057.6</td>
<td>161.7</td>
<td>18.0</td>
</tr>
<tr>
<td>Grants</td>
<td>12,248.0</td>
<td>12,628.4</td>
<td>380.4</td>
<td>3.1</td>
</tr>
<tr>
<td>Sales of goods and services</td>
<td>2,047.2</td>
<td>2,265.4</td>
<td>218.2</td>
<td>10.7</td>
</tr>
<tr>
<td>Loss on the disposal of physical assets</td>
<td>-7.3</td>
<td>-44.8</td>
<td>-37.5</td>
<td>513.7</td>
</tr>
<tr>
<td>Fair value of assets received free of charge or for nominal consideration</td>
<td>0.0</td>
<td>374.0</td>
<td>374.0</td>
<td>n/d</td>
</tr>
<tr>
<td>Inter sector capital asset charge</td>
<td>514.0</td>
<td>564.0</td>
<td>50.0</td>
<td>9.7</td>
</tr>
<tr>
<td>Other revenue</td>
<td>670.1</td>
<td>839.0</td>
<td>168.9</td>
<td>25.2</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>26,598.4</td>
<td>28,343.8</td>
<td>1,745.4</td>
<td>6.6</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits</td>
<td>9,597.7</td>
<td>9,988.4</td>
<td>390.7</td>
<td>4.1</td>
</tr>
<tr>
<td>Superannuation</td>
<td>1,950.8</td>
<td>300.2</td>
<td>-1,650.6</td>
<td>-84.6</td>
</tr>
<tr>
<td>Grants and transfer payments</td>
<td>4,537.2</td>
<td>5,843.3</td>
<td>1,306.1</td>
<td>28.8</td>
</tr>
<tr>
<td>Supplies and services</td>
<td>8,598.2</td>
<td>9,318.9</td>
<td>720.7</td>
<td>8.4</td>
</tr>
<tr>
<td>Other expenses (b)</td>
<td>1,670.0</td>
<td>1,902.9</td>
<td>232.9</td>
<td>13.9</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>26,353.9</td>
<td>27,353.7</td>
<td>999.8</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Net surplus</strong></td>
<td>244.5</td>
<td>990.1</td>
<td>745.6</td>
<td>304.9</td>
</tr>
</tbody>
</table>

Notes:  
(a) a negative variation denotes a decrease compared to the 2003-04 Budget  
(b) includes depreciation and amortisation, borrowing costs and other miscellaneous expenses  
n/d not defined  
Some figures may not add up as a result of rounding


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\(^{28}\) Budget Paper No. 2, 2004-05 Strategy and Outlook, p.39
The following were the main factors contributing to increased revenue in 2003-04:

- taxation receipts were $562.5 million over budget (exhibit 2.1), mainly from property taxes;
- investment revenue was over budget by $161.7 million (exhibit 2.1), mainly as a result of increased dividends from government business enterprises, in conjunction with higher investment returns following significant improvements in equity markets in the latter part of 2004;
- sales of goods and services were $218.2 million over budget (exhibit 2.1), mainly from increased fees and charges levied on other parties;
- a book gain of $371 million, from the acquisition of public transport rolling stock assumed by the government following the withdrawal of National Express from a public transport franchise. This was a one-off gain, which needs to be viewed in the context of the government renegotiating the public transport franchise subsidies along with the ongoing public operation of V/Line Passenger Service, resulting in an additional annual expense for the government of $265 million; and
- grants from the Commonwealth Government were $380.4 million over budget (exhibit 2.1). Part of the increase, $192 million, was attributed to the growth in GST revenue collected by the Commonwealth Government and redistributed to the states.

The increase in GST collected by the Commonwealth Government has resulted in Victoria and other states receiving additional funding, which is tied to continuing economic growth in Australia. The unconditional grants are determined under an equalisation formula, whereby Victoria and New South Wales subsidise the other states. This results in Victoria receiving only 80 per cent of the GST collected within the state. The most recent review of the arrangements completed in February 2005 resulted in a situation whereby the total GST pool is expected to increase by 5.48 per cent to $45,062 million in 2005-06. However, Victoria’s share of this pool of $9,743.3 million represents a very marginal increase of .23 per cent by comparison with 2004-05. Nevertheless, it is pleasing to note that of the increase of $2,342.2 million in the total pool, Victoria will receive $601.6 million (or 25.67 per cent), representing around $100.4 million more than it would have received had the 2003-04 national percentage been applied.

31 Treasurer, media release, GST carve-up costs Victoria $7 billion over four years, 17 September 2004
The Committee understands that the equity of the GST arrangements is currently subject to a review by Heads of Treasury, from around Australia. Such a review is important for Victoria, particularly given that Queensland and Western Australia, which are subsidised by Victoria and New South Wales, recorded surpluses in 2003-04 of $4.65 billion and $588 million respectively in the general government sector.\(^{33}\)

The Committee noted that the collection of fines and regulatory fees was $132.7 million below budget (exhibit 2.1). The major factors causing the budget shortfall were the reduced number of traffic infringement notices issued following the temporary suspension of traffic infringement notices associated with fixed site road safety cameras and a general improvement in driver behaviour.\(^{34}\) The Committee also observed serious problems with the collection of outstanding fines imposed by the various courts. At 30 June 2004, the level of outstanding fines payable to the Department of Justice had increased by $67 million to $554.4 million, of which 52 per cent had been outstanding for more than two years.\(^{35}\) (This matter is further discussed in Chapter 12). The Committee urges the government to take further action to improve collections from this important revenue source.

The 2003-04 surplus was heavily influenced by a reduction in the superannuation expense of $1,650.6 million compared to the initial budget allocation of $1,950.8 million (exhibit 2.1), along with a $1,232 million expense due to the write-off of the smelter reduction levy.\(^{36}\) The superannuation expense largely reflects the extent to which the unfunded superannuation liability needs to be adjusted annually taking into account investment returns achieved by the State Superannuation Fund and actuarial assumptions. Due to buoyant equity markets, higher than expected investment returns by the State Superannuation Fund during 2003-04 resulted in the superannuation expense incurred by the government being substantially less than anticipated.\(^{37}\) Although the government assumes annual investment earnings of 7 per cent\(^{38}\) in line with actuarial assumptions, actual earnings in recent years have been below this level, and thus responsible for large superannuation expenses prior to 2003-04. The good investment result achieved in 2003-04 (when the State Superannuation Fund earned 15.9 per cent,\(^{39}\) compared to 0.4 per cent in the previous year)\(^{40}\) offset the Fund’s poor performance in recent years, and flowed through to the operating surplus because the superannuation expense, became substantially lower than anticipated.


\(^{34}\) Department of Treasury and Finance, Financial Report for the State of Victoria 2003-04, p.19


\(^{37}\) ibid., p.26

\(^{38}\) ibid.

\(^{39}\) ibid.

The Committee noted that expenses totalled $27,353.7 million representing $999.8 million above the 2003-04 budget (exhibit 2.1). Excluding the unexpected substantial reduction in superannuation expenses of $1,650.6 million, expenses would have exceeded the budget by a far wider margin given increases of $390.7 million in employee benefits, $720.7 million in supplies and services and $1,306.1 million in grants and transfer payments (exhibit 2.1). The increase in grants and transfer payments was attributed to the $1,232 million write-off of the smelter reduction levy receivable.

The Department of Treasury and Finance advised the Committee that the increase in employee benefits from the original budget ‘largely reflects government wages policy and additional expenditure as a result of higher staffing levels in the health and education sectors designed to improve service delivery’.41

The $720.7 million increase in supplies and services was attributed to the increase in public transport franchising arrangements and a range of additional programs mainly in the health, welfare and education sectors.42 These activities were financed mainly from revenue received in excess of budget estimates including grants from the Commonwealth Government.

The Financial Management Act 1994 contains a range of budget management provisions which allow the Treasurer to apply revenue in excess of budget estimates towards the provision of additional outputs and new infrastructure. One of the most widely used provisions allows the Treasurer to apply additional funding received from the Commonwealth, in the form of extra GST grants and special purpose grants, towards such purposes provided the approval of the Governor in Council is obtained.

The Committee accepts that where additional revenue is derived, irrespective of whether it is sourced internally or from Commonwealth Government sources, it may be appropriate to provide additional outputs in line with government priorities. Care must be taken, however, to limit recurrent expenditure, such as employee benefits, that can reduce budget flexibility in future years.

Operating surpluses are traditionally applied to reducing debt and partly financing infrastructure development. The government’s 2003-04 financial report discloses that the operating surplus of $990.1 million, cash generated from non-cash items (totalling $1,480.5 million) such as depreciation, and a drawdown of $613.9 million from the Growing Victoria Infrastructure Reserve were applied to asset investment ($2,378.4 million) and the reduction of debt ($510.9 million).43 Given the strong financial position of Victoria, the government has been able to apply cash surpluses to reducing debt and, at the same time, funding a significant infrastructure program. In

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41 Department of Treasury and Finance response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.18
43 ibid., p.29
addition, the government was able to contribute $491 million towards the unfunded superannuation liabilities of the state, further reducing this large liability.

Net infrastructure spending in 2003-04 of $2,378.4 million was $216 million lower than budgeted, mainly due to delays experienced with a number of projects.\(^{44}\) (This matter is discussed in chapter 5).

The Committee noted that the Growing Victoria Infrastructure Reserve, which contributed $613.9 million to asset investment in 2003-04, will be virtually expended in 2004-05.\(^ {45}\) Future asset investment programs, currently projected at $10.2 billion\(^ {46}\) over the four years commencing 2004-05, will no longer receive contributions from the reserve and will be dependant on budget surpluses, cash generated from non-cash provisions such as depreciation and provision for long service leave, and/or borrowings.\(^ {47}\)

The Committee is aware that General Government Net Debt at 30 June 2004 was $1.6 billion or just 0.8 per cent of Gross State Product.\(^ {48}\) This debt was down from $2.1 billion in the previous financial year,\(^ {49}\) mainly as the result of the better than expected cash surplus in 2003-04. Most of this debt is short-term, maturing within the next five years.\(^ {50}\)

An alternative method of providing public infrastructure is through public private partnerships. Under these arrangements the private sector provides the capital, thereby removing the need for the government to borrow capital or to fund from cash surpluses. Since the launch of the *Partnerships Victoria* framework in 2000, contracts with private sector partners have exceeded $1 billion.\(^ {51}\) At 30 June 2004, 23 public private arrangements were in place to provide prisons, hospitals, road infrastructure, water treatment facilities, communication networks and other projects such as the Spencer Street Station redevelopment.\(^ {52}\) Partnership arrangements can take a variety of forms, including franchises, ‘design, construct, maintain and finance’ agreements, and ‘build, own and operate’ agreements.\(^ {53}\) Where ownership of an asset is ultimately transferred to the government and substantially all the risks and benefits incidental to ownership remain with the government during the lease period, such arrangements normally constitute a finance lease.

\(^{44}\) ibid., p.31  
\(^{45}\) Budget Information Paper No. 1, *2004-05 Public Sector Asset Investment Program*, p.12  
\(^{47}\) ibid.  
\(^{49}\) ibid., pp.36–37  
\(^{50}\) Moody’s Investor Services Analysis, Victoria, December 2004, p.3  
\(^{51}\) Budget Paper No. 2, *2004-05 Strategy and Outlook*, p.57  
\(^{53}\) ibid.
Given that most public private arrangements are still in the construction phase, it was not practical, for the Committee to evaluate the extent to which finance leases will be created for government assets developed under these partnerships. However, the Committee is aware that these arrangements will, depending on the size of the projects, represent long-term financial commitments for future governments, similar to government borrowings.

The Auditor-General in his Report on the Finances of the State of Victoria 2003-04 recorded that the state’s financial lease obligations had increased to $691 million in 2003-04, compared to $305 million in 2002-03, mainly as a result of finance leases on new rail rolling stock. The Auditor-General also advised, however, that finance lease liabilities will substantially increase along with gross debt, once several large public private partnership projects are completed. Projects included the Spencer Street Station redevelopment, Casey Community Hospital, various correctional facilities and the metropolitan mobile radio project.\(^{54}\)

The Committee emphasises that the government will need to carefully evaluate the financial impact of these arrangements, although not material at this stage, on future budgets and Victoria’s credit rating.

The Committee is conducting an inquiry into private sector investment in public infrastructure and expects to report to Parliament in this parliamentary session.

In summary, the Committee considers that the financial result for the general government sector in 2003-04 was very positive, notwithstanding certain abnormal but material transactions such as the very low superannuation expense and the write-off of the smelter reduction levy. The Committee also acknowledges that the government’s financial objectives and strategies have continued to be met within the general government sector. As reflected in the 2003-04 Financial Report, the general government sector remains in a very positive financial position.

The Committee emphasises, however, that although economic conditions are favourable, resulting in strong revenue flows and substantial surpluses, expenditure by agencies still needs to be firmly controlled in line with budget estimates so funding for further expansion of state infrastructure can continue to be provided within acceptable long-term debt commitments.

### 2.2 Budget forecasting

As noted, the initial budget forecast for 2003-04 was for an operating surplus of $244.5 million, but the final result was an operating surplus of $990.1 million, a variation of $745.6 million or 304.9 per cent. Apart from abnormal transactions such as the write-off of the smelter reduction levy and the sharp fall in the superannuation expense, the major variation from the estimates related to taxation revenue, which

\(^{54}\) ibid., p.103
increased overall by $562.5 million. The major factor contributing to the increase was stamp duty on land transfers and mortgage duty, which was originally estimated at $2,093 million compared to actual collections of $2,739.8 million, an increase of $646.8 million or 30.9 per cent.\(^{55}\)

The unexpected increase was attributed to the continued strength of the property market, particularly in the first half of the financial year.\(^{56}\) Budget predictions for 2003-04 anticipated a decline in dwelling investments and a moderation in housing prices.\(^{57}\) This change did not begin to impact until the latter part of 2003-04.\(^{58}\)

These examples highlight the significant differences that can arise between final outcomes and budget projections. This situation applies not only to revenue, but also to expenditure, which also exceeded budget in 2003-04 by a wide margin of 3.8 per cent, or around $1 billion (exhibit 2.1) and exceeded the previous year’s expenditure by 3.6 per cent.\(^{59}\) Although in the circumstances noted above the taxation revenue outcome was beneficial to the state, the reverse situation could also have occurred when budget projections can vary so widely. A shortfall in revenue can inhibit a government’s ability to achieve its stated financial objectives and other priorities.

Exhibit 2.2 shows the projection of revenue from land transfers and other property stamp duties, including mortgage duties from 2000-01 to 2004-05.


\(^{56}\) ibid.


\(^{59}\) ibid., p.64
Exhibit 2.2: Land transfer duty and other property stamp duty
2000-01 to 2004-05

Note: Other property stamp duty is represented largely by mortgage duty

As exhibit 2.2 demonstrates, revenue from this source has been consistently underestimated by a wide margin over the period because of the potential for wide fluctuations in property markets.

In 2004-05 Budget Paper No. 4, Statement of Finances, the government advised that the state’s revenue is forecast by a process that involves:\(^\text{60}\)

- assessing economic and other factors influencing the tax bases from which taxes are sourced;
- analysing historical information and relationships using econometric and other statistical methods;
- applying the Department of Treasury and Finance’s economic forecasts where there is a relationship between taxation revenue and economic variables; and
- consulting with private sector economists, industry associations and relevant government authorities.

\(^{60}\) Budget Paper No. 4, 2004-05 Statement of Finances, p.17
Under the *Audit Act* 1994, the Auditor-General is required to review and report to Parliament on the government’s estimated financial statements. ¹⁻¹ Included in the Auditor-General’s review is the requirement to state whether the statements appear to have been prepared on the basis of the (forecast) stated assumptions and whether the methodologies used to determine those assumptions are reasonable.

Following the Auditor-General’s review of the 2001-02 estimated financial statements he drew attention to the substantial variations between the actual outcomes and the budget estimates for state taxation revenue over the previous three years. ²⁻² Although acknowledging the inherent difficulty of forecasting property market movements, the Auditor-General also considered that the forecasting methodology and availability of data needed to be addressed, given the risks to the government of inaccurate forecasts. ³⁻³

The Minister for Finance subsequently advised the Auditor-General that forecasting methodology and data availability issues would continue to be addressed as a priority. ⁴⁻⁴ The Committee is unaware of what changes, if any, have occurred since the Minister for Finance’s advice to the Auditor-General. The Committee considers that the 2003-04 results indicate that significant scope remains for improvements in the government’s forecasting.

The Auditor-General reinforced this observation in his 2003-04 report on the finances of the State of Victoria, which highlighted that several organisations, including the Reserve Bank of Australia, had recently expressed concern about the lack of up-to-date property data, particularly data on the Victorian market. ⁵⁻⁵ The Committee considers that it is incumbent on the government to address such concerns. The Committee accepts that budget forecasting can never be an exact science and governments are invariably conservative in preparing budget estimates. The Committee considers, however, that improvements can be made.

The Committee recommends that:

**Recommendation 3:** The Department of Treasury and Finance address data collection deficiencies, particularly for property activities, and re-evaluate its budget forecasting methodology in line with best practice in other jurisdictions in Australia and overseas, where comparable.

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¹⁻¹ *Audit Act* 1994, s.16B
³⁻³ *ibid.*, pp.152-153
⁴⁻⁴ *ibid.*, p.154
Recommendation 4: The Department of Treasury and Finance include in the annual Budget Papers comprehensive details of the methodology and economic forecasts underlying its revenue estimates.
CHAPTER 3: PERFORMANCE MANAGEMENT IN THE VICTORIAN PUBLIC SERVICE

Key Findings of the Committee:

3.1 The number of equivalent full-time (EFT) executive officers excluding vacancies in departments at 30 June 2004 decreased by 0.27 per cent compared to the previous financial year.

3.2 There was a small increase in the number of EFT executive officers at levels 1 and 2 during 2003-04, with a corresponding decline in the number of executive officer level 3 positions, compared to the numbers in the previous financial year.

3.3 The ratio of levels 1 and 2 senior executive officers to level 3 executive officers varied significantly across departments, for example the Department of Treasury and Finance had one of the lowest proportions (2:5) and the Department of Premier and Cabinet had the highest (15:13) at 30 June 2004.

3.4 The Victorian Auditor-General's Office had the highest ratio of executive officer positions to non-executive positions at 1:4.

3.5 Within an overall increase of 0.97 per cent in the total number of non-executive officers engaged by departments at 30 June 2004 compared with the previous year, some significant variations occurred at the departmental level. The Department of Education and Training, for example, had a reduction of 236.9 EFT staff (13.9 per cent) for the central office and regions, while the Department of Infrastructure had an increase of 10.2 per cent in the number of EFT staff (up by 68.3). The Committee noted that the number of school-based staff comprising teaching and non-teaching staff increased from 48,200 at June 2003 to 48,526.4 at June 2004.

3.6 Of the executives employed by departments and eligible for performance bonuses, 81.8 per cent (473) were paid performance bonuses totalling $5,278,787 for the 2003-04 performance assessment period.
3.7 The proportion of executives receiving a performance bonus for the 2003-04 assessment period varied considerably between departments. For example, 73 per cent of eligible executives at the Department of Innovation, Industry and Regional Development and the Department of Treasury and Finance received a bonus, compared to 95 per cent or more at the Department of Primary Industries (100 per cent), the Department for Victorian Communities and the Victorian Auditor-General's Office.

3.8 The rating scale for assessing the performance of executives needs to be reviewed to ensure the payment of bonuses is for exceptional performance or outstanding achievements.

3.1 Staff numbers (equivalent full-time)

3.1.1 Executive officers

In comparing the number of equivalent full time (EFT) positions for executives across departments at 30 June 2003 with the number at 30 June 2004 (exhibit 3.1), the Committee found the following:

- the overall aggregate number of EFT executive positions across departments decreased by 0.27 per cent;
- executive officer level 1 (EO1) EFT staff rose by 2 (11 per cent) and EO2 EFT staff rose by 16 (8.9 per cent), with a corresponding decline in EO3 EFT staff by 19.5 (5.3 per cent);
- the Department of Education and Training advised that the number of EO3 EFT staff declined by 10.9 (25.4 per cent), which was influenced by a restructure of the department that resulted in a reduction of central office staff and the supplementation of resources in regional areas and schools;66
- the Department of Infrastructure advised that the number of EO3 EFT staff declined by eight, primarily reflecting retirements and other separations during the period.67

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66 Minister for Education and Training, media release, Kosky Announces Department Restructure, 13 August 2003
67 Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.14
• the Department of Premier and Cabinet advised that the number of EFT executive officer staff increased by seven (33.3 per cent) due to the establishment of the Office of the Chief Information Officer and the filling of vacancies;\(^68\) and

• the Victorian Auditor-General’s Office and the Department of Treasury and Finance had the lowest ratio of EO1 and EO2 EFTs to EO3 EFTs at 30 June 2004, while the Department of Premier and Cabinet had the highest proportion of the most senior executives.

The Committee recommends that:

**Recommendation 5:** In disclosing workforce statistics in annual reports, departments explain changes in executive officer positions compared to the number in the previous year.

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\(^{68}\) Department of Premier and Cabinet response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.5
### Exhibit 3.1: Number of staff (EFT) in each executive officer category

<table>
<thead>
<tr>
<th>Budget sector agency</th>
<th>EO1 30 June 2003</th>
<th>EO2 30 June 2003</th>
<th>EO3 30 June 2004</th>
<th>Total 30 June 2003</th>
<th>Total 30 June 2004</th>
<th>Change in total EFT</th>
<th>Ratio of EFT executive officer staff to non-executive staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parliamentary Departments</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>+1</td>
<td>1.91:1.64</td>
</tr>
<tr>
<td>Department of Education and Training (a)</td>
<td>2</td>
<td>3</td>
<td>30</td>
<td>30</td>
<td>42.9</td>
<td>74.9:65</td>
<td>-9.9:13.2 1.23:1.23</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>2</td>
<td>3</td>
<td>38</td>
<td>36</td>
<td>75</td>
<td>77</td>
<td>115:116+1+0.9 1.95:1.94</td>
</tr>
<tr>
<td>Department of Infrastructure (c)</td>
<td>1</td>
<td>2</td>
<td>23</td>
<td>26</td>
<td>37.6</td>
<td>29.6</td>
<td>61.6:57.6-4-6.5 1.11:1.13</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>3</td>
<td>2</td>
<td>9</td>
<td>11</td>
<td>32</td>
<td>28</td>
<td>44:41-3-6.8 1.14:1.15</td>
</tr>
<tr>
<td>Department of Justice (d)</td>
<td>2</td>
<td>2</td>
<td>19</td>
<td>22</td>
<td>40</td>
<td>40</td>
<td>61:64+3+4.9 1.76:1.75</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>2</td>
<td>3</td>
<td>9</td>
<td>12</td>
<td>10</td>
<td>13</td>
<td>21:28+7+33.3 1.13:1.11</td>
</tr>
</tbody>
</table>
## Exhibit 3.1 – continued

<table>
<thead>
<tr>
<th>Budget sector agency</th>
<th>EO1 June 2003</th>
<th>EO2 June 2003</th>
<th>EO3 June 2003</th>
<th>Total June 2003</th>
<th>Change in total EFT</th>
<th>Ratio of EFT executive officers staff to non-executive staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department for Victorian Communities (f)</td>
<td>9</td>
<td>10</td>
<td>13</td>
<td>22</td>
<td>+2</td>
<td>1:24</td>
</tr>
<tr>
<td>Victorian Auditor-General’s Office</td>
<td>6</td>
<td>6</td>
<td>19</td>
<td>25</td>
<td>+1.6</td>
<td>(g) 1:4</td>
</tr>
<tr>
<td>Total</td>
<td>18</td>
<td>20</td>
<td>179</td>
<td>366.5</td>
<td>-1.5</td>
<td>1:45</td>
</tr>
</tbody>
</table>

**Notes:**
(a) These figures comprise staff in non-school locations, extension services and statutory bodies and have been sourced from the Department of Education and Training annual reports for 2002-03, p.136 and 2003-04, p.113
(b) The total does not include the new Secretary classification created during the 2003-04 reporting period. Given that in the previous annual report, the Secretary was reported as an Executive Band 1, the former 30 June 2003 EO1 figure of 3 has been adjusted in the table for comparative purposes
(c) In addition to Department of Infrastructure staff, VicRoads engaged 67 Executive Officers (not EFT) in 2004 compared to 63 in 2003, while 4 EO3s and 2 EO2s (includes 3 Department of Infrastructure secondees) were located at the Southern and Eastern Integrated Transport Authority (SEITA) at 30 June 2004, which was created as of 1 July 2003
(d) Department of Justice 2003-04 annual report, p.140
(e) Department of Treasury and Finance 2003-04 annual report, p.97
(f) Numbers of staff (EFT) accessed from the Department for Victorian Communities’ 2002-03 annual report, p.123 and 2003-04 annual report, p.126–127
(g) Excludes external audit service providers (46 organisations and associated staff) engaged by the Auditor-General to conduct financial statement audits

**Source:** Departmental responses to the Committee’s 2003-04 Budget Outcomes questionnaire
3.1.2 Non-executive officers

In comparing variations in the EFT numbers of non-executive staff between 30 June 2003 and 30 June 2004 (exhibit 3.2 covers public servants and does not include teachers, police or nurses), the Committee noted no discernible difference in the total number of EFT staff across departments, an increase by 0.97 per cent with some major variances:

- a decrease of 236.9 EFT (-13.9 per cent) for the Department of Education and Training resulted from a reorganisation of the central office. In contrast, the number of school-based staff comprising teaching and non-teaching staff increased from 48,200 at June 2003 to 48,526.4 at June 2004;\(^{69}\)
- an increase in 68.3 EFT (+10.2 per cent) for the Department of Infrastructure was attributable to an expansion in contract and risk management areas, particularly in rail franchising and legal services; infrastructure asset management of approximately $12 billion worth of public and private investment across more than 40 projects; public transport safety and government information and communication technology (ICT);\(^{70}\) and
- an increase of 25 EFT (+8.9 per cent) at the Department of Premier and Cabinet was due to the establishment of the Office of the Chief Information Officer and general staff movements.\(^{71}\)

Recommendation 6: In disclosing workforce statistics in annual reports, departments explain material changes in non-executive officer positions compared with the number in the previous year.

\(^{69}\) Department of Education and Training, 2003-04 Annual Report, p.2
\(^{70}\) Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.16
\(^{71}\) Department of Premier and Cabinet response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.6
### Exhibit 3.2: Variations in the numbers of non-executive staff (EFT) employed by departments

<table>
<thead>
<tr>
<th>Departments</th>
<th>Year</th>
<th>Change in total EFT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 June 2003</td>
<td>30 June 2004</td>
</tr>
<tr>
<td>Parliamentary Departments</td>
<td>427.7</td>
<td>444.7</td>
</tr>
<tr>
<td>Department of Education and Training (a)</td>
<td>1,704.3</td>
<td>1,467.4</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>10,905.9</td>
<td>10,959.0</td>
</tr>
<tr>
<td>Department of Infrastructure (b)</td>
<td>672.7</td>
<td>741.0</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development (c)</td>
<td>623.10</td>
<td>631.98</td>
</tr>
<tr>
<td>Department of Justice (d)</td>
<td>4,608</td>
<td>4,769</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>281</td>
<td>306</td>
</tr>
<tr>
<td>Department of Primary Industries (e)</td>
<td>2,430.15</td>
<td>2,511.91</td>
</tr>
<tr>
<td>Department of Sustainability and Environment (f)</td>
<td>2,533.3</td>
<td>2,539.8</td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>408.4</td>
<td>429.6</td>
</tr>
<tr>
<td>Department for Victorian Communities (g)</td>
<td>536</td>
<td>581</td>
</tr>
<tr>
<td>Victorian Auditor-General’s Office (h)</td>
<td>103.44</td>
<td>97.64</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25,233.99</strong></td>
<td><strong>25,479.03</strong></td>
</tr>
</tbody>
</table>

**Notes:**

(a) Department of Education and Training’s annual reports for 2002-03 p.136 and 2003-04 p.113. Statistics shown are for the Central Office and Regions, extension services and statutory bodies, which include teaching staff (106.4, June 2003 and 113.3, June 2004). Victorian Public Service staff and other staff situated in non-school locations. Teaching and non-teaching EFT staff in schools (48,200 at June 2003 and 48,526.4 at June 2004) as well as casuals are not included in the above exhibit.

(b) In addition to Department of Infrastructure staff, VicRoads engaged 2,317 non-executive staff (not EFT) at 30 June 2004 compared to 2,248 at 30 June 2003, while 24 EFT staff were engaged at the Southern and Eastern Integrated Transport Authority (SEITA) as at 30 June 2004 which was created as of 1 July 2003.

(c) Workforce data does not include casuals or people deemed to be inoperative, for example, on long-term leave without pay or seconded out of the department.

(d) Excludes Victoria Police numbers which increased by 139 (1.1 per cent) from 12,644 at 30 June 2003 to 12,783 at 30 June 2004 (not including the positions of Chief Commissioner, Deputy Commissioner, Assistant Commissioner and Commander nor Executive Officer positions) – information sourced from the Department of Justice’s response to the Committee’s 2004-05 Budget Estimates questionnaire pp.15, 17.

(e) Workforce data does not include casuals, cadets and agency hire personnel.

(f) Workforce data does not include casuals.

(g) Numbers of (EFT) staff accessed from Department for Victorian Communities’ 2002-03 annual report, p.123 and 2003-04 annual report, p.126.

(h) Workforce data does not include casuals.

Source: Departmental responses to the Committee’s 2003-04 Budget Outcomes questionnaire
3.2 Bonus payments

Bonuses are payable only to executive officers (EOs) whose performance is rated at 3 or 4 in the four level rating scale (exhibit 3.3).\textsuperscript{72}

Exhibit 3.3: Rating scale for performance related incentive payments made to executives in government departments

<table>
<thead>
<tr>
<th>Rating</th>
<th>Category</th>
<th>Bonus range (proportion of total remuneration package)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating 4</td>
<td>Exceptional</td>
<td>9 – 17%</td>
<td>Exceeds the requirements of all criteria and far exceeds expectations on the more critical areas</td>
</tr>
<tr>
<td>Rating 3</td>
<td>Superior</td>
<td>0 – 8%</td>
<td>Exceeds the requirements of most criteria</td>
</tr>
<tr>
<td>Rating 2</td>
<td>Competent</td>
<td>No bonus</td>
<td>Meets all or most criteria</td>
</tr>
<tr>
<td>Rating 1</td>
<td>Improvement required</td>
<td>No bonus</td>
<td></td>
</tr>
</tbody>
</table>

Source: Executive Employment Handbook p.60

According to the Executive Employment Handbook, the consistent application of the rating scale is designed to assure fairness of decision-making across departments and to promote efficient data collection for whole of government reporting and analysis.\textsuperscript{73} It is also intended that:\textsuperscript{74}

- the executive performance management system link an agency’s accountability for outputs to the performance of executives through a structured planning and review process;
- the performance management system be the means for linking financial rewards and individual development to the achievement of business objectives; and
- the processes established for executive performance assessment and allocation of performance pay be fair and equitable, and provide outcomes generally consistent across the Victorian public sector.

The Committee was advised that government guidelines were issued to agencies in relation to the payment of bonuses to executive officers for the 2003-04 assessment


\textsuperscript{73} ibid.

\textsuperscript{74} ibid.
period. Notwithstanding an expectation that around 70-75 per cent of executive officers in the larger departments would qualify for the payment of a bonus, the Committee understands that the determination of who met the bonus criteria was ultimately at the discretion of the departmental head. The analysis undertaken by the Committee for the 2003-04 assessment period revealed that four of the larger agencies exceeded the parameters established by the government.

In its 2002-03 budget outcomes report, the Committee stated that it was surprised that more than 80 per cent of executive officers in most departments received bonuses, even though government policy stated that bonuses were to be paid only where performance was exceptional or substantially above the performance criteria.\(^{75}\) The Committee also stressed the importance of performance bonuses being assessed and applied in a consistent manner across the Victorian Public Sector.\(^{76}\)

In responding to the Committee’s 2002-03 budget outcomes report, the government indicated that departments will continue to be required to apply the central criteria and report on the application of the criteria. The Committee was disappointed that the government rejected the recommendation that the Department of Premier and Cabinet issue additional directions that reinforce the handbook’s performance bonus policy.\(^{77}\)

Collecting information on performance bonuses paid to executives across departments sector for the 2003-04 performance assessment period (exhibit 3.4), the Committee found the following:

- 81.8 per cent (473) of the executives employed by agencies and eligible for bonuses (578) were paid performance bonuses totalling $5,278,787 for the 2003-04 performance assessment period;
- of the 12 agencies, Parliamentary Departments was the only agency that did not award bonuses to its executives because they are permanent officers and are not on contract;
- the Chief Commissioner of Police does not award bonuses to executive officers at the EO2 classification at Victoria Police;
- the proportion of eligible executives paid a performance bonus for the 2003-04 assessment period varied considerably between agencies;
- the agencies with the highest proportion of executive officers awarded a bonus for 2003-04 (which included two of the more recently created departments – the Department of Primary Industries and the Department for Victorian Communities) were:

\(^{76}\) ibid., p.132  
- the Department of Primary Industries – 100 per cent (16 executives) at a cost of $139,941;
- the Victorian Auditor-General’s Office – 95.4 per cent (21 out of 22 executives) at a cost of $184,200; and
- the Department for Victorian Communities – 95.2 per cent (20 out of 21 executives) at a cost of $256,823.

- the agencies with the lowest proportion of executives paid a bonus were:
  - the Department of Treasury and Finance – 73.2 per cent (52 out of 71 executives) at a cost of $622,300; and
  - the Department of Innovation, Industry and Regional Development – 73.9 per cent (34 out of 46 executives) at a cost of $383,345.

- a greater proportion of higher classified executives were paid bonuses for 2003-04 compared to EO3s – 85.1 per cent of EO1s and EO2s (183 of 215) compared to 79.9 per cent of EO3s (290 of 363);

- the proportion of EO3s paid a bonus ranged from 100 per cent at the Department of Primary Industries to 69.2 per cent at the Department of Infrastructure. The agencies with the highest and lowest proportion of EO3s receiving a bonus were:
  - the Department of Primary Industries – 100 per cent (10 of 10);
  - the Victorian Auditor-General's Office – 94.4 per cent (17 of 18);
  - the Department for Victorian Communities – 92.3 per cent (12 of 13); and
  - Department of Infrastructure – 69.2 per cent (27 of 39).

- the following agencies paid 100 per cent of executive officers in particular classifications a bonus for the 2003-04 assessment period:
  - Department of Education and Training EO1 (one)
  - Department of Human Services EO1 (three)
  - Department of Infrastructure EO1 (two)
  - Department of Primary Industries EO2 (six)
  - Department for Victorian Communities EO2 (eight)
  - Victorian Auditor-General's Office EO2 (four)
  - Department of Primary Industries EO3 (ten)

- an average performance bonus of $11,160 was paid to executives across agencies for the 2003-04 assessment period:
  - the Department for Victorian Communities, which had the third highest proportion of executives receiving a bonus (95.2 per cent) and no EO1s, also had the highest average performance pay of $12,841 per executive;
the Department of Treasury and Finance, with the lowest proportion of executives receiving a bonus (73.2 per cent), had the third highest average performance pay of $11,967. This might have reflected the composition of EO1s in the organisational structure on higher levels of remuneration and was indicative of a high proportion of executives assessed as displaying exceptional performance during 2003-04; and

the Department of Primary Industries, which had the highest proportion of executives receiving a bonus (100 per cent), had the lowest average performance pay of $8,746, which was indicative of a large proportion of executives assessed in the lower category achieving a ‘superior’ (rather than ‘exceptional’) level of performance in 2003-04.
### Exhibit 3.4: Performance bonus payments to eligible executive officers for the 2003-04 performance assessment period

<table>
<thead>
<tr>
<th>Departments</th>
<th>EO1</th>
<th>EO2</th>
<th>EO3</th>
<th>Total</th>
<th>Total value of bonuses</th>
<th>Average bonus per Executive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parliamentary Departments (a)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Education and Training</td>
<td>1</td>
<td>1</td>
<td>29</td>
<td>38</td>
<td>735,219</td>
<td>12,253</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>3</td>
<td>3</td>
<td>36</td>
<td>74</td>
<td>918,758</td>
<td>10,096</td>
</tr>
<tr>
<td>Department of Infrastructure (b)</td>
<td>2</td>
<td>2</td>
<td>31</td>
<td>39</td>
<td>660,707</td>
<td>11,798</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development (c)</td>
<td>(c) 14</td>
<td>8</td>
<td>32</td>
<td>46</td>
<td>383,345</td>
<td>11,275</td>
</tr>
<tr>
<td>Department of Justice (d)</td>
<td>(e) 23</td>
<td>21</td>
<td>43</td>
<td>66</td>
<td>627,195</td>
<td>11,003</td>
</tr>
</tbody>
</table>
### Exhibit 3.4 – continued

<table>
<thead>
<tr>
<th>Departments</th>
<th>EO1</th>
<th>No. of EOs eligible for a bonus</th>
<th>%</th>
<th>No. of EOs awarded bonus</th>
<th>EO2</th>
<th>No. of EOs eligible for a bonus</th>
<th>%</th>
<th>No. of EOs awarded bonus</th>
<th>EO3</th>
<th>No. of EOs eligible for a bonus</th>
<th>%</th>
<th>No. of EOs awarded bonus</th>
<th>Total</th>
<th>% of EOs paid a bonus</th>
<th>Total value of bonuses</th>
<th>Average bonus per Executive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Premier and Cabinet</td>
<td>3</td>
<td>2</td>
<td>66.7</td>
<td>16</td>
<td>13</td>
<td>81.2</td>
<td>15</td>
<td>11</td>
<td>73.3</td>
<td>34</td>
<td>26</td>
<td>76.5</td>
<td>296,070</td>
<td>11,387</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>6</td>
<td>6</td>
<td>100</td>
<td>10</td>
<td>10</td>
<td>100</td>
<td>16</td>
<td>16</td>
<td>100</td>
<td>139,941</td>
<td>8,746</td>
<td>11,356</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>18</td>
<td>14</td>
<td>77.8</td>
<td>31</td>
<td>26</td>
<td>83.9</td>
<td>49</td>
<td>40</td>
<td>81.6</td>
<td>454,229</td>
<td>11,356</td>
<td>11,967</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>3</td>
<td>2</td>
<td>66.7</td>
<td>18</td>
<td>12</td>
<td>66.7</td>
<td>50</td>
<td>38</td>
<td>76.0</td>
<td>71</td>
<td>52</td>
<td>73.2</td>
<td>622,300</td>
<td>11,967</td>
<td></td>
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</tr>
<tr>
<td>Department for Victorian Communities</td>
<td>8</td>
<td>8</td>
<td>100</td>
<td>13</td>
<td>12</td>
<td>92.3</td>
<td>21</td>
<td>20</td>
<td>95.2</td>
<td>256,823</td>
<td>12,841</td>
<td>8,771</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Victorian Auditor-General's Office</td>
<td>4</td>
<td>4</td>
<td>100</td>
<td>18</td>
<td>17</td>
<td>94.4</td>
<td>22</td>
<td>21</td>
<td>95.4</td>
<td>184,200</td>
<td>8,771</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>10</td>
<td>83.3</td>
<td>203</td>
<td>173</td>
<td>85.2</td>
<td>363</td>
<td>290</td>
<td>79.9</td>
<td>578</td>
<td>473</td>
<td>81.8</td>
<td>5,278,787</td>
<td>11,160</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Notes:  
(a) Parliament has not adopted the practice of awarding bonuses to its seven Executive Officers (three EO2s and four EO3s) given the nature of their appointment and business. While other executive officers in the public service are normally appointed on term contracts, executive officers in the Parliament are appointed on an on-going basis and not on a fixed term. As a consequence, they are not entitled to bonus payments. In addition, because Parliamentary (executive) officers provide independent advice to all members of Parliament, meeting targets for bonus payments may affect their ability to provide unfettered advice.

(b) In addition to Department of Infrastructure staff, 67 (91 per cent) of the 74 executive officers at VicRoads were awarded a bonus for the 2003-04 assessment period at a total cost of $569,816. At the end of November 2004 SEITA executive officers had yet to be awarded performance payments for 2003-04.

(c) EO1 and EO2 combined in response from the Department of Innovation, Industry and Regional Development – this information has been presented under EO2 for the convenience of reporting.

(d) In relation to Victoria Police, which is not covered in the above exhibit, no payments were made in the EO1-EO2 range - the Committee was advised that the Chief Commissioner does not award bonus payments to EO2s. Of the 9 eligible EO3s employed by Victoria Police, 8 (88.9 per cent) were awarded bonuses at a cost of $69,287. Overall, eight out of Victoria Police’s 17 eligible executive officers (47 per cent) were awarded a bonus for the 2003-04 assessment period.

(e) EO1 and EO2 combined in response from the Department of Justice – this information has been presented under EO2 for the convenience of reporting.

Source: Departmental responses to the Committee’s 2003-04 Budget Outcomes questionnaire
Exhibit 3.5 shows that the link between the executives’ performance in terms of the payment of bonuses and the achievement of outputs is *prima facie* questionable for certain departments. Some departments that performed well in achieving business objectives (judged from success in meeting or exceeding output targets) such as the Department of Innovation, Industry and Regional Development did not reward the same proportion of executives as other departments that did not perform as well.

**Exhibit 3.5:** Comparison of the proportion of executives paid a bonus by departments to the achievement of output targets by each agency

<table>
<thead>
<tr>
<th>Department</th>
<th>% of executives awarded a bonus</th>
<th>% of output targets achieved or exceeded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Education and Training</td>
<td>88.2 (60 out of 68)</td>
<td>61.0</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>80.5 (91 out of 113)</td>
<td>71.0</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>77.8 (56 out of 72)</td>
<td>67.4</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional</td>
<td>73.9 (34 out of 46)</td>
<td>90.0</td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Justice</td>
<td>86.4 (57 out of 66)</td>
<td>73.0</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>76.5 (26 out of 34)</td>
<td>80.0</td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>100 (16 out of 16)</td>
<td>84.0</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>81.6 (40 out of 49)</td>
<td>68.0</td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>73.2 (52 out of 71)</td>
<td>80.0</td>
</tr>
<tr>
<td>Department for Victorian Communities</td>
<td>95.2 (20 out of 21)</td>
<td>83.0</td>
</tr>
<tr>
<td>Victorian Auditor-General’s Office</td>
<td>95.4 (21 out of 22)</td>
<td>50.0</td>
</tr>
</tbody>
</table>

Sources: Departmental responses to the Public Accounts and Estimates Committee’s 2003-04 Budget Outcomes questionnaire; Committee’s analysis of output performance from departments’ 2003-04 annual reports

The Committee considers a normal distribution curve for the executive performance assessments should reflect a bell shaped curve, with most ratings in the middle (that is, competent or fully effective - rating 2) and a small number of ratings at the low end (improvement required - rating 1) and high end (exceptional and superior – ratings 4 and 3, which attract the payment of a bonus). The Committee considers that the rating scale for assessing executives’ performances needs to be applied more rigorously. The Committee is concerned that the extent to which bonuses have been paid to executives could give the impression that bonuses in the Victorian Public Service constitute a regular and expected supplementation to the base level salary of executives, rather than being a reward for exceptional performance. This misconception could erode the purpose of providing financial inducements as a motivation to improve individual and agency performance in achieving or exceeding output targets and business objectives.
Without abrogating the authority of agency heads to make decisions about the remuneration of their most senior staff, the Department of Premier and Cabinet needs to adopt a more vigilant approach in monitoring the application of the assessment criteria, with the aim of ensuring a fair, consistent and equitable assessment of performance bonuses across the Victorian Public Sector.

The Committee recommends that:

**Recommendation 7:** The Department of Premier and Cabinet ensure government agencies correctly apply the criteria for assessing the performance of executives.

**Recommendation 8:** A stronger nexus be developed between the executive performance management system and agencies’ accountability for the delivery of outputs and the achievement of business objectives.
CHAPTER 4: OCCUPATIONAL HEALTH AND SAFETY

Key Findings of the Committee:

4.1 WorkCover premiums for 2003-04 increased in most agencies (nine agencies or 69.2 per cent) compared to 2002-03.

4.2 Increases in remuneration and growth in staff numbers were the main factors contributing to higher WorkCover premium costs incurred by agencies, together with increases in the number of claims and the cost of claims.

4.3 The largest increases in WorkCover premium costs for 2003-04 were incurred by the Parliamentary Departments ($326,700 or 100.6 per cent) and the Department of Innovation, Industry and Regional Development ($46,900 or 25.9 per cent).

4.4 The Public Sector and Community Services industry had a 2.3 per cent reduction in the claims frequency rate for 2003-04 compared to 2002-03.

4.5 The performance of agencies in managing their occupational health and safety (OH&S) responsibilities in 2003-04 showed some favourable results, although there was room for improvement in certain agencies. It was encouraging that some agencies (e.g. the Department of Education and Training, the Department of Infrastructure, VicRoads and the Department of Justice) experienced a relatively stable or reduced number of WorkCover claims.

4.6 The Department of Education and Training achieved a reduction in costs associated with stress-related claims while the average cost of claims at the Department of Justice decreased from $30,000 in 2000-01 to $12,500 in 2003-04. In contrast, the Department of Innovation, Industry and Regional Development experienced a 60 per cent increase in active claims and an 80 per cent increase in days lost. Volatility between years and a historical low level of incidents were regarded by the department as contributing factors. At Victoria Police, claim numbers increased by 4.4 per cent between 2002-03 and 2003-04.

4.7 Over the three year period (2001-02 to 2003-04), occupational health and safety performance did not improve across public sector agencies at the rate foreshadowed by the government in its October 2001 OH&S Improvement Strategy for the Victorian Budget Sector when compared to the position in 2000-01.
Key Findings of the Committee - continued:

4.8 Over the three year period that followed the 2000-01 baseline year, Parliamentary Departments and VicRoads were the best performing agencies, improving their OH&S performance in all of the four WorkCover indicators set by the government. The Committee noted that for three of the four indicators, VicRoads significantly exceeded the target for an improvement of 20 per cent over three years. However, in striving to achieve the improvement target, mixed results were shown by the remaining agencies.

4.9 In six agencies (Department of Education and Training; Department of Human Services; Department of Infrastructure; Department of Premier and Cabinet and Museum Victoria and the Department of Treasury and Finance) the claims frequency rate and the claims-cost ratio rose, after allowing for variations in remuneration.

4.1 Introduction

The general government sector comprises around 30 government agencies and departments which source 50 per cent or more of their funding from the budget. This includes funding to meet the costs of WorkCover premiums. Collectively, the budget sector represented about 11 per cent of total WorkCover premiums or $212 million in annual premiums in 2003-04.

The Budget Sector Occupational Health and Safety (OH&S) Improvement Strategy was initiated by the Victorian Government in March 2001. The objective of the strategy was for each agency to achieve a target of 20 per cent improvement in specifically defined WorkCover performance indicators over a three year period. The strategy was designed to provide a coordinated approach to improving occupational

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79 Department of Treasury and Finance, OH&S Improvement Strategy for the Victorian Budget Sector, October 2001, p.2
80 ibid.
81 ibid., pp.3 and 7
health and safety and injury management outcomes, thereby reducing and containing premium costs. The information indicators adopted were:

- Incidence of claims
  - number of reported standard claims; and
  - claims frequency rate (number of reported claims per $ million remuneration).

- Claims costs
  - average cost of claims; and
  - claims-cost ratio (claims cost per $ million remuneration).

While the initial project was over a three year period, it was expected that agencies would continue to review their management of OH&S and adopt improved work safety practices.

Given that 2003-04 was the final year of the three year period of the strategy, the Committee was interested in examining across a number of agencies various issues surrounding WorkCover premiums, the management of OH&S and the extent to which agencies achieved a 20 per cent improvement in performance during 2003-04 as provided for in the government’s WorkCover performance indicators.

### 4.2 WorkCover premiums

The Committee analysed the extent of WorkCover premiums paid by agencies for 2003-04, reviewed the changes from 2002-03 and examined the key factors that contributed to the varying cost of premiums from 2002-03 to 2003-04.

Quantification of premiums levied on agencies for 2003-04 and comparison of movements from 2002-03 are shown in exhibit 4.1. The Committee’s review showed that WorkCover premiums for 2003-04 increased in most agencies (nine agencies or 69.2 per cent) compared to the previous financial year. This was predominantly due to a range of factors with increases in remuneration, including growth in staff numbers, being the main driver in most agencies, together with increases in claim numbers and costs, for example, at the Department of Education and Training and the Department of Innovation, Industry and Regional Development. The Parliamentary Departments had the largest increase (100.6 per cent) due to a number of factors, including an increase in Members’ superannuation contributions that added approximately 25 per cent to remuneration costs.

The Committee was advised that action has been...

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84 ibid., pp.2–3
85 ibid., p.7
87 ibid.
88 Parliamentary Departments response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.5
taken by the Parliamentary Departments to reduce the cost of premiums in future. The Department of Innovation, Industry and Regional Development’s WorkCover premium increase of 25.9 per cent was the next largest. This was due to a rateable remuneration increase of approximately $2.5 million and a combination of factors connected with past claims and industry rates. The Committee also noted that at Victoria Police an increase in remuneration added $5.1 million to the WorkCover premium of that agency.

There were only four agencies that achieved a reduction in WorkCover premiums for 2003-04. For the two larger agencies, reduced premiums were attributable to a reduction in remuneration and a change in the nature of claims (at the Department of Infrastructure) and a reduction in the number of claims (at Department of Premier and Cabinet).

The Committee was interested to learn that the Public Sector and Community Services industry experienced a 2.3 per cent reduction in its claims frequency rate in 2003-04 compared to 2002-03.

89 ibid., p.6
90 Department of Innovation, Industry and Regional Development response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.9
91 ibid.
92 Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.12
93 Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.17
94 Department of Premier and Cabinet response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.6
95 Victorian WorkCover Authority, 2003-04 Annual Report, p.25
### Exhibit 4.1: WorkCover premiums paid by agencies

<table>
<thead>
<tr>
<th>Agency</th>
<th>Total EFT Staff June 2004</th>
<th>Total EFT Staff June 2003</th>
<th>Column (1) 2003-04 Premium (inclusive of GST) ($000)</th>
<th>Column (2) 2002-03 Premium (inclusive of GST) ($000)</th>
<th>Change from 2002-03 to 2003-04 ($000)</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parliamentary Departments (a)</td>
<td>(est.) 456.49</td>
<td>439.7</td>
<td>651.3</td>
<td>324.6</td>
<td>+326.7</td>
<td>+100.6</td>
</tr>
<tr>
<td>Department of Education and Training</td>
<td>49,896.9</td>
<td>49,843.5</td>
<td>50,618.0</td>
<td>47,246.0</td>
<td>+3,372.0</td>
<td>+7.1</td>
</tr>
<tr>
<td>TAFE Institutes</td>
<td>10,450.4</td>
<td>10,527.6</td>
<td>4,720.0</td>
<td>4,346.0</td>
<td>+374.0</td>
<td>+8.6</td>
</tr>
<tr>
<td>Victorian Curriculum and Assessment Authority</td>
<td>161.9</td>
<td>149.7</td>
<td>1.79</td>
<td>1.82</td>
<td>-0.03</td>
<td>-1.6</td>
</tr>
<tr>
<td>Centre for Adult Education</td>
<td>173.7</td>
<td>150.2 (Dec03)</td>
<td>61.0</td>
<td>62.0</td>
<td>-1.0</td>
<td>-1.6</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>11,073</td>
<td>11,017</td>
<td>26,002.9</td>
<td>23,887.0</td>
<td>+2,115.9</td>
<td>+8.9</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>799.6</td>
<td>736.3</td>
<td>371.9</td>
<td>380.4</td>
<td>-8.5</td>
<td>-2.2</td>
</tr>
<tr>
<td>VicRoads</td>
<td>2,272.15</td>
<td>2,194.61</td>
<td>3,917.0</td>
<td>3,551.3</td>
<td>+365.7</td>
<td>+10.3</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>672.98</td>
<td>667.0</td>
<td>228.1</td>
<td>181.2</td>
<td>+46.9</td>
<td>+25.9</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>4,895.2</td>
<td>4,632.0</td>
<td>9,784</td>
<td>8,765</td>
<td>+1,019</td>
<td>+11.6</td>
</tr>
<tr>
<td>Victoria Police</td>
<td>12,852.9</td>
<td>12,674.5</td>
<td>73,800</td>
<td>66,500</td>
<td>+7,300</td>
<td>+11.0</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>320.48</td>
<td>291.31</td>
<td>119.6</td>
<td>128.2</td>
<td>-8.6</td>
<td>-6.7</td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>(c) 2,657</td>
<td>(c) 2,569</td>
<td>1,369.0</td>
<td>(b) n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>(c) 2,672</td>
<td>(c) 2,659</td>
<td>2,872.0</td>
<td>(d) n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>511.0</td>
<td>491.0</td>
<td>129.7</td>
<td>124.7</td>
<td>+5.0</td>
<td>+4.0</td>
</tr>
<tr>
<td>Department for Victorian Communities</td>
<td>643.0</td>
<td>559.0</td>
<td>574.9</td>
<td>(e) n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>
Notes: (a) Workforce data drawn from Public Accounts and Estimates Committee Report on the 2004-05 Budget Estimates p.172. WorkCover premium is based on salary and on costs of all employees and Members of Parliament. Claims experience is factored into the calculation and a claim has a flow on effect for three years

(b) Due to machinery of government changes in December 2002 (Department of Primary Industries was not in existence prior to 5 December 2002) it is not possible to provide the percentage change. During 2002-03 Department of Primary Industries’ WorkCover premiums were included in Department of Natural Resources and Environment and had not been split into the two new departments of Department of Sustainability and Environment and Department of Primary Industries. WorkCover premiums calculations are dependant on the organisation’s salary total, work locations, work activities, past claims etc. It is not possible to ascertain Department of Primary Industries’ notional 2002-03 premium

(c) These figures represent actual staff numbers regardless of how many hours worked in a week and not equivalent full-time positions

(d) The impact of the machinery of government changes (December 2002) on the premium for 2002-03 makes a direct comparison meaningless. In 2002-03, the combined premiums (for Department of Sustainability and Environment & Department of Primary Industries) for the year amounted to $5 million on total remuneration of $311 million

(e) As the department became a registered WorkCover employer effective 1 July 2003, comparative data is not available

Sources: Workforce data has been drawn from departmental annual reports; Information relating to premiums has been compiled from departmental responses to the Committee’s 2003-04 Budget Outcomes questionnaire
The Committee was also interested in determining the key factors that contributed to the increase or decrease in premiums for 2003-04. The explanations provided by agencies to the Committee are detailed in exhibit 4.2.

**Exhibit 4.2:** Contributing factors to the movement in WorkCover premiums paid by agencies for 2002-03 compared to 2003-04

<table>
<thead>
<tr>
<th>Department/Agency</th>
<th>Contributing factors</th>
</tr>
</thead>
</table>
| Parliamentary Departments (+100.6 %)     | Measuring premium is difficult as premium is based on the Parliamentary Departments salary bill and on costs including superannuation. The increase in premiums paid between 2002-03 and 2003-04, although projected, increased greatly as a result of several significant factors:  
the effect of the previous year’s claims experience;  
an increase to Members’ superannuation contributions added approximately 25 per cent to the total remuneration costs;  
an increase in the number of Committees and staff;  
salary increases for electorate officers; and  
the higher cost and frequency of stress claims.  
The Department of Parliamentary Services anticipates that premiums will decrease by about 20 per cent in 2004-05. |
| Department of Education and Training and associated agencies (+ 7.2%) | The 7.2 per cent increase in the total WorkCover premiums paid by the department for the financial year 2003-04 is largely attributable to the 7.1 per cent increase in the department’s confirmed premium from 2002-03 to 2003-04.  
Under the Victorian WorkCover Authority’s premium calculation process, claims lodged in 2001-02 and 2002-03 are included in the calculation of premiums for 2003-04. As a consequence, an increase in claims numbers and costs in those years has adversely impacted on the department’s 2003-04 premium cost.  
The other factor that contributed to the increased premium cost was a 2.9 per cent increase of $82.9 million in the department’s remuneration from 2002-03 to 2003-04. As the premium rate calculated by the Victorian WorkCover Authority is applied to an employer’s annual remuneration, any increase in remuneration will result in an increase in the premium.  
The calculation of the 2003-04 confirmed premium did not take account of the costs of claims lodged during 2003-04 and therefore does not reflect the improvement in the department’s performance that occurred from 2002-03 to 2003-04 when there was no significant increase in claim numbers and the actual incurred costs on claims lodged during 2003-04 reduced by 11.9 per cent. |
### Exhibit 4.2 – continued

<table>
<thead>
<tr>
<th>Department/Agency</th>
<th>Contributing factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Human Services (+8.9%)</td>
<td>The key driver of the increase in premium was an increase in the number of standard claims recorded in 2003-04. This increase in the number of claims reflects a common transitional occurrence, which the Victorian WorkCover Authority has advised is a situation commonly experienced by organisations which implement OH&amp;S Improvement Strategies as a result of establishing better reporting mechanisms. The current claims estimate for 2004-05 based on year to date figures supports this advice, indicating a significant reduction in claims due to the effects of improved work safety practices introduced through the department’s OH&amp;S Improvement Strategy. Ongoing reductions in claim numbers should be reflected in reduced premiums in the future.</td>
</tr>
<tr>
<td>Department of Infrastructure (-2.2%)</td>
<td>Remuneration for 2003-04 decreased compared to 2002-03. The department experienced a change in the nature of claims from those associated with minor accidents and injuries to those associated with stress factors.</td>
</tr>
<tr>
<td>VicRoads (+10.3%)</td>
<td>Higher cost associated with stress-related claims.</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development (+25.9%)</td>
<td>A rateable remuneration increase of approximately $2.5 million from that in 2002-03 and a combination of factors around past claims cost and industry rates.</td>
</tr>
</tbody>
</table>
| Department of Justice (+11.6%) | WorkCover Premium in both 2002-03 and 2003-04 was calculated using a complex formula which included a number of variables. Each of the variables had some impact on the increase of the premium, as detailed below:  
**Remuneration**  
Remuneration is the greatest driver of premium costs in all instances. The increase in remuneration from $278,513,801 in 2002-03 to $333,216,441 in 2003-04 was the primary factor in the increase in premium over that time. This variable is largely outside the control of the department.  
**Claims Costs**  
The department achieved a significant reduction in total claims costs, from $5,416,920 to $3,397,160 over the same period which served to minimise the premium increase. This variable is within departmental control. Claims cost increases in workplaces with low remuneration serve to increase premium costs inordinately. Some Community Corrections Centres suffered dramatic increases in premium as a consequence of the impact of this variable.  
**‘F Factors’**  
The Victorian WorkCover Authority imposed an actuarial adjustment on claims costs in the calculation of the premium in both years. These factors multiply claims costs by different rates in different years. As the F Factors are set by the WorkCover Authority, they are outside the control of the department. |
### Exhibit 4.2 – continued

<table>
<thead>
<tr>
<th>Department/Agency</th>
<th>Contributing factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Justice (cont.)</td>
<td><strong>Sizing Factor</strong>&lt;br&gt; This variable relates to the department's remuneration for all other employers in the WorkCover system and has the effect of imposing a greater weighting of both claims costs and prior rates in the calculation for larger employers. As such, it will have impacted to increase the premium slightly. Again, this variable is outside the control of the department. <strong>Prior Rates</strong>&lt;br&gt; The previous year's premium rate, calculated at individual workplace level, is also brought into the formula in a small degree. As the 2002-03 premium rate was lower than that for 2003-04, this variable has a negligible impact on minimising the premium increase. <strong>The other variable in the formula is that of industry rate. As this did not vary across the years, it has had no impact on the movement in premium.</strong></td>
</tr>
<tr>
<td>Victoria Police (+11.0%)</td>
<td>The key driver for the increase was a growth in remuneration. The initial premium for 2003-04 of $68.7 million was a moderate increase of 3.3 per cent on the previous year's premium. The confirmed premium factored in an increase, from $766.5 million in 2002-03 to $815.9 million in 2003-04, in remuneration. The impact of this increase in remuneration added $5.1 million directly to the confirmed premium. Other factors were the growth in remuneration in 'high rate' work places and a gradual shift in claim profiles.</td>
</tr>
<tr>
<td>Department of Premier and Cabinet (-6.7%)</td>
<td>Overall decrease in claims in the core department compared to 2002-03.</td>
</tr>
<tr>
<td>Department of Sustainability and Environment (a)</td>
<td>The department implemented a number of programs and strategies to reduce premium costs, including: early intervention strategies; improved return to work; management assistance program; improved reporting that increased awareness of incidents and claims; and pro-active claims management strategies with the insurer.</td>
</tr>
<tr>
<td>Department of Treasury and Finance (+4.0%)</td>
<td>Increase in the department's certified remuneration.</td>
</tr>
</tbody>
</table>

**Note:** (a) The Department of Sustainability and Environment was only established in December 2002

**Sources:** Departmental responses to the Committee’s 2003-04 Budget Outcomes questionnaire: Parliamentary Departments p.5, Department of Education and Training and associated agencies p.12, Department of Human Services p.11, Department of Infrastructure p.17, VicRoads p.17, Department of Innovation, Industry and Regional Development p.9, Department of Justice pp.11–12, Victoria Police p.12, Department of Premier and Cabinet p.6, Department of Sustainability and Environment p.12 and Department of Treasury and Finance p.7
The Committee noted the explanations provided by the Parliamentary Departments, the Department of Infrastructure and VicRoads which highlighted that stress in the workforce appears to be a key OH&S risk factor in the public sector. This was confirmed in the 2003-04 annual report of the Victorian WorkCover Authority which stated that ‘WorkSafe has seen a growing number of claims for stress-related illness, particularly among workers whose day-to-day duties involve dealing with the public’.  

During 2003-04 WorkSafe continued targeting this problem through an education project, providing advice to agencies and developing a stress policy and strategy for intervention. The Committee also learnt that various stress prevention pilot projects were underway to determine the effectiveness of a risk management approach in reducing the negative impact of stress in departments. The Authority indicated that a major challenge for WorkSafe over the coming 12 months is to gain further understanding of workplace stress and its related issues and develop appropriate strategies for addressing them. The Committee intends to monitor the effectiveness of strategies aimed at addressing this emerging problem facing the public sector.

### 4.3 Provision of a safe and healthy workplace

The Committee was interested to determine:

- how effective agencies were in providing a safe and healthy workplace for workers and contractors in 2003-04;
- what key performance indicators were applied by agencies to monitor this; and
- how agencies performed against these indicators for 2003-04 compared to 2002-03

The Committee found that the breadth of indicators varied between agencies with some more sophisticated than others. For example, the Department of Human Services set performance targets for its performance measures such as a 75 per cent target for return to work within six weeks for standard claims and a 7 per cent reduction in the total number of standard claims compared to 2002-03. In contrast, the Department of Treasury and Finance did not apply key performance indicators for occupational health and safety.

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96 Victorian WorkCover Authority, 2003-04 Annual Report, p.28
97 ibid.
98 ibid.
99 ibid.
100 Department of Human Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.12
101 Department of Treasury and Finance response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.7
The performance of agencies in managing their occupational health and safety (OH&S) responsibilities in 2003-04 compared to 2002-03 showed some favourable results, although there was room for improvement in certain agencies. It was encouraging to find that, despite the adverse effect that the growth in remuneration including workforce numbers can have on OH&S performance, some agencies experienced a relatively stable or reduced number of WorkCover claims (for example, the Department of Education and Training, the Department of Infrastructure, VicRoads and the Department of Justice). The Committee was interested to learn that the Department of Education and Training had achieved a reduction in costs for stress-related claims\(^{102}\) while the average cost of claims at the Department of Justice decreased from $30,000 in 2000-01 to $12,500 in 2003-04.\(^{103}\) In contrast, the Department of Innovation, Industry and Regional Development experienced a 60 per cent increase in active claims and an 80 per cent increase in days lost. Volatility between years and a historically low level of incidents were regarded by the department as contributing factors. At Victoria Police, claim numbers have increased by 4.4 per cent over the past two years.

The following explanations for numbers of claims and cost of premiums were provided to the Committee:

(a) **Parliamentary Departments**

The Department of Parliamentary Services advised the Committee that the key performance indicators to show the effectiveness of the Parliamentary Departments performance in providing a safe and healthy workplace were a reduction in the number of claims and a reduction in the premium.\(^{104}\)

Parliamentary Departments’ WorkCover premium is based on salary and on costs of all employees and Members of Parliament.\(^{105}\) Further complicating the calculation of premiums is that claims experience is factored into the calculation and a claim has a flow on effect for three years.\(^{106}\) The cost of premiums were:\(^{107}\)

- WorkCover premium 2002-03 - $324,621.92
- WorkCover premium 2003-04 - $651,257.92

\(^{102}\) Department of Education and Training response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.13

\(^{103}\) Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.16

\(^{104}\) Parliamentary Departments response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.5

\(^{105}\) ibid.

\(^{106}\) ibid.

\(^{107}\) ibid.
As the Parliamentary Departments had a bad WorkCover claim period in 2001-02, this had affected the premium in 2002-03 and 2003-04.\(^{108}\) The Committee was advised that the bad claims year in 2000-01 affected the premium in 2001-02.\(^{109}\)

The Committee was advised the number of claims in 2003-04 had reduced from a target of 10 to an actual result of nine.\(^{110}\)

The effects of action taken to reduce WorkCover is reflected in the reduced premium in 2004-05 and reduced claim cost, even though staff and Members of Parliament have had salary increases.\(^{111}\)

**Exhibit 4.3:** Parliamentary Departments
workplace health and safety
actual performance for 2003-04 compared to target

<table>
<thead>
<tr>
<th></th>
<th>Claims Number</th>
<th>Claims Frequency (a)</th>
<th>Average Claim Cost ($000)</th>
<th>Claim Cost Ratio (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>03-04 Full Year Target</td>
<td>10</td>
<td>0.21</td>
<td>52.96</td>
<td>1.34</td>
</tr>
<tr>
<td>03-04 Full Year Actual</td>
<td>9</td>
<td>0.16</td>
<td>38.02</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Notes:  
(a) Number of reported claims per $ million remuneration  
(b) Total cost of reported claims per $ million remuneration

Source: Parliamentary Departments’ response to the Committee’s 2003-04 Budget Outcomes follow-up questions

**Exhibit 4.4:** Parliamentary Departments
number and cost of stress-related claims for 2003-04 compared to 2002-03

<table>
<thead>
<tr>
<th></th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Column 4</th>
<th>Column 5 (1+2/4)</th>
<th>Average cost of stress claims</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of stress related claims lodged</td>
<td>No. of stress related claims carried over from previous year</td>
<td>Total cost of stress related claims ($)</td>
<td>EFT staff (as at 30 June)</td>
<td>No. of claims as a % of EFT (%)</td>
<td></td>
</tr>
<tr>
<td>2002-03</td>
<td>2</td>
<td>2</td>
<td>94,643</td>
<td>515</td>
<td>0.8</td>
<td>23,660</td>
</tr>
<tr>
<td>2003-04</td>
<td>3</td>
<td>1</td>
<td>133,567</td>
<td>555</td>
<td>0.7</td>
<td>33,391</td>
</tr>
</tbody>
</table>

Source: Parliamentary Departments’ response to the Committee’s 2003-04 Budget Outcomes questionnaire p.6

\(^{108}\) ibid., p.6  
\(^{109}\) Parliamentary Departments response to the Committee’s follow-up questions  
\(^{110}\) Parliamentary Departments response to the Committee’s follow-up questions  
\(^{111}\) Parliamentary Departments response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.6
The Committee was advised that the number of standard claims has been reduced as a result of a higher number of stress claims being lodged, investigated, disputed and ultimately rejected in conjunction with the insurer.\textsuperscript{112} The average cost of claims has also reduced and the subsequent claims-cost ratio has reduced.\textsuperscript{113}

The significant factors that contributed to the reductions indicated above are linked closely with a more strategic claims management process involving the injured employee, managers, claims' manager (insurer) and human resources unit.\textsuperscript{114}

Furthermore, the OH&S Committee remained focused on policy and procedure development as well as risk assessment and control.\textsuperscript{115} The Committee also had a push on early injury reporting to action any incidents or identified hazards.\textsuperscript{116} The Parliamentary Departments have recorded an increase in the total number of injuries reported, (that comprise minor injuries not classified as standard such as trips, sprains, X-ray and medical expenses),\textsuperscript{117} but a decrease in the number that extend to standard claims.\textsuperscript{118} A standard claim is a claim that exceeds the employer liability, currently 10 days of weekly compensation payments or $506 of medical and like expenses.\textsuperscript{119}

### (b) Department of Education and Training

Total claim numbers increased slightly from 1,113 in 2002-03 to 1,117 in 2003-04.\textsuperscript{120} The total actual incurred costs on claims decreased by 11.9 per cent, from $4.2 million in 2002-03 to $3.7 million in 2003-04.\textsuperscript{121}

These reductions were due to:\textsuperscript{122}

- a reduction of 5.9 per cent in the number of stress claims from 237 in 2002-03 to 223 in 2003-04;
- a reduction of 5.9 per cent in the number of sprain and strain claims from 493 in 2002-03 to 464 in 2003-04;
- a reduction of 19.4 per cent in the total actual incurred costs of stress claims from $1.7 million in 2002-03 to $1.4 million in 2003-04; and
- a reduction of 20.4 per cent in the average costs of stress claims from 2002-03 to 2003-04.

\textsuperscript{112} ibid.
\textsuperscript{113} ibid.
\textsuperscript{114} ibid.
\textsuperscript{115} ibid.
\textsuperscript{116} ibid.
\textsuperscript{117} Parliamentary Departments response to the Committee’s follow-up questions
\textsuperscript{118} Parliamentary Departments response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.6
\textsuperscript{119} Parliamentary Departments response to the Committee’s follow-up questions
\textsuperscript{120} Department of Education and Training response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.12
\textsuperscript{121} ibid.
\textsuperscript{122} ibid., p.13
The reductions were offset by a 12.3 per cent increase in the number of claims in the ‘other’ category, which includes contusions, cuts and abrasions for example, from 383 in 2002-03 to 430 in 2003-04. This was mainly due to a recoding of some sprains and strains claims into other categories.

(c) Department of Human Services

The following information summarises performance against the department’s key performance indicators:

- 75 per cent of employees who made standard claims return to work within 6 weeks – the department achieved a return-to-work rate of 71 per cent for 2003-04, significantly better than the 63 per cent achieved in 2002-03;
- 100 per cent of claims are forwarded to the insurer within statutory timeframes – target fully met;
- 7 per cent reduction in total number of standard claims compared to 2002-03 – target achieved by three regions;
- 10 per cent reduction in manual handling lost time injuries (LTIs) – target achieved by two regions;
- 5 per cent reduction in occupational assault LTIs – target achieved by the department;
- 5 per cent reduction in slips, trips and falls – target achieved in three regions;
- 2 per cent reduction in stress-related LTIs – target achieved by the department;
- target of zero (0) improvement notices that are a direct result of activities not being implemented from the consolidated Regional Action Plan – target was fully met; and
- achievement in the Safety Performance Management System – target was fully met.

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123 ibid.
124 ibid.
125 Department of Human Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.12
126 Department of Human Services response to the Committee’s follow-up questions
127 ibid.
128 ibid.
129 ibid.
130 ibid.
(d) **Department of Infrastructure**

The key performance indicators applied by the department to monitor effectiveness of performance in managing workplace safety were: claim numbers; costs; and successful, early return to work.\(^{131}\)

The number of claims and reported claims frequency decreased in 2003-04 compared to 2002-03. However, average claims costs increased.\(^{132}\) For these periods, the number of reported claims decreased from ten to eight and reported claims frequency declined marginally from 0.13 to 0.12.\(^{133}\) However, the average cost of claims increased significantly over this period, from $9,720 to $24,750.\(^ {134}\) According to the department, this may be attributed to the type of claim, in particular more complex claims associated with stress factors.\(^ {135}\)

(e) **VicRoads**

The performance of VicRoads for 2003-04 in managing its occupational health and safety responsibilities compared to 2002-03 is shown in exhibit 4.5.\(^ {136}\)

Exhibit 4.5: **VicRoads**

performance in managing occupational health and safety responsibilities

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>2002-03</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>OH&amp;S Planning (Safety Management Plans in all business areas)</td>
<td>85%</td>
<td>100%</td>
</tr>
<tr>
<td>Corrective Action (Internal / VWA interventions closed out on time)</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Safety Record (OH&amp;S Incident rate per 100 employees)</td>
<td>18.4%</td>
<td>16.6%</td>
</tr>
<tr>
<td>(No. Standard WorkCover claims)</td>
<td>52</td>
<td>51</td>
</tr>
</tbody>
</table>

*Source: Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.18*

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131 Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.17

132 ibid., p.18

133 Department of Infrastructure response to the Committee’s follow-up questions

134 ibid.

135 Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.18

136 ibid.
(f) **Department of Innovation, Industry and Regional Development**

Historically the level of incidents for this department has been low comparative to other organisations of a similar size and performing similar functions. However, the department's average claims cost can be volatile from one year to another.\(^{137}\) The department monitors a number of performance indicators as part of its OH&S strategy and includes those indicators established by the Department of Treasury and Finance for the Government's Budget Sector Occupational Health and Safety Improvement Strategy.\(^{138}\)

During 2002-03 the department averaged 2.0 active standard claims throughout the year with total days lost of 238.\(^{139}\) During 2003-04 the department averaged 3.25 active standard claims throughout the year with total days lost of 427.\(^{140}\) This equates to a 60 per cent increase in active claims and an 80 per cent increase in days lost.\(^{141}\)

(g) **Department of Justice**

The premium for the 2002-03 financial year was $8,764,610.\(^{142}\) This represented an 11.6 per cent increase ($1,018,904) over the previous year.\(^{143}\) However, the premium reduced by $857,273 (8.8 per cent) for the 2004-05 premium period.\(^{144}\)

The department indicated that standard claim numbers slightly increased across the past three years. The claim numbers are:\(^{145}\)

- 2001-02 – 128 standard claims
- 2002-03 – 152 standard claims
- 2003-04 – 152 standard claims

\(^{137}\) Department of Innovation, Industry and Regional Development response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.10

\(^{138}\) ibid.

\(^{139}\) ibid.

\(^{140}\) ibid.

\(^{141}\) ibid.

\(^{142}\) Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.13

\(^{143}\) ibid.

\(^{144}\) ibid.

\(^{145}\) ibid.
Even though claim numbers increased, the average cost of claims has consistently decreased.\(^\text{146}\) In 2000-01 the average costs were $30,000, whereas in 2003-04 the figure was down to $12,500.\(^\text{147}\) The claims cost rate (total claims costs/total remuneration) for the department was 1.6 per cent, compared to the average industry claims cost rate of 1.8 per cent.\(^\text{148}\) The Committee was told that the department's performance rating is better than the industry performance by 12.5 per cent.\(^\text{149}\)

In 2003-04, the department incurred 298 WorkCover claims (150 minor claims plus 148 standard claims).\(^\text{150}\) These accounted for the direct loss of 4007 working days – the equivalent of 13.5 days lost per claim.\(^\text{151}\) In 2001-02 and 2002-03 the average days lost were 17.4 and 15.6 respectively.\(^\text{152}\)

(h) **Victoria Police**

The key indicators are standard claim numbers, claim rates, costs and duration by injury type:\(^\text{153}\)

- the Claim Rate standardises claim numbers to show the proportion of the workforce affected by injury or illness. The claim rate used is claims per 100 (FTE) Full Time Equivalent employees;
- average incurred costs for claims received in the current year are compared to claims received in the previous year at the same development point; and
- claim duration is benchmarked to return-to-work thresholds and compared to previous year.

Performance against the above indicators for 2003-04 compared to 2002-03 was as follows:\(^\text{154}\)

- claim numbers increased by 4.4 per cent from 2002-03 to 2003-04;
- the claim rate for 2003-04 was 7.2 per 100 positions FTE, 0.2 per cent higher than 2002-03;
- the average cost of claims was reduced by 12.5 per cent; and
- from 2002-03 to 2003-04 there was a 12 per cent reduction in the number of claims with a duration over 26 weeks.

\(^{146}\) ibid.
\(^{147}\) ibid.
\(^{148}\) ibid.
\(^{149}\) ibid.
\(^{150}\) ibid.
\(^{151}\) ibid.
\(^{152}\) ibid.
\(^{153}\) ibid.
\(^{154}\) ibid., pp.13–14
(i)  **Department of Premier and Cabinet**

The Committee was informed that the Department of Premier and Cabinet had implemented a number of initiatives to ensure it provides a safe and healthy workplace.\(^{155}\) These initiatives include: holding OH&S Committee meetings every six weeks; providing timely and accurate advice to staff in relation to OH&S issues; providing access to health and well-being initiatives; ensuring sufficient numbers of first aid officers; maintaining records of injuries; undertaking regular safety inspections and risk assessments as required; ergonomic assessments on a routine basis.\(^{156}\)

In 2003-04 the department continued with initiatives that had commenced in 2002-03 such as occupational rehabilitation and ergonomic assessments, and implemented new initiatives to improve health and safety.\(^{157}\) New initiatives were: inclusion of OH&S responsibilities into all position descriptions; improved induction for visitors and contractors; implementation of new policies; increased access to health and well-being programs.\(^{158}\)

The department advised the Committee that quantitative indicators are in place for OH&S such as the number and cost of claims.\(^{159}\) A comparison of these indicators for 2002-03 and 2003-04 shows that the standard number of WorkCover claims increased from six to nine, while the cost of claims decreased significantly from $164,020 to $63,373 over the past two financial years.\(^{160}\)

(j)  **Department of Primary Industries**

The Department of Primary Industries commenced as a department in December 2002, and ceased the shared service agreement with the Department of Sustainability and Environment on 1 July 2003.\(^{161}\)

The Department of Primary Industries data in respect of its OH&S performance for 2003-04 is shown in exhibit 4.6.

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155 Department of Premier and Cabinet response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.6
156 ibid.
157 ibid.
158 ibid.
159 Department of Premier and Cabinet response, to the Committee’s follow-up questions
160 ibid.
161 Department of Primary Industries response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.8
Chapter 4: Occupational health and safety

Exhibit 4.6: Department of Primary Industries occupational health and safety actual performance for 2003-04 compared to target

<table>
<thead>
<tr>
<th></th>
<th>Claims Number</th>
<th>Claims Frequency (a)</th>
<th>Average claim cost</th>
<th>Claim Cost Ratio (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual</td>
<td>29</td>
<td>0.201</td>
<td>$21,815</td>
<td>0.004387</td>
</tr>
</tbody>
</table>

Notes:  
(a) Number of reported claims per $ million remuneration, as per Victorian WorkCover Authority Half-Year Report  
(b) Claims cost per $ million remuneration, as per Victorian WorkCover Authority Half-Year Report  
* Target data for Department of Primary Industries is unavailable as the IDC (Interdepartmental Committee’s) targets were established prior to the formation of the department

Sources: Department of Primary Industries response to the Committee’s 2003-04 Budget Outcomes p.8 and the Committee’s follow-up questions

(k) Department of Sustainability and Environment

The Department of Sustainability and Environment does not maintain or seek records for its agencies on issues relating to OH&S. Their agencies are responsible directly for their respective performance.

While a number of performance indicators exist in the department’s statewide SafeTCare strategy and associated local action plans, the primary performance indicator used by the department is Lost Time Injury (LTI) numbers. Performance of the department measured against this indicator is shown in exhibit 4.7.

Exhibit 4.7: Department of Sustainability and Environment Lost time injury numbers 2003-04 compared to 2002-03

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-03</td>
<td>94 claims from Department of Sustainability and Environment/Department of Primary Industries combined</td>
</tr>
<tr>
<td>2003-04</td>
<td>67 claims (Department of Sustainability and Environment only)</td>
</tr>
</tbody>
</table>

Source: Department of Sustainability and Environment response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.12

162 Department of Sustainability and Environment response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.12
163 ibid.
164 ibid.
165 ibid.
The Committee recommends that:

**Recommendation 9:** The Department of Sustainability and Environment monitor the occupational health and safety performance of its agencies to ensure that sound work safety practices are adopted and exposure to risks are minimised.

(1) **Department of Treasury and Finance**

Exhibit 4.8 shows a comparison of how the department has performed during 2003-04 compared to target for the four OH&S indicators.

**Exhibit 4.8:** Department of Treasury and Finance occupational health and safety actual performance for 2003-04 compared to target

<table>
<thead>
<tr>
<th>Claims Number</th>
<th>Claims Frequency (a)</th>
<th>Average Claim Cost (b)</th>
<th>Claim Cost Ratio (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>1</td>
<td>0.02</td>
<td>$2,750</td>
</tr>
<tr>
<td>Actual</td>
<td>3</td>
<td>0.07</td>
<td>$5,940</td>
</tr>
</tbody>
</table>

**Notes:**
(a) Claims frequency is the number of standardised claims per $ million of remuneration
(b) Fully developed claims cost divided by the number of claims. Claims cost include not only payments made to date but estimates of outstanding claims liability
(c) Fully developed claims cost as a percentage of remuneration

**Source:** Department of Treasury and Finance response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.8

While the Committee was advised by the department that it does not apply key performance indicators to issues relating to OH&S, the Committee was informed that a number of initiatives are in place to ensure the department provides a safe and healthy workplace.166 They are: holding OH&S Committee meetings every six weeks; providing timely and accurate advice to staff in relation to OH&S issues; providing access to health and well-being initiatives; ensuring sufficient numbers of first aid officers; maintaining records of injuries; undertaking regular safety inspections and risk assessments as required; and providing ergonomic assessments on a routine basis.167

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166 Department of Treasury and Finance response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.7
167 Ibid.
In 2003-04 the department continued with these initiatives and implemented new initiatives to improve health and safety.\textsuperscript{168} The new initiatives were: inclusion of OH&S responsibilities into all position descriptions; improved induction for visitors and contractors; implementation of new policies; and increased access to health and well-being programs.\textsuperscript{169}

The Committee recommends that:

**Recommendation 10:** The Department of Treasury and Finance develop a range of performance indicators to assess its effectiveness in managing occupational health and safety responsibilities and risks.

\textit{(m) Department for Victorian Communities}

The Department for Victorian Communities established its OH&S processes in July 2003.\textsuperscript{170} Their efforts have focused on setting the groundwork for a consolidation of the best policies and practices from each of the six departments in which staff were originally based.\textsuperscript{171}

Key performance indicators and results for 2003-04 are listed below:\textsuperscript{172}

- establish an OH&S Committee with representatives from across the department, including management and staff – the Committee was established in August 2003;
- define and agree designated work groups and ensure these meet the legislative requirements – 13 designated work groups were agreed in November 2003 in accordance with legislative requirements;
- elect OH&S representatives with at least one representative per designated work group – following an election process with input from the CPSU, this target was met with the appointment of 13 OH&S representatives;
- appoint First Aid Officers – 27 nominated First Aid Officers were appointed and fully trained across a range of departmental work units;
- undertake ergonomic assessment for staff relocating to 1 Spring Street – ergonomic assessments were offered to all relocating staff. A total of 237 staff received a professional ergonomic assessment of their individual work station;

\textsuperscript{168} ibid.
\textsuperscript{169} ibid.
\textsuperscript{170} Department for Victorian Communities response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.12
\textsuperscript{171} ibid.
\textsuperscript{172} ibid.
• review OH&S policy requirements – a comprehensive review commenced and a series of new polices have been introduced through a consultative process with the OH&S Committee and the CPSU. The OH&S policy framework was launched through the department’s intranet to all staff in January 2004; and
• undertake activities to promote safety during Work Safe week.

As the department became a registered WorkCover employer effective 1 July 2003, comparative data is not available.173

While the Department for Victorian Communities did not participate in the Government’s WorkCover Improvement Strategy that commenced in 2001, the Department of Treasury and Finance provided some ‘manufactured’ baseline target data for use by the department.174 The results are provided in exhibit 4.9. As can be seen from the results for 2003-04, while the number of claims was higher than the target, the claims costs were below the target.

Exhibit 4.9: Department for Victorian Communities occupational health and safety actual performance for 2003-04 compared to target

<table>
<thead>
<tr>
<th></th>
<th>Claims Number</th>
<th>Claims Frequency</th>
<th>Average Claim Cost ($000)</th>
<th>Claim Cost Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 2004 full-year Target</td>
<td>1</td>
<td>.08</td>
<td>38.78</td>
<td>.40</td>
</tr>
<tr>
<td>30 June 2004 full-year Actual</td>
<td>4</td>
<td>.10</td>
<td>26.39</td>
<td>.27</td>
</tr>
</tbody>
</table>

Source: Department for Victorian Communities response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.13

4.4 Performance against the government’s occupational health and safety improvement strategy

The Committee recognises that any comparison of the number and cost of WorkCover claims between periods has to be cognisant of the effect that increases in remuneration including workforce numbers will have on occupational health and safety performance.

The Committee’s analysis revealed that the Parliamentary Departments were the only agency that achieved a 20 per cent improvement in all of the government’s indicators compared to the 2000-01 baseline data over the three year period to 2003-04. VicRoads, in achieving significant reductions in excess of 20 per cent for all indicators except for the average claims cost (improved by 3.6 per cent), was the

173 Department for Victorian Communities response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.12
174 ibid., p.13
second leading agency during this period. The Committee noted that agencies performed poorly in meeting the targets associated with the incidence of claims (for example, the number of reported standard claims, and the claims frequency rate which shows the number of reported claims per $ million remuneration). Exceptions were the Department of Innovation, Industry and Regional Development; VicRoads; Parliamentary Departments and, to a lesser extent, Victoria Police.

In focusing on the OH&S performance of agencies measured against the claims frequency rate and the claims-cost ratio, which reflect variations in remuneration, the Committee found that contrary to achieving a 20 per cent improvement over the three year period, the frequency and claims-cost ratio both rose in a number of agencies with significant increases experienced at the Department of Treasury and Finance and Museum Victoria.

These agencies are listed below:

- Department of Education and Training;
- Department of Human Services;
- Department of Infrastructure;
- Department of Premier and Cabinet;
- Museum Victoria; and
- Department of Treasury and Finance.

A comparison of the OH&S performance for 2003-04 to the 2000-01 baseline information is shown in exhibit 4.10
Exhibit 4.10: Movement in occupational health and safety indicators performance for 2003-04 compared to 2000-01 baseline data

<table>
<thead>
<tr>
<th>Agency</th>
<th>No. of reported standard claims</th>
<th>Claims frequency rate</th>
<th>Average cost of claims ($000)</th>
<th>Claims cost ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parliamentary Departments</td>
<td>12</td>
<td>9</td>
<td>-25.0</td>
<td>0.27</td>
</tr>
<tr>
<td>Department of Education and Training</td>
<td>850</td>
<td>942</td>
<td>+10.8</td>
<td>0.27</td>
</tr>
<tr>
<td>TAFE Institutes</td>
<td>100</td>
<td>108</td>
<td>+8.0</td>
<td>0.23</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>360</td>
<td>493</td>
<td>+36.9</td>
<td>0.64</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>4</td>
<td>8</td>
<td>+100</td>
<td>0.08</td>
</tr>
<tr>
<td>VicRoads</td>
<td>77</td>
<td>51</td>
<td>-33.7</td>
<td>0.59</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>6</td>
<td>2</td>
<td>-66.7</td>
<td>0.09</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>119</td>
<td>148</td>
<td>+24.4</td>
<td>0.50</td>
</tr>
<tr>
<td>Victoria Police</td>
<td>960</td>
<td>930</td>
<td>-3.1</td>
<td>1.45</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>5</td>
<td>9</td>
<td>+80.0</td>
<td>0.11</td>
</tr>
<tr>
<td>Museum Victoria</td>
<td>2</td>
<td>7</td>
<td>+250</td>
<td>0.07</td>
</tr>
<tr>
<td>National Gallery of Victoria</td>
<td>3</td>
<td>4</td>
<td>+33.3</td>
<td>0.32</td>
</tr>
</tbody>
</table>
### Exhibit 4.10 – continued

<table>
<thead>
<tr>
<th>Agency</th>
<th>No. of reported standard claims</th>
<th>Claims frequency rate</th>
<th>Average cost of claims ($000)</th>
<th>Claims cost ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Library of Victoria</td>
<td>6 6 0.0 0.3 0.33 10.0 31.1 16.21 -47.9 0.94 0.53 -43.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>-- -- n/a -- -- n/a -- -- n/a -- -- n/a -- -- n/a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>56 84 +50.0 0.32 0.47 46.8 30.87 17.43 -43.5 1.0 0.82 -18.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Treasury and Finance (b)</td>
<td>1 3 +200 0.02 0.07 250 3.43 5.94 73.2 0.01 0.04 +300</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department for Victorian Communities</td>
<td>-- -- n/a -- -- n/a -- -- n/a -- -- n/a -- -- n/a</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
(a) The above percentage movements were calculated by referring to the information contained in departmental responses to the Committee’s 2003-04 Budget Outcomes questionnaire

(b) Includes State Revenue Office and the Essential Services Commission

**Sources:** Parliamentary Departments’ response to the Committee’s follow-up questions, Department of Education and Training response to the Committee’s 2003-04 Budget Outcomes questionnaire pp.13–14, Department of Human Services follow-up questions, Department of Infrastructure questionnaire response pp.18–19, Department of Innovation, Industry and Regional Development questionnaire response pp.11–12, Department of Justice 2003-04 Annual Report p.147, Victoria Police 2003-04 Annual Report p.38, Department of Premier and Cabinet response to the Committee’s 2003-04 Budget Outcomes questionnaire p.7, Department of Sustainability and Environment questionnaire response pp.12–13 and Department of Treasury and Finance response to the Committee’s follow-up questions, Department of Premier and Cabinet response to the Committee’s follow-up questions, Department of Innovation, Industry and Regional Development response to the Committee’s follow-up questions
More detailed information that quantifies how individual departments and associated agencies performed during 2003-04 compared to targets set by the government for the desired rate of improvement to be achieved against 2000-01 baseline data is shown below.

(a) Parliamentary Departments

Parliamentary Departments was the only agency to achieve an improvement of greater than 20 per cent in each of the four OH&S indicators compared to the baseline data of 2000-01.

(b) Department of Education and Training

Exhibit 4.11 summarises the performances of the Department of Education and Training and TAFE Institutes in respect of the targets established by the Department of Treasury and Finance.

Exhibit 4.11: Department of Education and Training and TAFE Institutes
occupational health and safety actual performance for 2003-04 compared to 2003-04 targets

<table>
<thead>
<tr>
<th>DE&amp;T &amp; TAFE Institutes</th>
<th>Number of Claims</th>
<th>Frequency of Claims</th>
<th>Average Claim Cost ($000)</th>
<th>Claim Cost Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Education and Training</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-06-04 Full Year Target</td>
<td>680</td>
<td>0.22</td>
<td>26.15</td>
<td>0.70</td>
</tr>
<tr>
<td>30-06-04 Full Year Actual</td>
<td>942</td>
<td>0.31</td>
<td>29.68</td>
<td>0.92</td>
</tr>
<tr>
<td>Full three year OH&amp;S Improvement Strategy Target</td>
<td>680</td>
<td>0.22</td>
<td>26.15</td>
<td>0.70</td>
</tr>
<tr>
<td>Full three year OH&amp;S Improvement Strategy Actual</td>
<td>942</td>
<td>0.31</td>
<td>29.68</td>
<td>0.92</td>
</tr>
<tr>
<td>TAFE Institutes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-06-04 Full Year Target</td>
<td>80</td>
<td>0.19</td>
<td>33.23</td>
<td>0.78</td>
</tr>
<tr>
<td>30-06-04 Full Year Actual</td>
<td>108</td>
<td>0.27</td>
<td>27.69</td>
<td>0.74</td>
</tr>
<tr>
<td>Full three year OH&amp;S Improvement Strategy Target</td>
<td>80</td>
<td>0.19</td>
<td>33.23</td>
<td>0.78</td>
</tr>
<tr>
<td>Full three year OH&amp;S Improvement Strategy Actual</td>
<td>108</td>
<td>0.27</td>
<td>27.69</td>
<td>0.74</td>
</tr>
</tbody>
</table>

Source: Department of Education and Training response to the Committee’s 2003-04 Budget Outcomes questionnaire pp.13–14
The Committee noted that the above outcomes show that in all cases performance did not achieve targets, below target with the exception of the average claim cost and claim cost ratio indicators where the performance of TAFE institutes was better than target.

(c) Department of Human Services

The Department of Human Services has experienced increases in target categories over the period. However, the Victorian WorkCover Authority has advised that this is a situation commonly experienced by organisations which implement OH&S Improvement Strategies as a result of establishing better reporting mechanisms.175 The current claims estimate for 2004-05, based on year-to-date figures, supports this advice and indicates that the department’s investment in OH&S efforts is now showing a significant reduction in claims (around 15 per cent).176

The Committee noted the information conveyed by the department that:177

- the total number of standard WorkCover claims for the Juvenile Justice centres has fallen significantly – 68 claims in 2003-04 and an estimated 33 claims in 2004-05. The claims frequency rate has consequently fallen dramatically;
- Eastern Metropolitan and North and West Metropolitan Regions have similarly reported reduced claim numbers (100 versus 74 and 146 versus 105 respectively). The claims frequency rates for these two regions have also fallen; and
- the cost of claims for the department is anticipated to fall from $22.7 million in 2003-04 to $19.3 million in 2004-05.

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175 Department of Human Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.13
176 ibid.
177 Department of Human Services response to the Committee’s follow-up questions
(d) **Department of Infrastructure**

Exhibit 4.12: Department of Infrastructure occupational health and safety actual performance for 2003-04 compared to 2000-01 baseline data

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Baseline (a)</th>
<th>Target (2003-04)</th>
<th>% Expected Change (3 years) (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) No. of reported claims</td>
<td>4</td>
<td>3</td>
<td>-25</td>
</tr>
<tr>
<td>Actual (c)</td>
<td></td>
<td>8</td>
<td>100</td>
</tr>
<tr>
<td>(ii) Reported claims frequency rate</td>
<td>0.08</td>
<td>0.07</td>
<td>-12.5</td>
</tr>
<tr>
<td>Actual</td>
<td></td>
<td>0.12</td>
<td>50</td>
</tr>
<tr>
<td>(iii) Average claim cost current year</td>
<td>$20,430</td>
<td>$16,350</td>
<td>-20</td>
</tr>
<tr>
<td>Actual</td>
<td></td>
<td>$24,750</td>
<td>21.1</td>
</tr>
<tr>
<td>(iv) Claims cost ratio current year</td>
<td>0.19</td>
<td>0.17</td>
<td>-10.5</td>
</tr>
<tr>
<td>Actual</td>
<td></td>
<td>0.3</td>
<td>76.5</td>
</tr>
</tbody>
</table>

**Notes:**
(a) baseline data and targets established in initial action plan – adjusted
(b) total % change in performance indicators projected over the three year period on a pro-rata basis
(c) actual figures based on data provided by the Victorian WorkCover Authority to the Department of Treasury and Finance in October 2004

**Source:** Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire p.18

The Committee was informed that the Department of Infrastructure and its agencies have improved systems for the management of OH&S and to promote a strong safety culture. In particular more rigour has been introduced into systems for identifying and managing risks.

Within the Department of Infrastructure the number of claims and claims frequency rate have decreased, although the average cost and claims-cost ratio have increased.
Chapter 4: Occupational health and safety

(e) **VicRoads**

Exhibit 4.13: VicRoads occupational health and safety actual performance for 2003-04 compared to 2000-01 baseline data

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Baseline (a)</th>
<th>Target</th>
<th>% Expected Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000-01</td>
<td>2003-04</td>
<td>(3 years) (b)</td>
</tr>
<tr>
<td>(i) No. of reported claims</td>
<td>77</td>
<td>62</td>
<td>-19.5</td>
</tr>
<tr>
<td>Actual (c)</td>
<td>51</td>
<td></td>
<td>-33.7</td>
</tr>
<tr>
<td>(ii) Reported claims frequency rate</td>
<td>0.59</td>
<td>0.47</td>
<td>-20</td>
</tr>
<tr>
<td>Actual</td>
<td>0.35</td>
<td></td>
<td>-40.6</td>
</tr>
<tr>
<td>(iii) Average claim cost current year</td>
<td>$21,490</td>
<td>$17,190</td>
<td>-20</td>
</tr>
<tr>
<td>Actual</td>
<td>$20,710</td>
<td></td>
<td>-3.6</td>
</tr>
<tr>
<td>(iv) Claims cost ratio current year</td>
<td>1.26</td>
<td>1.01</td>
<td>-20</td>
</tr>
<tr>
<td>Actual</td>
<td>0.72</td>
<td></td>
<td>-42.8</td>
</tr>
</tbody>
</table>

Notes: (a) baseline data and targets established in initial action plan – adjusted  
(b) total % change in performance indicators projected over the three year period on a pro-rata basis   
(c) actual figures based on data provided by the Victorian WorkCover Authority to the Department of Treasury and Finance in Oct 2004

Source: Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire p.19

The Committee was informed that VicRoads has defined OH&S and WorkCover actions and responsibilities at all levels. As can be seen in exhibit 4.13, all targets were met under the Budget Sector Occupational Health and Safety Improvement Strategy. The Committee congratulates VicRoads for achieving more than 20 per cent improvement in most of the OH&S indicators compared to the 2000-01 baseline data.

(f) **Department of Innovation, Industry and Regional Development**

The Department of Innovation, Industry and Regional Development advised the Committee that on 2000-01 baseline date there has been a:

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181 ibid.

182 Department of Innovation, Industry and Regional Development response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.10–11; and Department of Innovation, Industry and Regional Development response to the Committee’s follow-up questions
• 67 per cent reduction in the number of reported standard claims from 6 to 2 claims in 2003-04;
• 55 per cent reduction in the claims frequency rate from 0.09 to 0.04 for 2003-04;
• 202.7 per cent increase in the average cost of claims from $16,830 to $50,940; and
• 33 per cent increase in the claims-cost ratio from 0.15 to 0.20.

(g) Department of Justice

Exhibit 4.14: Department of Justice occupational health and safety performance for 2003-04 compared to 2000-01 baseline data

<table>
<thead>
<tr>
<th>Measure</th>
<th>Baseline Data (2000-2001 full year)</th>
<th>2003-2004 Target (20% reduction on baseline data)</th>
<th>2003-2004 Actual</th>
<th>Per cent variation from target</th>
<th>Per cent variation from baseline data (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of reported claims</td>
<td>119</td>
<td>96</td>
<td>148</td>
<td>+46</td>
<td>+24.4</td>
</tr>
<tr>
<td>Average claims cost</td>
<td>$14,021</td>
<td>$11,217</td>
<td>$9,952</td>
<td>-14.8</td>
<td>-29.0</td>
</tr>
<tr>
<td>Claims frequency rate (claim number per $ million remuneration)</td>
<td>0.50</td>
<td>0.37</td>
<td>0.40</td>
<td>+11</td>
<td>-20.0</td>
</tr>
<tr>
<td>Claims cost ratio (total cost of reported claims per $ million remuneration) (b)</td>
<td>1.19</td>
<td>(c)</td>
<td>1.58</td>
<td>(c)</td>
<td>+32.8</td>
</tr>
<tr>
<td>Incident rate (number of claims per 100 employees)</td>
<td>n/a</td>
<td>n/a</td>
<td>3.1</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Average time lost (days)</td>
<td>n/a</td>
<td>n/a</td>
<td>24</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Note: (a) Calculated by Public Accounts and Estimates Committee
       (b) Department of Justice response to the Committee’s follow-up questions
       (c) Information not requested by the Committee

Sources: Department of Justice, 2003-04 Annual Report, p.147 and response to the Committee’s follow-up questions
(h) Victoria Police

Exhibit 4.15: WorkCover claims data – comparison of 2003-04 performance to prior years and 2000-01 baseline data for the four government occupational health and safety indicators

<table>
<thead>
<tr>
<th>Performance Indicators</th>
<th>2000-01</th>
<th>2001-02</th>
<th>Variation</th>
<th>2002-03</th>
<th>Variation</th>
<th>2003-04</th>
<th>Variation</th>
<th>Variation from 2000-01 baseline data (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration</td>
<td>$648.7m</td>
<td>$656.0m</td>
<td>1.1%</td>
<td>$751.7m</td>
<td>14.6%</td>
<td>$772.8m</td>
<td>2.8%</td>
<td>-</td>
</tr>
<tr>
<td>Claims frequency rate(a)</td>
<td>1.45</td>
<td>1.12</td>
<td>-22.8%</td>
<td>1.19</td>
<td>5.8%</td>
<td>1.2</td>
<td>1.5%</td>
<td>-17.2%</td>
</tr>
<tr>
<td>Number of standard claims</td>
<td>960</td>
<td>862</td>
<td>-10.2%</td>
<td>891</td>
<td>3.4%</td>
<td>930</td>
<td>4.4%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Employee numbers</td>
<td>12,130</td>
<td>12,579</td>
<td>3.7%</td>
<td>12,767</td>
<td>1.5%</td>
<td>12,876</td>
<td>0.9%</td>
<td>-</td>
</tr>
<tr>
<td>Full developed claim costs</td>
<td>$21.2m</td>
<td>$26.5m</td>
<td>25.0%</td>
<td>$15.0m</td>
<td>-43.5%</td>
<td>$13.4m</td>
<td>-10.2%</td>
<td>-</td>
</tr>
<tr>
<td>Claims per 1,000 employees</td>
<td>79.14</td>
<td>68.53</td>
<td>-13.4%</td>
<td>69.8</td>
<td>1.8%</td>
<td>72.2</td>
<td>3.5%</td>
<td>-</td>
</tr>
<tr>
<td>Average cost per claim(b)</td>
<td>$22,134</td>
<td>$30,822</td>
<td>39.3%</td>
<td>$16,851</td>
<td>-45.3%</td>
<td>$14,495</td>
<td>-14.0%</td>
<td>-34.5%</td>
</tr>
</tbody>
</table>

Notes: (a) Number of reported claims per $ million remuneration  
(b) Fully developed claim cost x claim numbers  
(c) Calculated by the Public Accounts and Estimates Committee

Source: Victoria Police, 2003-04 Annual Report, p.38
(i) **Department of Premier and Cabinet**

Information supplied to the Committee in relation to the OH&S performance of the department and associated agencies for 2003-04 against the 2000-01 baseline data is shown in exhibit 4.16.

**Exhibit 4.16: Department of Premier and Cabinet and related authorities occupational health and safety actual performance for 2003-04 compared to 2003-04 targets**

<table>
<thead>
<tr>
<th>Department of Premier and Cabinet</th>
<th>Claims Number</th>
<th>Claims Frequency</th>
<th>Average Claim Cost ($000)</th>
<th>Claim Cost Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-06-04 full year Target</td>
<td>4</td>
<td>0.09</td>
<td>8.17</td>
<td>.09</td>
</tr>
<tr>
<td>30-06-04 full year Actual</td>
<td>9</td>
<td>0.17</td>
<td>17.03</td>
<td>.29</td>
</tr>
<tr>
<td>Full three year OH&amp;S Improvement Strategy Target</td>
<td>4</td>
<td>0.09</td>
<td>8.17</td>
<td>.09</td>
</tr>
<tr>
<td>Full three year OH&amp;S Improvement Strategy Actual</td>
<td>9</td>
<td>0.17</td>
<td>17.03</td>
<td>.29</td>
</tr>
<tr>
<td><strong>Museum Victoria</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-06-04 full year Target</td>
<td>2</td>
<td>0.06</td>
<td>13.86</td>
<td>.10</td>
</tr>
<tr>
<td>30-06-04 full year Actual</td>
<td>7</td>
<td>0.30</td>
<td>18.57</td>
<td>.56</td>
</tr>
<tr>
<td>Full three year OH&amp;S Improvement Strategy Target</td>
<td>2</td>
<td>0.06</td>
<td>13.86</td>
<td>.10</td>
</tr>
<tr>
<td>Full three year OH&amp;S Improvement Strategy Actual</td>
<td>7</td>
<td>0.30</td>
<td>18.57</td>
<td>.56</td>
</tr>
<tr>
<td><strong>National Gallery of Victoria</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-06-04 full year Target</td>
<td>2</td>
<td>0.27</td>
<td>25.80</td>
<td>.83</td>
</tr>
<tr>
<td>30-06-04 full year Actual</td>
<td>4</td>
<td>0.25</td>
<td>21.81</td>
<td>.54</td>
</tr>
<tr>
<td>Full three year OH&amp;S Improvement Strategy Target</td>
<td>2</td>
<td>0.27</td>
<td>25.80</td>
<td>.83</td>
</tr>
<tr>
<td>Full three year OH&amp;S Improvement Strategy Actual</td>
<td>4</td>
<td>0.25</td>
<td>21.81</td>
<td>.54</td>
</tr>
<tr>
<td><strong>State Library of Victoria</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-06-04 full year Target</td>
<td>5</td>
<td>0.25</td>
<td>25.82</td>
<td>.78</td>
</tr>
<tr>
<td>30-06-04 full year Actual</td>
<td>6</td>
<td>0.33</td>
<td>16.21</td>
<td>.53</td>
</tr>
<tr>
<td>Full three year OH&amp;S Improvement Strategy Target</td>
<td>5</td>
<td>0.25</td>
<td>25.82</td>
<td>.78</td>
</tr>
</tbody>
</table>
Exhibit 4.16 – continued

<table>
<thead>
<tr>
<th>Department of Premier and Cabinet</th>
<th>Claims Number</th>
<th>Claims Frequency</th>
<th>Average Claim Cost ($000)</th>
<th>Claim Cost Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full three year OH&amp;S Improvement Strategy Actual</td>
<td>6</td>
<td>.33</td>
<td>16.21</td>
<td>.53</td>
</tr>
<tr>
<td>Office of the Governor</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-06-04 full year Target</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>30-06-04 full year Actual</td>
<td>1</td>
<td>.48</td>
<td>-</td>
<td>2.62</td>
</tr>
<tr>
<td>Full three year OH&amp;S Improvement Strategy Target</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Full three year OH&amp;S Improvement Strategy Actual</td>
<td>1</td>
<td>.48</td>
<td>-</td>
<td>2.62</td>
</tr>
</tbody>
</table>

Source: Department of Premier and Cabinet response to the Committee’s 2003-04 Budget Outcomes questionnaire p.7

The department advised the Committee that according to the Victorian WorkCover Authority:

*Given that the fully developed claims cost for the 2000-01 reported claims is made up of largely the actuarial estimate, for example, only one year of actual claims payment, there is considerable volatility in the figure. Thus we can expect large changes in the average claims cost and claims cost ratio figures in future reports for some departments/agencies.*

(j) Department of Primary Industries

As the Department of Primary Industries did not exist at the time the targets for departments were established (1 July 2001), there is no departmental information available for the three year period. The Committee understands the department has set a target in 2004-05 for a 10 per cent improvement on the key departmental performance indicators.

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183 Department of Premier and Cabinet response to the Committee follow-up questions
184 Department of Primary Industries response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.7
185 ibid.
(k) **Department of Sustainability and Environment**

**Exhibit 4.17: Occupation health and safety performance in 2003-04 compared to 2000-01 baseline data**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Baseline (a) 2000-01</th>
<th>Target (a) 2001-02</th>
<th>Target 2002-03</th>
<th>Target 2003-04</th>
<th>% Expected Change (3 years) (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) No. of reported claims</td>
<td>56</td>
<td>58</td>
<td>53</td>
<td>50</td>
<td>-12%</td>
</tr>
<tr>
<td>Actual (c)</td>
<td></td>
<td>65</td>
<td>73</td>
<td>84</td>
<td>+50%</td>
</tr>
<tr>
<td>(ii) Reported claims</td>
<td>0.32</td>
<td>0.30</td>
<td>0.28</td>
<td>0.26</td>
<td>-18.75%</td>
</tr>
<tr>
<td>frequency</td>
<td></td>
<td>0.38</td>
<td>0.32</td>
<td>0.47</td>
<td>+46.8%</td>
</tr>
<tr>
<td>(iii) Claims cost ratio</td>
<td>1.00</td>
<td>0.92</td>
<td>0.86</td>
<td>0.80</td>
<td>-20%</td>
</tr>
<tr>
<td>Actual</td>
<td></td>
<td>0.70</td>
<td>0.59</td>
<td>0.82</td>
<td>-18%</td>
</tr>
<tr>
<td>(iv) Average claim cost</td>
<td>$30,870</td>
<td>$28,560</td>
<td>$26,560</td>
<td>$24,700</td>
<td>-20%</td>
</tr>
<tr>
<td>current year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual</td>
<td>$18,590</td>
<td>$18,590</td>
<td>$17,430</td>
<td></td>
<td>-43.5%</td>
</tr>
</tbody>
</table>

**Notes:**
(a) baseline data and targets established in initial action plan
(b) total % change in performance indicators projected over the three year period on a pro-rata basis
(c) actual figures based on data provided by the Victorian WorkCover Authority to the Department of Treasury and Finance in October 2004

**Source:** Department of Sustainability and Environment response to the 2003-04 Budget Outcomes questionnaire, pp. 12–13

The Committee was advised that claim numbers have increased but costs are significantly reduced due to return-to-work practices and early intervention strategies.186 The claims numbers can be attributed in part to 43 hearing loss claims lodged on the former Department of Natural Resources and Environment/Department of Sustainability and Environment by former employees via a legal firm and the major fires in 2002-03.187 Most of the fire-related claims went over threshold due to medical expenses (marginally) rather than lost time.188 This assisted with keeping the department’s premium down.189

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186 Department of Sustainability and Environment response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.13
187 ibid.
188 ibid.
189 ibid.
(l) Department of Treasury and Finance

The department informed the Committee that the 20 per cent improvement target was chosen having regard to the Victorian WorkCover Authority’s ‘2000 Strategy’ initiative and was considered to represent an aspiration or a stretch target. The emphasis was on achieving continuous improvements over the period covered by the strategy and beyond.

The Committee was also advised that as the 2000-01 baseline performance indicators for the department were very low, this meant that achieving further reduction (for example, improvement) would be a relatively difficult task.

(m) Department for Victorian Communities

The Department for Victorian Communities was not in existence at the time of the release of the OH&S Improvement Strategy in October 2001.

(n) Conclusion

WorkCover premiums tended to increase in 2003-04 compared to 2002-03 and the government did not achieve an improvement in OH&S outcomes across all Victorian agencies at the required rate when compared to its designated baseline year of 2000-01. Increases in remuneration including growth in staff numbers had an adverse effect on those outcomes. The Committee was encouraged to find that OH&S performance in 2003-04 showed some improvement across agencies compared to the 2000-01 baseline year and 2002-03. The Committee intends to keep under review the progress made by Victoria in contributing to the National Occupational Health and Safety Strategy 2002-2012, which aims to provide targets and priorities to drive improved OH&S performance nationally.

The Committee recommends that:

Recommendation 11: Agencies adopt a continuous improvement focus to the management of their occupational health and safety responsibilities and to the risks associated with workplace injury and illness.

190 Department of Treasury and Finance response to the Committee’s follow-up questions
191 ibid.
192 ibid.
CHAPTER 5: ASSET INVESTMENT INITIATIVES

Key Finding of the Committee:

5.1 According to departments, the majority of the larger asset investment projects undertaken under the Victorian Government’s Gateway initiative were being delivered within 2003-04 budget parameters.

5.1 Management of asset investment projects under the Gateway initiative

The Gateway initiative was endorsed by the Expenditure Review Committee (ERC) in March 2003. The government-wide initiative seeks to establish a best practice, consistent approach to capital investment, with a focus on the delivery of infrastructure projects according to scope, on time and to budget within a robust risk management framework. It involves undertaking an appraisal at key stages and identifying risks and incorporates the following elements:

- the development of a business case;
- the conduct of Gateway reviews – at the following six key decision points, known as gateways:
  - gate 1 government strategic objective
  - gate 2 project identification
  - gate 3 business case
  - gate 4 project tendering
  - gate 5 construction and commissioning (readiness for service)
  - gate 6 project evaluation
- the preparation of a multi-year strategy, presenting proposal information according to three timeslots: 0 to 2 years, 3 to 5 years and 6 to 10 years; and
- Gateway reporting.

194 Department of Treasury and Finance, Gateway News, Issue No. 4, October 2004, p.1
196 ibid.
In the first 14 months of operation of the Gateway initiative, 37 reviews were completed on 27 projects (valued at more than $5 billion) with a further 20 reviews planned over the next six months.\textsuperscript{199} Leading up to the 2005-06 budget, more projects were expected to be nominated for reviews, before funds were sought from the Expenditure Review Committee.\textsuperscript{200}

According to the Department of Treasury and Finance, 28 Gateway reviews of 21 projects were completed in 2003-04, ranging from scientific and infrastructure projects through to information technology projects.\textsuperscript{201}

The Committee was interested in assessing the progress made in 2003-04 with implementing the Gateway initiative for the larger projects across agencies. The larger projects are shown in exhibit 5.1.

\textbf{Exhibit 5.1: Major asset investment projects under the Gateway initiative}

<table>
<thead>
<tr>
<th>Agency</th>
<th>Major asset investment projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Human Services</td>
<td>Kew Residential Services Redevelopment</td>
</tr>
<tr>
<td></td>
<td>Royal Women’s Hospital relocation</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>Rosetta</td>
</tr>
<tr>
<td></td>
<td>Channel Deepening Project</td>
</tr>
<tr>
<td>VicRoads</td>
<td>Geelong Bypass</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>Australian Synchrotron Project</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>Mildura Police Station</td>
</tr>
<tr>
<td></td>
<td>Victorian Police Information Communication Strategy</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>Data Centre Consolidation</td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>Relocation of Melbourne Wholesale Markets</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>Wimmera Mallee Pipeline</td>
</tr>
<tr>
<td></td>
<td>Balliang Recycled Water Scheme</td>
</tr>
<tr>
<td>Department for Victorian Communities</td>
<td>Commonwealth Games Village</td>
</tr>
<tr>
<td></td>
<td>National Ice Sports Centre</td>
</tr>
</tbody>
</table>

Source: Departmental responses to the Committee’s 2003-04 Budget Outcomes questionnaire

\textsuperscript{199} Department of Treasury and Finance, Gateway News, Issue No. 4, October 2004, p.1
\textsuperscript{200} ibid.
\textsuperscript{201} Department of Treasury and Finance, 2003-04 Annual Report, p.28
Departments provided the Committee with the following information on the status of the larger asset investment projects subject to the Gateway process. According to the departments the majority of these capital projects were being delivered within 2003-04 budget parameters.

(a) **Department of Education and Training**

The department did not have any asset investment projects from its 2003-04 capital program that were subject to review under the Gateway initiative.202

(b) **Department of Human Services**

The department’s two largest asset investment projects under the Gateway initiative in 2003-04 were the Kew Residential Services redevelopment and the Royal Women’s Hospital relocation.203

**Kew Residential Services redevelopment**

The redevelopment of Kew Residential Services (formerly Kew Cottages) was announced by the government in May 2001 for completion by the end of 2006.204 The redevelopment aims to provide a better quality of life for the residents of Kew Residential Services.205

At the time of the announcement, around 480 people were living at Kew Residential Services (KRS), in a large-scale institutional setting.206 With its outmoded buildings and over-crowding, the conditions at KRS made it difficult to deliver the quality of care and standards of privacy and dignity that people with disabilities and their families were entitled to expect.207

The residents of KRS are progressively moving to 93 new houses being planned and built in the community.208 While the majority of these are across metropolitan Melbourne, with some in regional Victoria, 100 residents are to be situated in houses in a new suburban area on the current Kew site.209 The residents will receive 24-hour care and supervision and have access to medical and dental services and day

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202 Department of Education and Training response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.14
203 Department of Human Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.13
205 ibid.
206 ibid.
207 ibid.
208 ibid.
209 ibid.
activities. They will be living with three to five other people in attractively designed houses, each with their own bedroom and purpose built for their needs.

As at October 2004, 140 people have moved from their former home at KRS into 25 new community houses across Melbourne.

**Royal Women’s Hospital relocation**

On 6 October 2003, the government announced the redevelopment of the new Royal Women’s Hospital to be located adjacent to the Royal Melbourne Hospital site. The location of these two tertiary hospitals on the one site creates opportunities for improved patient care and operational efficiencies. In October 2003, expressions of interest were sought from consortia for the design and construction of the new hospital. The $250 million project was to be built under the *Partnerships Victoria* policy. The government committed $190 million to the project, with an estimated further $60 million to be provided from asset sales. In January 2004 the government announced the three short-listed consortia that were to be asked to submit detailed tenders for the project. A project brief was to be released in April with tenders due in July 2004. The preferred bidder was to be announced by the end of 2004 with work expected to start in early 2005 and completion due by the end of 2007.

The Department of Human Services advised the Committee that as at 30 June 2004, both projects were on target in relation to project cost and agreed timelines (exhibit 5.2) and there were no major variances.

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210 ibid.
211 ibid.
214 ibid.
215 ibid.
216 ibid.
217 ibid.
219 ibid.
220 ibid.
221 Department of Human Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.13
222 Department of Human Services response to the Committee’s follow-up questions
### Exhibit 5.2: Department of Human Services
Progress of Gateway projects against budget and timelines for 2003-04

<table>
<thead>
<tr>
<th>Gateway project</th>
<th>Budget 2003-04 ($000)</th>
<th>Actual expenditure 2003-04 ($000)</th>
<th>Variance ($000)</th>
<th>Variance %</th>
<th>Timelines</th>
<th>Actual performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kew Residential Services Redevelopment</td>
<td>12,000</td>
<td>11,930</td>
<td>-70</td>
<td>-0.6</td>
<td>(a)</td>
<td>(a)</td>
</tr>
<tr>
<td>Royal Women’s Hospital relocation</td>
<td>27,910</td>
<td>25,720</td>
<td>-2,190</td>
<td>-7.8</td>
<td>(b)</td>
<td>(b)</td>
</tr>
</tbody>
</table>

**Note:**
(a) The Committee was advised by the Department of Human Services that in 2003-04, activities in the design and construction of off-site houses on newly purchased sites progressed according to schedule and it was expected that this project would be completed in November 2006.

(b) The department informed the Committee that the key milestone in 2003-04 was completion of enabling works, which was met in December 2004. The department expects that the timeline for opening in mid 2008 will be met.

**Source:** Department of Human Services response to the Committee’s follow-up questions.
(c) **Department of Infrastructure**

The department has two projects proceeding through the Gateway initiative:

- Rosetta, Integrating Directories for the whole of the Victorian Government, has proceeded through gates 3 and 4. According to the department the project was on time and on budget at end of 2003-04 (exhibit 5.3).

- the Channel Deepening Project, managed by the Port of Melbourne Corporation, has proceeded through gates 1 and 2. The department confirmed that the project was on time and on budget at the end of 2003-04 (exhibit 5.3).

Project Rosetta aims to reduce the burden created by the steady growth over the past few years in the number of directories across government and in the data they hold. The project also aims to streamline access to government information for public servants, citizens and business.

The Channel Deepening Project involves a proposal to deepen the commercial shipping channels into and within Port Phillip Bay. The Port of Melbourne publicly released the Channel Deepening Environmental Effects Statement (EES) on 5 July 2004. Its key findings indicated that environmental impacts on Port Phillip Bay will be temporary and can be managed sustainably. At the end of the public hearing process an independent panel will consider the EES and all the public submissions before delivering a report to the Minister for Planning. The Minister’s assessment will then be prepared which, together with the panel’s report, will be provided to the Victorian Minister for Environment and the Commonwealth Minister for the Environment and Heritage for the necessary approvals for the project.

While in the process of finalising the 2003-04 Budget Outcomes report, the Committee noted the recent release of the panel’s report on the EES.

Exhibit 5.3 shows information relating to the progress of Project Rosetta and the Channel Deepening Project against budget and timelines for 2003-04.

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223 Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.20
225 ibid.
227 Port of Melbourne, media release, *Public release of Channel Deepening EES, 5 July 2004*
228 ibid.
230 ibid.
# Exhibit 5.3: Department of Infrastructure

## Progress of Gateway projects against budget and timelines for 2003-04

<table>
<thead>
<tr>
<th>Gateway project</th>
<th>Key milestones</th>
<th>Budget 2003-04 ($000)</th>
<th>Actual expenditure 2003-04 ($000)</th>
<th>Variance (b) $ (000)</th>
<th>Variance (b) %</th>
<th>Timelines Actual performance</th>
<th>Variance (c) (days/mth)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rosetta</strong></td>
<td></td>
<td>2,552</td>
<td>2,203</td>
<td>-349</td>
<td>-13.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Key Milestones (a)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Gateway Review 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>May 2003</td>
<td>May 2003</td>
</tr>
<tr>
<td>• Engage System Integrator for Directory Infrastructure Solution &amp; Implementation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>August 2004</td>
<td>June 2004</td>
</tr>
<tr>
<td>• Gateway Review 4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>June 2004</td>
<td>June 2004</td>
</tr>
<tr>
<td>• Commence Directory Infrastructure Project</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>March 2004</td>
<td>August 2004</td>
</tr>
<tr>
<td><strong>The Channel Deepening Project</strong></td>
<td></td>
<td>$13,608</td>
<td>$14,785</td>
<td>+$1,177</td>
<td>+8.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Key Milestones</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• EES Key Features Report public release</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>September 2003</td>
<td>October 2003</td>
</tr>
<tr>
<td>• EES Key Management Strategy Report public release</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>February 2004</td>
<td>April 2004</td>
</tr>
<tr>
<td>• Department of Treasury and Finance Gateway Review 2 – Preliminary Business Case</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>July 2004</td>
<td>26-30 April 2004</td>
</tr>
<tr>
<td>• Public Release of EES 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>June 2004</td>
<td>July 2004</td>
</tr>
</tbody>
</table>

Notes: (a) According to the Department of Infrastructure response to the Committee’s follow-up questions the project is on schedule for completion in December 2005
(b) a negative variance indicates the actual expenditure is less than budget
(c) Calculated by the Public Accounts and Estimates Committee.

Source: Department of Infrastructure response to the Committee’s follow-up questions
(d) **VicRoads**

The Geelong Bypass project is expected to be subject to Gateway review during 2004-05. Actual expenditure for the Geelong Bypass in 2003-04 was $4.2 million, compared to an approved budget of $4.2 million.\(^{231}\)

As indicated in the National Roads in Victoria Strategy 2004-05 to 2008-09, the project cost is estimated at $380 million in nominal terms, subject to environmental feasibility and planning clearances that may have an impact on scope and cost and subject to tender outcomes.\(^{232}\) Current funding commitments include $190 million from the Victorian Government and $186 million from the Australian Government under AusLink.\(^{233}\)

Planning and construction of the Geelong Bypass project is being undertaken in three sections:\(^{234}\)

- section 1 – Princes Freeway to Midland Highway.
- section 2 – Midland Highway to Hamilton Highway.
- section 3 – Hamilton Highway to Princes Highway.

Program targets for 2003-04 are set out in exhibit 5.4:

**Exhibit 5.4: Program targets for the Geelong bypass project**

<table>
<thead>
<tr>
<th>Section</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1 – preconstruction and tender documents</td>
<td>May 2004</td>
</tr>
<tr>
<td>Section 2 – preparation of Environment Effects Statement (a)</td>
<td>April 2003 – December 2005</td>
</tr>
</tbody>
</table>

*Note: (a) The then Minister for Planning advised that an Environment Effects Statement (EES) is now not required for Section 2*

*Source: Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.20*

Tenders documents for section 1 (Princes Freeway to Midland Highway) have been prepared in anticipation of planning approvals and finalisation of funding agreements between the Victorian and Commonwealth Governments.\(^{235}\)

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\(^{231}\) Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.20

\(^{232}\) ibid.

\(^{233}\) ibid.

\(^{234}\) ibid.

\(^{235}\) ibid.
Tenders documents for section 2 (Midland Highway to Hamilton Highway) are expected to be released by late 2005 for a construction period from mid 2006 to mid 2008. An introductory meeting between the Department of Infrastructure and VicRoads was held on 15 November 2004 to discuss implementation of the Gateway process on section 2.

The Minister for Planning has requested an EES to determine the route for section 3 (Hamilton Highway to Princes Highway), with public exhibition scheduled for mid 2005 followed by consideration by the government in late 2005.

(e) Department of Innovation, Industry and Regional Development

Australian Synchrotron Project

In January 2003, the Minister announced an increase of $57.2 million on the original commitment of $100 million. The Minister stated that the increased investment by the government meant the synchrotron would be ‘bigger, better and brighter’, having twice the power of the original proposal, along with a much greater capacity for advanced analysis of complex compounds.

As part of the total budget for this project of $206.3 million, the Victorian Government therefore provides $157.2 million. Expenditure for 2003-04 was estimated at $47,298,000 but actual expenditure was $43,702,583. The department informed the Committee that the original estimate for 2003-04 was prepared before major project delivery contracts and their associated payment schedules were finalised. The expenditure outcome for 2003-04 reflects the contract payment schedules negotiated, which are consistent with project completion in March 2007. According to the department, the project is expected to be completed within budget and by the forecast date of 31 March 2007.

236 ibid., p.21
237 ibid.
238 ibid.
240 Hon. J Brumby, MP, Minister for Innovation, transcript of evidence, 14 May 2003, p.48
241 Department of Innovation, Industry and Regional Development response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.12
242 ibid.
243 Department of Innovation, Industry and Regional Development response to the Committee’s follow-up questions
244 ibid.
245 Department of Innovation, Industry and Regional Development response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.12
During 2003-04 major contracts awarded included:  

- building and conventional facilities;
- an injection system;
- storage ring magnets;
- vacuum chambers; and
- a radio frequency system.

Each of these contracts was awarded on a schedule consistent with completion of the facility in March 2007. Progress on all contracts in 2003-04 was consistent with scheduled completion of the project in March 2007.

(f) Department of Justice

Mildura Police station

The department is to obtain council approval for demolition and laneway acquisition, finalise design and tender documentation in accordance with council guidelines and present the Expenditure Review Committee with a detailed cost plan, based on design development when this work is finalised. The Expenditure Review Committee has approved a budget of $1 million to advance the project to tender readiness. The project is on target for completion in September 2006.

Design of the project has commenced and according to the department is progressing well. Approval has been obtained at officer level with the Rural City of Mildura for the acquisition of the rear laneway and the demolition of the former court house. The former court building is not listed as a heritage asset by either the council or Heritage Victoria.
**Victoria Police Information Communication Technology Project**

The ICT project was allocated $2.8 million for contract procurement costs by the Expenditure Review Committee in March 2004 and according to the department is tracking on budget.\(^{255}\) It is on target to have a contract signed and the transition out process will commence post July 2005.\(^{256}\) The Minister for Police and Emergency Services endorsed the release of an Expression of Interest (EOI) on 21 August 2004.\(^{257}\) Submissions closed on 9 September 2004 and evaluation concluded on 6 October 2004.\(^{258}\) The Minister endorsed the EOI shortlist on 19 October 2004, with the department’s Accredited Purchasing Unit endorsing the shortlist on 19 November 2004.\(^{259}\)

\(^{(g)}\) **Department of Premier and Cabinet**

The department had only one asset investment project go through the Gateway process in 2003-04: the Data Centre Consolidation project.\(^{260}\) This project involves the definition of a business case for the establishment of a shared data centre facility for the Department of Human Services, the Department of Justice and the Department of Innovation, Industry and Regional Development.\(^{261}\)

The project commenced in late 2003 and the business case was completed in June 2004, substantially in accordance with agreed cost and timelines given the size and complexity of the project.\(^{262}\) The project proceeded to public tender in December 2004.\(^{263}\)

The Committee was subsequently advised by the department that there was no capital funding allocated to this project in 2003-04 as recurrent funding required to develop the business case was from internal operating sources.\(^{264}\) Given that the work on the Data Centre Consolidation project in 2003-04 was for the completion of a feasibility study, no specific timeframes were established in 2003-04 for the implementation of this project in 2003-04.\(^{265}\)

\(^{255}\) ibid., p.15
\(^{256}\) ibid.
\(^{257}\) ibid.
\(^{258}\) ibid.
\(^{259}\) ibid.
\(^{260}\) Department of Premier and Cabinet response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.8
\(^{261}\) ibid.
\(^{262}\) ibid.
\(^{263}\) ibid.
\(^{264}\) Department of Premier and Cabinet response, received 11 March 2005, to the Committee’s follow-up questions
\(^{265}\) ibid.
(h) Department of Primary Industries

Relocation of Melbourne Wholesale Markets

During 2003-04, Major Projects Victoria, in conjunction with the Department of Primary Industries, prepared a preliminary business case for the relocation of the Melbourne Wholesale Markets, and began to prepare a full business implementation plan.\(^{266}\) This work was in line with existing timelines and funded by the department from within existing resources because a budget for the relocation of the markets had not yet been approved.\(^{267}\)

Funding for the development of a full business case was approved as part of the 2004-05 budget process, and this work has been continuing.\(^{268}\)

The relocation was the only project of the department with the approval of the Expenditure Review Committee to undergo the Gateway process in 2003-04. \(^{269}\)

(i) Department of Sustainability and Environment

Wimmera Mallee Pipeline

In relation to the proposed Wimmera Mallee pipeline project there have been no project costs, with construction being the subject of the Victorian Government’s ongoing discussion with the Commonwealth Government about matching funding for the project.\(^{270}\) The only costs associated with the project during 2003-04 related to expenditure for the detailed design and business case, which commenced in May 2003, and will not be completed until April 2005 (exhibit 5.5).\(^{271}\)

At the 2003-04 Budget Estimates hearing held on 27 May 2003, the Minister for Water advised the Committee that a contract had been entered into for $7.7 million for the design of the project, which would involve replacement of 17,500 kilometres of open earthen channels with pipeline over the next ten years.\(^{272}\) The $300 million project would cover some 2.3 million hectares and service 40 communities.\(^{273}\) The Committee was also informed that the state government had committed $77 million towards the project, the local farming communities would contribute through their

\(^{266}\) Department of Primary Industries response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.8
\(^{267}\) ibid.
\(^{268}\) ibid.
\(^{269}\) ibid.
\(^{270}\) Department of Sustainability and Environment response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.13
\(^{271}\) ibid.
\(^{272}\) Hon J.Thwaites, MP, Minister for Water, transcript of evidence, 27 May 2003, p.288
\(^{273}\) ibid.
water authority bills and the Commonwealth Government would be called on to contribute its share of the funding.274

In June 2004 the Committee was advised by the Minister for Water at the 2004-05 Budget Estimates hearing that the Wimmera-Mallee area loses about 100,000 megalitres of water a year through evaporation and leakage.275 The Minister indicated the pipeline would save that water and allow 85,000 megalitres to be used to improve the environment, with some of the water going back into extra farming activities.276 The Minister told the Committee that the interim business case had been completed and the final business case was going through its final stages.277 The Minister advised the Committee that the results of the business case would be available by about September or October 2004.278

The Committee noted that in November 2003, the interim business case revised the total TEI capital cost from $301 million to $501 million.279 At the budget estimates hearing on 19 May 2004, the Treasurer advised the Committee that ‘when you move up to a project cost of $500 million-plus to save 80,000 to 90,000 megalitres of water, the cost per megalitre is moving up to in excess of $5,000 per megalitre’.280 The Committee was advised by the Treasurer that at such a cost, it was questionable whether the project should proceed in that form or be re-scoped so that it is closer to its original cost estimate, given that a megalitre of water can be purchased in the market for under $1,500.281 The re-examination of the cost base will therefore be covered in the revised business case.282

In January 2005, the Department of Sustainability and Environment informed the Committee that the timelines associated with this project in its current form relate to completion of the detailed design in 2005 and the requirement for a State and Commonwealth funding agreement before the project can commence (exhibit 5.5).283

274 ibid.
275 Hon J.Thwaites, MP, Minister for Water, transcript of evidence, 17 June 2004, p.4
276 ibid.
277 ibid.
278 ibid.
279 Budget Paper No. 2, 2004-05 Strategy and Outlook, p.94
280 Hon. J. Brumby, MP, Treasurer, transcript of evidence, 19 May 2004, p.9
281 ibid.
282 ibid.
283 Department of Sustainability and Environment response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.13
Exhibit 5.5: Wimmera Mallee Pipeline - Progress of Gateway project against budget and timelines for 2003-04

<table>
<thead>
<tr>
<th>Gateway project</th>
<th>Budget 2000-04</th>
<th>Actual expenditure 2003-04</th>
<th>Variance $ (000)</th>
<th>Variance %</th>
<th>Actual performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wimmera Mallee Pipeline</td>
<td>5,635 ($000)</td>
<td>4,130 ($000)</td>
<td>-1,505 ($000)</td>
<td>-26.7</td>
<td>November 2003</td>
</tr>
<tr>
<td>• Interim business case completed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Gateway review of interim business case</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>April 2004</td>
</tr>
</tbody>
</table>

Note: Future timelines conveyed to the Committee comprise:
- resolution of critical issues identified from the Gateway review (December 2004)
- detailed design of 25 per cent of system (ongoing, due for completion in April 2005)
- resolution of future funding arrangements with the Commonwealth (pending)

Source: Department of Sustainability and Environment response to the Committee’s 2003-04 Budget Outcomes follow-up questions
The Committee was advised by the department that delays in calling for tenders and appointing a consultant meant that work did not commence on the business case and detailed design until May 2003.\textsuperscript{284} As a result, and given the need for additional consultation with the community and key stakeholders, detailed design fell behind schedule and was ongoing throughout 2003-04.\textsuperscript{285} Detailed design is due for completion in April 2005 and construction of the pipeline will then commence, once funding arrangements between the State and Commonwealth Governments are agreed.\textsuperscript{286}

**Balliang Recycled Water Scheme**

The government is yet to approve this project, so the department advised that it is premature to provide project costs or timelines for the Balliang region business case to the Committee at this stage.\textsuperscript{287}

\textit{(j) Department of Treasury and Finance}

The department does not have any asset investment projects large enough to be considered through the Gateway initiative.\textsuperscript{288}

\textit{(k) Department for Victorian Communities}

**Commonwealth Games Village and the National Ice Sports Centre**

Details regarding progress against budget and timelines for the Commonwealth Games Village and the National Ice Sports Centre projects are shown in exhibit 5.6.

\begin{itemize}
\item[284] Department of Sustainability and Environment response to the Committee’s follow-up questions
\item[285] ibid.
\item[286] ibid.
\item[287] Department of Sustainability and Environment response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.13
\item[288] Department of Treasury and Finance response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.8
\end{itemize}
### Exhibit 5.6: Department for Victorian Communities
Progress of Gateway projects against budget and timelines for 2003-04

<table>
<thead>
<tr>
<th>Gateway project</th>
<th>Budget 2003-04 $ (000)</th>
<th>Actual expenditure 2003-04 $ (000)</th>
<th>Variance $ (000)</th>
<th>Variance %</th>
<th>Timelines</th>
<th>Actual performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Ice Sports Centre</td>
<td>400.0</td>
<td>152.2</td>
<td>(a) -247.8</td>
<td>-61.9%</td>
<td>December 2003</td>
<td></td>
</tr>
<tr>
<td>• Gateway review</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Completion of business case analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2003-04 March 2004</td>
<td></td>
</tr>
<tr>
<td>Commonwealth Games Village</td>
<td>20,000</td>
<td>13,200</td>
<td>(b) -6,800</td>
<td>-34.0%</td>
<td>October 2003</td>
<td></td>
</tr>
<tr>
<td>• Early works building demolition commenced</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>26 November 2003</td>
<td>October 2003</td>
</tr>
<tr>
<td>• Site handover to developer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>22 December 2003</td>
<td>26 November 2003</td>
</tr>
<tr>
<td>• Project Development Agreement signed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>22 December 2003</td>
<td>22 December 2003</td>
</tr>
<tr>
<td>• Site establishment and main construction works commenced (c)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>January 2004</td>
<td>January 2004</td>
</tr>
<tr>
<td>• Athlete Accommodation Plan accepted by government (c)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>June 2004</td>
<td>June 2004</td>
</tr>
</tbody>
</table>

**Notes:**
(a) $247,760 has been carried over to 2004-05
(b) The underspend was mainly due to:
- public consultation resulting in modifications to the proposed development; and
- commercial negotiations on the Project Delivery Agreement resulting in revisions to the required cashflows for the year
(c) The Committee was informed by the department that the 2003-04 milestones for the Commonwealth Games Village as shown above were delivered in accordance with the timelines specified in the contract

**Sources:** Department for Victorian Communities response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.13–14 and responses to the Committee’s 2003-04 Budget Outcomes follow-up questions
The Committee acknowledges the improved internal reporting and monitoring mechanism under the Gateway initiative that requires quarterly reporting on all approved asset investments. The Committee believes that from a public accountability perspective, the implementation of best practice in the management of government asset investment in Victoria would be enhanced by the introduction of an annual reporting regime to cover the outcome of the Gateway reviews in terms of progress achieved in delivering major asset projects.

The Committee recommends that:

**Recommendation 12:**

To be assured that the state’s major asset investment projects under the Gateway initiative are progressing in line with budget and the planned schedule, the Department of Treasury and Finance disclose in its annual report details of Gateway reviews undertaken during the year and indicate the status of these projects against budget and timelines.

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289 Department of Treasury and Finance, *Gateway News*, Issue No. 4, October 2004, p.3
CHAPTER 6: PARLIAMENTARY DEPARTMENTS

Key Findings of the Committee:

6.1 In 2003-04, the Parliamentary Departments had actual expenditure of $92 million which was $700,000 below the budget estimates.

6.2 The annual reports of the Department of the Legislative Assembly and the Department of Parliamentary Services should report budget and actual output cost information.

6.3 The Budget Papers do not provide a single set of portfolio financial statements for the Parliament, so it is not possible to report on the outcomes for controlled and administered financial transactions of the Parliamentary Departments.

6.4 Since 2001-02, the amount of unapplied appropriation for outputs has annually averaged $1.35 million due to the deferral of electorate office expenditure and minor maintenance.

6.5 The Parliamentary Departments experienced a working capital deficit of $2 million at 30 June 2004, up $617,467 from the deficit in 2002-03.

6.6 The 2003-04 annual reports of the Parliamentary Departments did not explain significant variations between performance targets and actual achievements.

6.7 The Department of Parliamentary Services did not report in its 2003-04 annual report the performance of its business units against their business plans for 2003-04.

6.8 The Committee could not ascertain when a new information technology strategic plan for the Parliament would be completed.

6.1 Financial analysis

The 2003-04 budget allocation for the Parliamentary Departments was $92.7 million (exhibit 6.1). Actual expenditure for the year was $92 million, and under budget by $700,000 (or less than 1 per cent).

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Exhibit 6.1: Parliamentary Departments
Output group summary 2003-04

<table>
<thead>
<tr>
<th>Output group details</th>
<th>2003-04 Budget $ million</th>
<th>2003-04 Actual $ million</th>
<th>Variation (a) $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative Council</td>
<td>13.1</td>
<td>13.4</td>
<td>0.3</td>
</tr>
<tr>
<td>Legislative Assembly</td>
<td>26.6</td>
<td>25.2</td>
<td>-1.4</td>
</tr>
<tr>
<td>Parliamentary Library (b)</td>
<td>2.4</td>
<td>2.3</td>
<td>-0.1</td>
</tr>
<tr>
<td>Parliamentary Debates (b)</td>
<td>2.5</td>
<td>2.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Parliamentary Investigatory Committees</td>
<td>5.3</td>
<td>5.1</td>
<td>-0.2</td>
</tr>
<tr>
<td>Joint Services Department (b)</td>
<td>42.8</td>
<td>43.5</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>92.7</strong></td>
<td><strong>92.0</strong></td>
<td><strong>-0.7</strong></td>
</tr>
</tbody>
</table>

Notes:  
(a) A negative variance indicates the actual expenditure on the output group was less than budget  
(b) Output group activities now included in the Parliamentary Services output group

Sources: Budget Paper No. 3, 2003-04 Budget Estimates, p.423 and Parliamentary Departments’ response to the Committee’s 2003-04 Budget Outcomes questionnaire, Reconciliation of Funds schedule

The Committee noted that the Standing Directions of the Minister of Finance,²⁹¹ which the Parliamentary Departments chose to comply with (although not required to), require departments’ annual reports to include a comparison of actual outputs against budgeted targets and a comparison against output costs estimated in the Budget Papers.²⁹²

The Committee observed that the annual reports of the Department of the Legislative Assembly²⁹³ and the Department of Parliamentary Services did not include output cost details.²⁹⁴ The Committee considers that the publication of budget and actual output costs along with explanations of key variations, is necessary to enable the community and other interested stakeholders to assess the financial performance of the Parliamentary Departments.

Accordingly, the Committee recommends that:

²⁹¹ Department of Treasury and Finance, Standing Direction No. 4, Financial Management Reporting, s.4.2(k)
²⁹³ Department of the Legislative Assembly 2003-04 Annual Report, p.45
²⁹⁴ Department of Parliamentary Services, 2003-04 Annual Report, pp.46–47
Recommendation 13: The Parliamentary Departments ensure that their annual reports include details of budgeted and actual costs for outputs together with explanations of major variances.

The Committee noted that the Standing Directions also require government departments’ annual reports to include a comparison of portfolio financial statements as published in the Budget Papers and the actual results for the financial year. Commentary on significant variations should form part of this disclosure.

The annual report of the Department of Parliamentary Services did not include a set of portfolio financial statements for the Parliamentary Departments. The Committee understands the Parliamentary Departments may have difficulty in meeting this requirement because the portfolio financial statements are required to be reported on the same basis as the budget information in the Budget Papers and currently this information incorporates the financial details of the Auditor-General’s Office.

Nevertheless, the Committee considers that the Parliamentary Departments’ accountability would be enhanced by the reporting of the budget and actual portfolio outcomes for controlled and administered financial transactions. The Committee suggests that the Department of Parliamentary Services consult with the Department of Treasury and Finance about the possibility of the Budget Papers providing separate portfolio financial statements for the Parliament, as distinct from the Auditor-General’s office.

The Committee recommends that:

Recommendation 14: The Department of Parliamentary Services consult with the Department of Treasury and Finance about the possibility of the Budget Papers providing a set of portfolio financial statements for controlled and administered financial transactions for the Parliamentary Departments.

The Committee noted that the 2003-04 budget for the Parliamentary Departments was supplemented by Treasurer’s advances totalling $1.76 million. This funding includes:

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295 Department of Treasury and Finance, Standing Direction No. 4, Financial Management Reporting, s.4.2(1-m)
297 Department of Parliamentary Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, Reconciliation of funds schedule
298 ibid.
• $906,000 for increased costs for Members of Parliament such as indexation of allowances and salary related costs (including WorkCover and payroll tax);
• $200,000 for the increased leasing costs for Members’ vehicles;
• $300,000 for increased costs associated with the changed parliamentary sitting arrangements; and
• $354,000 for award increases for electorate officers.

The Department of Parliamentary Services advised the Committee that most of the additional funding requirements arose after the budgetary submission was made to government and covered areas over which the Parliamentary Departments had little control, such as employee award changes. The additional funding did not affect performance targets included in the Budget Papers because funding was required to maintain existing standards and entitlements.

The Committee noted that a transfer of $300,000 between output groups, made pursuant to section 31 of the Financial Management Act 1994, was not disclosed in the Parliament’s 2003-04 financial statements at note 4, ‘Summary of compliance with annual parliamentary and special appropriations’. The Committee considers that an additional note should be included in the financial statements to reflect the transfer.

Accordingly, the Committee recommends that:

Recommendation 15: The Department of Parliamentary Services include a note in the Parliament’s financial statements on transfers between output groups pursuant to section 31 of the Financial Management Act.

The Parliamentary Departments carried forward $1.8 million into 2004-05 (exhibit 6.2).

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299 ibid., p.1
300 ibid.
301 ibid., Reconciliation of funds schedule
### Exhibit 6.2: Parliamentary Departments Carry over funding 2003-04

<table>
<thead>
<tr>
<th>Output group details</th>
<th>2003-04 Output Costs $ million</th>
<th>2003-04 Carry over $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative Council</td>
<td>13.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Legislative Assembly</td>
<td>25.2</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Parliamentary Services comprising:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parliamentary Library (a)</td>
<td>2.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Parliamentary Debates (a)</td>
<td>2.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Joint Services Department (a)</td>
<td>43.5</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Total Parliamentary Services</strong></td>
<td>48.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Parliamentary Investigatory Committees</td>
<td>5.1</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>92.0</td>
<td>1.8</td>
</tr>
</tbody>
</table>

**Note:** (a) Output group activities covered within the Department of Parliamentary Services

**Source:** Parliamentary Departments’ response to the Committee’s 2003-04 Budget Outcomes questionnaire, Reconciliation of Funds schedule

The Department of Parliamentary Services has advised that output groups are allowed to expend the funds carried over on services currently provided or services that improve on those currently provided. In the case of the Department of Parliamentary Services, the funding was devoted to electorate office expenditure as determined by the Members Guide ($459,371) and funds for minor maintenance of the Parliament.\(^{303}\)

The Committee noted that the amount of unapplied appropriation for the provision of outputs has averaged $1.35 million since 2001-02. Unapplied funding occurs for the same reason each year, as it relates to the deferral of electorate office expenditure and minor maintenance.\(^{304}\) The Committee is concerned about the continuation of this trend and considers that the Department of Parliamentary Services should review claims lodgement and payment processes for electorate office expenditure, along with works scheduling arrangements for minor maintenance to ensure expenditure payments are more closely aligned to the financial years in which the services are provided.

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\(^{303}\) Department of Parliamentary Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.2


The Committee observed the deficit increased in 2003-04 by $617,467 mainly reflecting the current liability of $406,154 for vehicles under finance lease arrangements. Major increases of nearly $734,000 were also noted in current liabilities for payables and employee entitlements, off-set by reductions in bank overdraft and increases in current assets.

6.2 Performance information

The Parliamentary Departments demonstrated their performance in 2003-04 chiefly on the basis of the achievement of their performance measures and associated targets set out in the Budget Papers.

The Committee noted that the Parliamentary Departments achieved all of the 54 performance targets except one, with 65 per cent of actual results exceeding the targets.

The annual reports of the Parliamentary Departments did not explain significant variations from targets. The Committee considers that an explanation for performance target variations is essential for accountability and the assessment of departmental performance.

Accordingly, the Committee recommends that:

**Recommendation 16: ** Parliamentary Departments include in their annual reports explanations of significant variations between performance targets and actual achievements.

The Committee noted that a small number of the Department of Parliamentary Services performance results were reported using a ‘greater than’ symbol for the set performance targets instead of the actual result achieved. The Committee considers that specific results should be reported against performance targets to allow a meaningful assessment of performance.

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306 ibid., note 12, p.29
307 Department of Parliamentary Services, 2003-04 Annual Report, p.46
308 Excludes output cost performance measures
310 Department of Parliamentary Services, 2003-04 Annual Report, pp.46–47
The Committee recommends that:

Recommendation 17: The Department of Parliamentary Services include in its annual report specific performance results against performance targets.

6.3 Major issues

6.3.1 Implementation of security upgrade

During 2002-03, a strategic security study of the Parliament was undertaken and a facilities management plan was developed. The Committee sought details of the implementation timetable, progress against the timetable and the costs incurred in 2003-04. The Department of Parliamentary Services advised that:

- implementation of the strategic security study is still in progress;
- first stage activities have been completed covering the employment of additional security staff, the installation and operation of scanning equipment, and new visitors identification systems;
- implementation of the next stage has been delayed pending resolution of accommodation issues within Parliament House;
- on completion of the above stages, it is proposed to investigate the viability and cost of other recommendations of the strategic security study; and
- $691,000 was expended in 2003-04, which included salary for private security firms and $250,000 for security equipment.

The Committee will continue to monitor the implementation of the strategic security study of Parliament and examine expenditure on security as part of its review of the 2005-06 Budget Estimates.

6.3.2 Achievements realised by service departments against their business/annual plan objectives

The Committee noted that the Department of Parliamentary Services annual report did not report outcomes arising from the annual plans of the department’s business units. The Committee considers that public reporting on the achievement of units’ business plans assists in the accountability and evaluation of the department’s performance.

311 Budget Paper No. 3, 2002-03 Budget Estimates, p.363; and Parliamentary Departments’ response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.8
312 Parliamentary Departments’ response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.8
The Committee recommends that:

**Recommendation 18:** The annual report of the Department of Parliamentary Services include performance reporting against the annual business plans of the department’s business units.

In response to the Committee’s request for details of business plan performance outcomes in 2003-04, the Department of Parliamentary Departments advised that:\(^{313}\)

- all objectives of the Parliamentary Library were achieved;
- achievement rates for the Parliamentary Debates and Joint Services departments against annual plans were almost 80 per cent; and
- of the 14 objectives not achieved in 2003-04 for the Parliamentary Debates and Joint Services departments, seven are expected to be achieved in either 2004-05 or the following year. A timeline for the achievement of the remaining seven objectives is not known.

### 6.3.3 Information technology strategy implementation

The Committee sought details of outcomes achieved in 2003-04 from the implementation of phase 2 of the Parliament’s information technology strategy plan.\(^ {314}\)

The Department of Parliamentary Services advised that:\(^ {315}\)

- the key activity undertaken was the rollout of the Parlynet 2002 service;
- following the rollout of Parlynet 2, the 2001 information technology strategy plan was suspended; and
- the residual issues arising from the implementation of phase 1 were raised by the Auditor-General’s report on Parlynet 2002.

The Committee has previously reported on the Parliamentary Departments’ progress in implementing the Auditor-General’s recommendations on Parlynet 2002.\(^ {316}\)

The Committee understands that a new information technology strategic plan is being developed but is concerned that the completion date (currently unknown) has been delayed pending decisions by the information technology sub committee.\(^ {317}\)

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313  ibid., p.9
315  Department of Parliamentary Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.10
The Committee considers that an information technology strategic plan is essential for the planning, acquisition, good governance and efficient delivery of information technology services to the Parliamentary Departments. The Committee is also concerned about the inadequacy of existing information technology services as Members of Parliament do not have access to e-mail in some areas of Parliament House due to poor reception. The Committee considers that the development and completion of the information technology strategy should be given priority, and representations made to the government to secure additional funding for the plan to be implemented in an efficient and timely manner.

The Committee recommends that:

**Recommendation 19:** The Presiding Officers give priority to developing and completing a new information technology strategic plan for the Parliament.

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317 Department of Parliamentary Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.9
CHAPTER 7: VICTORIAN AUDITOR-GENERAL’S OFFICE

Key Findings of the Committee:

7.1 In 2003-04, actual expenditure by the Victorian Auditor-General’s Office (VAGO) was $23.4 million, some $700,000 below the budget estimates.

7.2 The Victorian Auditor-General’s Office achieved or exceeded 50 per cent of the eight performance targets published in the 2003-04 Budget Papers.

7.3 There is scope for the Victorian Auditor-General to develop key performance measures to quantify the benefits that arise from government agencies implementing audit recommendations.

7.4 Expenditure incurred in completing the nine performance audits in 2003-04 totalled $4.2 million at an average cost of $466,000. Individual audit costs ranged from $358,493 to $631,086.

7.5 Forty-six financial audits (including 40 local government bodies) and 54 education audits undertaken by external contractors were rolled over beyond the five year contract term to the existing service providers (partners) for a further one year term before the audits were publicly re-tendered. This practice is not consistent with the concept promoted by the Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 (CLERP 9), which calls for the five year rotation of lead and review audit partners for all listed companies to enhance the corporate governance and accountability framework for Australian companies.

7.1 Financial analysis

The Victorian Auditor-General’s Office was responsible for the delivery of two outputs during 2003-04 at a budgeted cost of $24.1 million. Actual expenditure for 2003-04 was $23.4 million, which was $700,000 (or 3 per cent) below the budget estimates.

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318 Victorian Auditor-General’s Office, 2003-04 Annual Report, pp.8 and 28
7.2 Performance information

The Victorian Auditor-General’s Office achieved or exceeded 50 per cent of eight performance targets published in the Office’s 2003-04 Annual Report that are covered in the 2003-04 Budget Papers. The two performance measures that attracted the largest variations related to:

- finishing reports within time frames, which occurred in only 75 per cent of cases compared to a target of 100 per cent; and
- issuing management letters within set time frames which occurred in only 86 per cent of cases compared to a target of 100 per cent.

7.3 Major issues

The Committee identified a number of issues relating to the Victorian Auditor-General’s 2003-04 budget.

7.3.1 Measuring added value

In reviewing the 2003-04 annual report of the Victorian Auditor-General’s Office, the Committee noted that the Office’s prime corporate focus was on assuring the Parliament of the integrity of the state’s finances, improving the Office’s performance through better business practices, and adding value (through parliamentary reports and auditing services) to the operations of public sector agencies. The Office’s 2001-02 to 2003-04 Corporate Plan included an objective to deliver value adding reports to the Parliament. Measures designed to assess performance include: feedback from the Public Accounts and Estimates Committee and the Parliament concerning the relevance of audit topics and quality of reports and surveys of agencies and follow-up audits to assess action taken by agencies in response to audit recommendations.

Audited agencies were asked for feedback on whether audit reports provided value and whether they agreed with the audit recommendations. The Committee was interested to learn that client satisfaction exceeded the target of 80 per cent for 2003-04 at 84 per cent, and improved on the result for 2002-03. The Office
perceived the high level of satisfaction as indicating that the reports are useful and add value to agencies’ operations.327

From an accountability perspective, the Office’s annual report for 2003-04 outlined the value adding features of each audit report within categories that related to improved resource management, improved accountability and transparency or improved operational procedures.328 Although most reports were perceived as adding value, the annual report did not quantify the impact of implementing audit recommendations in terms of improved outcomes in government agencies.

The Committee considers that there is room for the Office to define the characteristics of a report that provides value to the Parliament and agencies, and to quantify or explain the value added from its operations against these criteria. For example, Parliament may regard the findings of an Auditor-General’s report to be of value if it:

- provides independent confirmation as to whether agencies funded by public expenditure are performing economically, efficiently and effectively;
- concludes on whether public grants are used for the purposes for which they are given and are applied economically, efficiently and effectively;
- informs Parliament of any waste of public resources, mismanagement or lack of probity or financial prudence;
- identifies areas exposed to substantial risk before events occur;
- presents new and/or current information that would not have been otherwise available in the public arena; or
- outlines areas in which accountability mechanisms could be strengthened.

Agencies may regard an audit report as providing value if the adoption of audit recommendations leads to improved performance, such as achieving cost savings, generating additional revenue or providing services in a more timely or effective manner. The Office currently does not quantify such factors.329

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327 ibid.
328 For an example, see Victorian Auditor-General’s Office, 2003-04 Annual Report, p.13
329 Victorian Auditor-General’s Office response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.3
The Office informed the Committee that:

*It is important to recognise that the value derived from the work of the Office is dependent on the actions of others including the Parliament, the Executive and audited agencies. The legislative auditor reports the results of audits and makes recommendations – implementation of the recommendations is the responsibility of others. It is for this reason that the Office conducts a series of follow-up audits so that Parliament is informed about action taken by agencies on the recommendations and, to some extent, an assessment can be made as to whether the recommendations have added value.*

The Committee is aware that the Auditor-General periodically reports to Parliament on the outcomes of follow-up audits. These follow-up audits are confined, however, to reporting on the extent to which audit recommendations have been adopted with no quantitative evaluation of the impact of implementing audit recommendations on agency operations. Given that the primary purpose of the Office as recorded in its Corporate Plan is to *improve performance and accountability in the Victorian Public Sector*, the Committee considers there would be merit in key performance indicators measuring the impact of audit recommendations, particularly those recommendations in performance audit reports and special reviews.

The Committee is pleased that the Office, as outlined in its corporate plan for 2004-05 to 2006-07, has committed to influencing change and notes that the Office intends to measure, with independent confirmation of agencies, the savings that an agency generates from acting on audit recommendations.

The Committee welcomes these developments because it considers that the Victorian Auditor-General’s Office plays an important role in improving public services and ensuring high standards of financial management in the Victorian public sector.

The Committee recommends that:

**Recommendation 20:** The Auditor-General consider including in the Victorian Auditor-General’s Office annual report the extent of changes and savings achieved as a result of, or partly due to, the implementation of audit recommendations.

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330 ibid.
331 Victorian Auditor-General’s Office, Corporate Plan 2004-05 to 2006-07, front cover
332 ibid.
### 7.3.2 The costs of undertaking individual performance audits

The Committee sought information from the Auditor-General’s Office on the cost of performance audits undertaken in 2003-04 and was provided with the information shown in exhibit 7.1.

**Exhibit 7.1: Cost of performance audits completed in 2003-04**

<table>
<thead>
<tr>
<th>Description</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Consultants</th>
<th>Other Expenses</th>
<th>Column (2-1)/1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Actual</td>
<td>In-house</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Revised $</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Improving literacy standards in government schools</td>
<td>510,195</td>
<td>539,911</td>
<td>384,122</td>
<td>137,106</td>
<td>18,683</td>
<td>+5.8</td>
</tr>
<tr>
<td>Managing logging in State forests (a)</td>
<td>676,113</td>
<td>631,086</td>
<td>604,758</td>
<td>3,800</td>
<td>22,528</td>
<td>-6.7</td>
</tr>
<tr>
<td>Addressing the needs of Victorian prisoners</td>
<td>352,318</td>
<td>362,894</td>
<td>298,339</td>
<td>50,133</td>
<td>14,422</td>
<td>+3.0</td>
</tr>
<tr>
<td>Beating the bugs</td>
<td>529,815</td>
<td>397,061</td>
<td>341,102</td>
<td>45,193</td>
<td>10,766</td>
<td>-25.0</td>
</tr>
<tr>
<td>Delivery of home and community care services by local government</td>
<td>528,000</td>
<td>512,398</td>
<td>456,812</td>
<td>54,083</td>
<td>1,503</td>
<td>-3.0</td>
</tr>
<tr>
<td>Budget development and management within departments</td>
<td>381,645</td>
<td>371,152</td>
<td>361,278</td>
<td>4,580</td>
<td>5,294</td>
<td>-2.7</td>
</tr>
<tr>
<td>Managing emergency demand in public hospitals</td>
<td>550,000</td>
<td>568,759</td>
<td>427,989</td>
<td>122,809</td>
<td>17,961</td>
<td>+3.4</td>
</tr>
<tr>
<td>Maintaining public housing stock</td>
<td>364,975</td>
<td>358,493</td>
<td>344,797</td>
<td>3,750</td>
<td>9,946</td>
<td>-1.8</td>
</tr>
<tr>
<td>Development of policy advice</td>
<td>453,000</td>
<td>459,657</td>
<td>448,032</td>
<td>11,625</td>
<td>0</td>
<td>+1.4</td>
</tr>
</tbody>
</table>

**Notes:**
(a) this includes the cost of two parliamentary reports, Managing logging in State forests and Measuring the success of Our Forests, Our Future policy as well as an occasional paper titled Measuring and reporting on sustainability

(b) a negative variance indicates that the cost was below budget

**Source:** Victorian Auditor-General’s Office response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.4

Exhibit 7.1 indicates that most performance audits were completed either within the revised budget or below estimates.
Under the Audit Act, the Auditor-General must prepare specifications for proposed performance audits and discuss these specifications with the Committee. Although not required in the legislation, the specifications discussed with the Committee usually contain the estimated budget for each performance audit. The Committee noted, however, that the estimated costs contained in the performance audit specifications can vary substantially from the actual cost.

The Committee was initially advised, for example, that the estimated cost of the performance audit on managing logging in state forests was $406,300, but the final cost, following a subsequent expansion of the scope of the audit, was $631,086 – an increase of $224,786 or 55.3 per cent. Similarly, the Committee was advised that the performance audit on the delivery of home and community care services was estimated to cost $450,000, but the final cost was $512,398, an increase of $62,398 or 13.9 per cent.

The Committee acknowledges that it can be difficult to accurately project the cost of performance audits, particularly when unforeseen issues arise that warrant further audit examination and expense. Nevertheless the Committee considers that the Auditor-General’s Office, along with other public sector agencies, has an obligation to try to manage projects within budget.

Matters relating to performance audit planning and budgeting were discussed in detail in the performance audit report on the Victorian Auditor-General and the Victorian Auditor-General’s Office which was tabled in the Parliament on 7 December 2004 and can be accessed through the Public Accounts and Estimate Committee website. Further comment on this area will be included in the Committee’s response to the performance audit of the Auditor-General’s Office, which will be tabled later this year.

### 7.3.3 Rolling over financial audit contracts beyond five years

On 25 June 2004 the Commonwealth Parliament passed the Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 (CLERP 9 covering stage 9 of the Commonwealth Government’s reform program), which introduced new arrangements to enhance the corporate governance and accountability framework for Australian companies. CLERP 9 calls for the five year rotation of lead and review audit partners for all listed entities.

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333 Audit Act 1994, s.15(2)
334 Acumen Alliance, Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office, December 2004, p.87
335 ibid., pp.87-88
In following up information in the Office’s annual report that internal staff or external audit service providers carry out financial audits under a three year contract, the Committee was interested in determining whether any three year contracts to external audit service providers had been extended for two years under the contract conditions, and subsequently rolled over for a further period during 2003-04 or 2004-05.

The Office advised the Committee that 46 audits (including 40 local government bodies) with 30 June balance dates and 54 education audits with 31 December balance dates were rolled-over beyond the five year contract term to the existing service providers (partners) for a further one year term before the audits were publicly re-tendered. The Office informed the Committee that it would have been inefficient for the agencies concerned if a new partner was appointed for one year. The larger audits comprised the Roads Corporation, the State Superannuation Fund, the Mornington Peninsula Shire Council, the Kingston City Council, the Manningham City Council, the Yarra City Council, Monash University, Deakin University and the Swinburne University of Technology. The Committee was advised that a tender process was in progress for audits with 30 June 2005 balance dates that were previously rolled-over, and a tender process for education audits with December 2005 balance dates is to be held in March/April 2005 following the completion of the December 2004 audits.

The Committee was informed of the following reasons for rolling over the contracts for more than five years:

- to more evenly spread the Office’s administrative effort for tendering and contract management across financial years;
- to more evenly spread the administrative effort of audit service providers in responding to invitations to tender;
- to respond to feedback from audit service providers, especially smaller regional firms, where a more even spread of existing work, which is placed at risk in a tender process, assisted resource management issues within accounting firms; and
- to assist in managing the transition of education sector audits from being contracted to audit service providers to being returned to internal resourcing.

The audit of RMIT and subsidiary agencies was returned from contract to

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337 Victorian Auditor-General’s Office, 2003-04 Annual Report, p.33
338 Victorian Auditor-General’s Office response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.6–7
339 Victorian Auditor-General’s Office response to the Committee’s follow-up questions
340 ibid.
341 Victorian Auditor-General’s Office response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.6–7
342 ibid., p.5
343 ibid.
internal resources for the year ended 31 December 2004. While further audits contracted in the education sector were likely to be returned to internal resourcing in the future, this was not possible for 2004 due to resourcing constraints within the Office.

The Committee recommends that:

**Recommendation 21:** From a risk management perspective, the Victorian Auditor-General’s Office should aim to employ no external audit service provider to carry out the same financial statement audits for longer than five years.

**Recommendation 22:** In the event that any contracts for the conduct of financial statement audits are extended beyond a five year term, this information, together with reasons for the extension, be disclosed in the annual report of the Victorian Auditor-General’s Office.
CHAPTER 8: DEPARTMENT OF EDUCATION AND TRAINING

Key Findings of the Committee:

8.1 The 2003-04 budget for the Department of Education and Training was $6,258.4 million. Actual expenditure for the year was $6,453 million, which was $194.6 million or 3 per cent more than the budget estimates allocation. Additional funding was provided to meet salary increases for staff and teachers, and increased costs.

8.2 The Department of Education and Training’s annual report for 2003-04 did not include details of output budget against actual costs.

8.3 The Department of Education and Training’s annual report should include details of specific projects, and retained revenue, carried over to subsequent years.

8.4 The 2003-04 annual report of the Department of Education and Training should have explained the $32.8 million fall in schools revenue.

8.5 Since its inception in March 2001, the Victorian Curriculum and Assessment Authority has incurred average annual operating deficits of $1.4 million resulting in an accumulated deficit of $4.7 million at 30 June 2004.

8.6 The proportion (61 per cent) of the performance targets that the Department of Education and Training met or exceeded in 2003-04 was similar to 2002-03.

8.7 A performance measurement and reporting framework is needed to ensure the outcomes achieved from the Victorian Government’s Blueprint for Government Schools initiative are transparent.

8.8 Qualified audit opinions were issued for 10 per cent of school councils’ financial accounts for 2003-04 regarding the completeness of cash takings, because the schools councils had limited evidence of takings from fundraising activities.

8.9 A legal opinion provided to the Department of Education and Training indicates that school councils are subject to the same financial audit and reporting regime as public sector entities.
8.1 Financial analysis

The 2003-04 budget for the Department of Education and Training was $6,258.4 million. Actual expenditure for the year was $6,453 million. Details are set out at exhibit 8.1. The department received additional funding of $194.6 million to meet salary increases for staff and teachers, and increased costs. Exhibit 8.2 contains further details of selected output cost variations greater than 20 per cent or $10 million.

Exhibit 8.1: Department of Education and Training
Output group summary 2003-04

<table>
<thead>
<tr>
<th>Output group</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column (2-1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003-04 Budget ($ million)</td>
<td>2003-04 Actual ($ million)</td>
<td>Variation ($ million)</td>
</tr>
<tr>
<td>School education</td>
<td>5203.0</td>
<td>5339.7</td>
<td>136.7</td>
</tr>
<tr>
<td>Training and tertiary education</td>
<td>1019.6</td>
<td>1074.0</td>
<td>54.4</td>
</tr>
<tr>
<td>Policy, strategy and information services</td>
<td>35.8</td>
<td>39.3</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6258.4</strong></td>
<td><strong>6453.0</strong></td>
<td><strong>194.6</strong></td>
</tr>
</tbody>
</table>

Sources: Budget Paper No. 3, 2003-04 Budget Estimates, p.26 and Department of Education and Training response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.3–4
### Exhibit 8.2: Department of Education and Training
Selected output cost variations 2003-04

<table>
<thead>
<tr>
<th>Output details</th>
<th>Column (1)</th>
<th>Column (2)</th>
<th>Column (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003-04 Variation between budget and actual ($ million)</td>
<td>Variation (%)</td>
<td>Explanation provided by the Department of Education and Training</td>
</tr>
<tr>
<td>School education output group</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary education</td>
<td>67.0</td>
<td>3.0</td>
<td>The variance primarily reflects the effect of the Enterprise Bargaining Agreement (EBA) for teachers and other school based staff on salaries finalised after the 2003-04 budget was tabled. The variance also reflects increased costs for school maintenance, payroll and supplies and services being greater than initially budgeted.</td>
</tr>
<tr>
<td>Junior secondary education</td>
<td>44.5</td>
<td>3.1</td>
<td>As above</td>
</tr>
<tr>
<td>Senior secondary education</td>
<td>22.8</td>
<td>3.1</td>
<td>As above</td>
</tr>
<tr>
<td>Training and tertiary education output group</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training and further education places</td>
<td>53.6</td>
<td>5.4</td>
<td>Non-government revenue sources were greater than anticipated and this was reflected in higher expenditure.</td>
</tr>
<tr>
<td>Higher education</td>
<td>0.5</td>
<td>33.3</td>
<td>Increased expenditure arose from revenues in excess of the 2003-04 estimate.</td>
</tr>
<tr>
<td>Policy, strategy and information services output group</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International education</td>
<td>1.8</td>
<td>26.1</td>
<td>Increased expenditure arose from higher revenues in international education program receipts.</td>
</tr>
</tbody>
</table>

Source: Department of Education and Training response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.4–5
The Committee noted that the Department of Education and Training did not include in its 2003-04 annual report details of budget and actual costs for outputs.\textsuperscript{344} This omission is surprising given that the Standing Directions of the Minister for Finance require departments to publish a comparison of budgeted and actual performance against output targets. This reporting should include a comparison against cost targets published in the annual Budget Papers.\textsuperscript{345}

The Committee is concerned that the departmental annual report did not publish this financial information. The department received the second highest budget allocation in 2003-04, equivalent to 24 per cent of budget appropriations.\textsuperscript{346} Omission of output budget and cost details both obviates accountability and transparency and limits the ability of Parliament to assess the department’s performance in delivering services and programs within budget.

The Committee recommends that:

**Recommendation 23:** The Department of Education and Training ensure its annual report includes details of budgeted and actual costs for outputs with explanations for major variations.

The Department of Education and Training had carried over funding of $27.2 million consisting of $18.5 million for additional initiatives and other schools programs, and additional retained revenue.\textsuperscript{347} The department did not provide details of specific projects and additional revenue. The Committee considers that the department needs to improve its accountability for carry over funding and will be addressing this issue in its report on the management and control of parliamentary appropriations, which will be tabled later this parliamentary session.

The Committee observed that schools’ operating revenue in 2003-2004 declined by $32.8 million to $349.3 million.\textsuperscript{348} The decline reverses the trend of increasing schools’ revenue since 2001-02.\textsuperscript{349} School revenue is made up from funds generated from regular fundraising activities and fees and contributions paid by parents.\textsuperscript{350}

\textsuperscript{346} Budget Paper No. 3, *2003-2004 Budget Estimates*, pp.495–496
\textsuperscript{347} Department of Education and Training, *2003-04 Annual Report*, p.78
\textsuperscript{348} ibid., p.77
\textsuperscript{350} Department of Education and Training response to the Committee’s follow-up questions
The Committee noted that the Department of Education and Training’s annual and financial reports provided no explanation for the fall in schools’ revenue in 2003-04.

Given the materiality of the fluctuation in schools’ revenue, the Committee considers that the department should monitor the trends in schools’ revenue and explain major variations in its annual report.

The Committee recommends that:

**Recommendation 24:** The Department of Education and Training include in its annual report an explanation for major variations in schools’ revenue.

The actual net results for budget portfolio controlled financial transactions in 2003-04 was a surplus of $71.7 million compared to a budget surplus of $151.5 million. The lower than expected surplus arose mainly from increased employee benefit costs ($155 million) and supplies and services costs ($59 million) being offset by revenue increases of $137 million mainly from output appropriation revenue.\(^{351}\) Net assets exceeded budget by $1.07 billion mainly as a result of a significant property revaluation.\(^ {352}\)

The Department of Education and Training provided funding to the Victorian Curriculum and Assessment Authority (VCAA) in 2003-04 of $29.7 million,\(^{353}\) equivalent to 88 per cent of the authority’s revenue for the year.\(^{354}\)

The Committee review of the VCAA’s 2003-2004 annual report indicated that the Authority has incurred average annual operating deficits of $1.4 million since its inception in March 2001 resulting in an accumulated deficit of $4.6 million at 30 June 2004.\(^ {355}\)

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\(^{352}\) ibid., pp.101–102
\(^{353}\) ibid., p.79
\(^{354}\) Victorian Curriculum and Assessment Authority, *2003-04 Annual Report*, p.48
\(^{355}\) ibid., pp.8 and 49
The Committee noted that VCAA recorded deficits are consistent with the Department of Education and Training’s request that the VCAA draw on its accumulated reserves as a source of revenue. This request reflects the departmental view that it is unnecessary for VCAA to hold substantial accumulated reserves.\(^{356}\)

The Committee is concerned about whether the department’s present funding approach will ensure the VCAA’s long-term financial viability. The Committee noted that the VCAA has no accumulated reserve balance and that the accumulated deficit eroded the VCAA’s capital base from $4.7 million to just $97,163 at 30 June 2004.\(^{357}\) If the trend in operating deficits in previous years is continued in 2004-05, then the VCAA could be insolvent at 30 June 2005. The Committee considers that the Department of Education and Training needs to ensure a sustainable funding basis for the VCAA.

Accordingly, the Committee recommends that:

**Recommendation 25:** The Department of Education and Training examine the long term financial viability of the budget for the Victorian Curriculum and Assessment Authority.

### 8.2 Performance information

The Department of Education and Training demonstrated its performance in 2003-04 mainly on the basis of its achievement of the performance measures and targets set out in the 2003-04 Budget Papers.\(^{358}\)

The Committee was concerned to learn that the department met or exceeded only approximately 61 per cent of the performance measures\(^{359}\) in 2003-04.\(^{360}\) Where targets were not achieved, 65 per cent of actual results varied from the target by less than five per cent.\(^{361}\) In terms of key measures such as class sizes/teacher student ratios and the government’s goal of increasing the percentage of young people in rural and regional Victoria engaged in education and training, the actual results achieved either were close to, met or exceeded the targets.\(^{362}\)

Nevertheless, the Committee is concerned with the level of performance targets being met by the department. The Committee noted that the proportion of the department’s performance targets met in 2003-04 was similar to 2002-03. The Committee considers that as the department is such a significant user of public resources, it should aim to

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\(^{356}\) ibid., p.8  
\(^{357}\) ibid., p.49  
\(^{358}\) Budget Paper No. 3, 2003-04 Budget Estimates, pp.27–44  
\(^{359}\) This percentage excludes measures that were either not available, measured or applicable  
\(^{360}\) Budget Paper No. 3, 2003-04 Budget Estimates, pp.27–44  
\(^{361}\) Department of Education and Training, Annual Report 2003-04, pp.55–66  
\(^{362}\) ibid.
improve its organisational performance and increase the number of performance targets being met or exceeded.

The Committee recommends that:

**Recommendation 26:** The Department of Education and Training aim to improve the number of performance targets being met or exceeded.

While the department’s 2003-04 annual report explained key variations between performance targets and actual achievements, the Committee sought further information on the more significant variations (exhibit 8.3).
Exhibit 8.3: Department of Education and Training Output Performance Measures 2003-04

<table>
<thead>
<tr>
<th>Output/Performance measure</th>
<th>Unit of measure</th>
<th>2003-04 Target</th>
<th>2003-04 Actual</th>
<th>Additional information requested by the Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Junior secondary education</td>
<td>Per cent</td>
<td>93</td>
<td>90</td>
<td>Why do junior secondary students miss, on average, one day of school per fortnight? What strategies does the department have to boost attendance? See the department’s response to Average rate of student attendance in Years 11 and 12 (page 44).</td>
</tr>
<tr>
<td>Average rate of student attendance in Years 7-10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Centres of Excellence in Languages established by February 2004</td>
<td>Number</td>
<td>3</td>
<td>0</td>
<td>What caused the delay in establishing these centres? The selection of the three Centres of Excellence in Languages was announced by the Minister for Education and Training in June 2004. All centres will be in operation by the start of the 2005 school year.</td>
</tr>
</tbody>
</table>
### Exhibit 8.3 – continued

<table>
<thead>
<tr>
<th>Output/Performance measure</th>
<th>Unit of measure</th>
<th>2003-04 Target</th>
<th>2003-04 Actual</th>
<th>Additional information requested by the Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Senior secondary education</strong>&lt;br&gt;Average rate of student attendance in Years 11 and 12 (government and non-government schools)</td>
<td>Per cent</td>
<td>93</td>
<td>91</td>
<td>Why do Years 11 and 12 students miss, on average, one day of school per fortnight? What strategies does the department have to boost attendance? Departmental studies have indicated that for students in years 7-12, around 58 per cent of absence is health-related, 34 per cent is due to parental choice and, the remaining 8 per cent mainly due to discipline reasons or students’ refusal to attend school. The department has implemented a number of initiatives such as the <em>It’s not OK to be away</em> campaign in Gippsland and the <em>Managed Individual Pathways</em> programs to assist in improving student attendance. Additionally, the department is introducing new technology, such as the <em>Ultranet</em>, an online initiative aimed to tackle absenteeism, which will be trialled at 12 schools across the State next year.</td>
</tr>
<tr>
<td><strong>Student welfare and support</strong>&lt;br&gt;Percentage of Victorian government schools meeting minimum requirements of the <em>Framework for Student Support Services in Victorian Government Schools</em></td>
<td>Per cent</td>
<td>98</td>
<td>Not measured</td>
<td>Why was this measure not collected in the 2003 School Census when no alternative indicator had been developed? The data relating to the support of requirements for <em>Framework for Student Services</em> was not collected as a review of <em>Student Support Services</em> had commenced. The department’s focus is on developing indicators that are more strongly linked to Student Support Service outcomes.</td>
</tr>
</tbody>
</table>
### Exhibit 8.3 – continued

<table>
<thead>
<tr>
<th>Output/Performance measure</th>
<th>Unit of measure</th>
<th>2003-04 Target</th>
<th>2003-04 Actual</th>
<th>Additional information requested by the Committee</th>
</tr>
</thead>
</table>
| Training and further education places | Number | 600 | 190 | What processes are in place to identify workplace closures, advertise the *Skill Up* program to retrenched workers and assist eligible workers? What was the take-up rate for eligible retrenched workers in 2003-04 and how does this compare with other similar programs?

Processes in place to identify and advertise workplace closures include:
- an ongoing media monitoring service;
- liaison with the Department of Innovation, Industry and Regional Development and the Department for Victorian Communities;
- ongoing discussion with industry associations, Industry Advisory Training Boards and local government; and
- advice from TAFE institutions which takes account of their local knowledge.

Eligible workers are assisted through the nominated training provider, which liaises with the organisation and eligible workers to discuss counselling and training options. In terms of the take-up rate, the majority of workers are contacted by the training provider to advise them that the program is available and to determine their requirements. This is currently not recorded as 'participation'. All retrenched workers have the option to retire or commence new employment immediately, and may elect not to commence training. |
Exhibit 8.3 – continued

<table>
<thead>
<tr>
<th>Output/Performance measure</th>
<th>Unit of measure</th>
<th>2003-04 Target</th>
<th>2003-04 Actual</th>
<th>Additional information requested by the Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult and community education places and community support</td>
<td>Per cent</td>
<td>80</td>
<td>Not applicable</td>
<td>When was the department aware that the national survey was no longer conducted? Why wasn’t an alternative measure developed for 2003? The department became aware in late 2002 that the National Training Statistics Committee had decided to reallocate funding to the 2003 TAFE student satisfaction survey. The department had developed a new survey to be implemented for 2004.</td>
</tr>
<tr>
<td>Student satisfaction with ACE courses meeting overall needs</td>
<td>Per cent</td>
<td>100</td>
<td>80</td>
<td>What was the shortfall in revenue caused by adopting the new national approval process? Why wasn’t this shortfall anticipated? The shortfall in revenue caused by adopting the new national approval process was $24,782. The fees for for-profit providers were established at a set rate in 1993 (with no increments) and did not take into account the additional costs associated with adoption of the national concurrent accreditation process that was subsequently introduced. The new (and higher) fee regulations implemented from June 2004 have increased cost recovery.</td>
</tr>
<tr>
<td>Higher education</td>
<td>Per cent</td>
<td>100</td>
<td>80</td>
<td></td>
</tr>
</tbody>
</table>
### Exhibit 8.3 – continued

<table>
<thead>
<tr>
<th>Output/Performance measure</th>
<th>Unit of measure</th>
<th>2003-04 Target</th>
<th>2003-04 Actual</th>
<th>Additional information requested by the Committee</th>
</tr>
</thead>
</table>
| Public information and promotion Customer satisfaction with quality of telephone information service | Per cent | 95 | Not applicable | **What indicators replace this measure? What is customer satisfaction with the department’s website?**

The customer satisfaction indicator was deleted as the performance measure is no longer relevant. It measured satisfaction with just one information telephone service (the TAFE course line) which is now handled together with other telephone information and referral services. It is not appropriate to measure customer satisfaction with this service due to the large number, broader scope and varied nature of calls that are received on any education or training topic.

The department maintains a number of different websites targeting a range of audiences. The department’s corporate website www.det.vic.gov.au received around 50,000 hits per month. Approximately 200 emails are received and responded to from the edline@edumail.vic.gov.au.

**Sources:** Annual Report 2003-04, pp.57–66; Department of Education and Training response to the Committee’s 2003-2004 Budget Outcomes questionnaire, pp.7–9
The Committee noted improvements in some performance outcomes from the previous year including:

- a reduction of average class sizes in prep-year 2 (from 21.8 to 21 students)\textsuperscript{363} and years 3-6 (from 24.8 to 24.3 students);\textsuperscript{364}
- an improvement in the teacher-student ratio from 1:16.5 to 1:16.2 for primary education\textsuperscript{365} and from 1:12.4 to 1:12.1 for junior secondary education;\textsuperscript{366}
- a higher percentage (from 93.4 to 96.1) of metropolitan and non-metropolitan students attaining text level 1 in reading at the end of Prep;\textsuperscript{367}
- a higher percentage (from 97.9 to 99.4) of metropolitan and non-metropolitan students attaining text level 5 in reading at the end of Year 1;\textsuperscript{368}
- an increase in annual student contact hours in Vocational Education and Training (VET) in Victorian Certificate of Education (VCE) programs in government and non-government schools, from 6.77 million to 8.7 million hours;\textsuperscript{369}
- an increase in the percentage of persons aged 15-64 participating in TAFE programs as a proportion of population (from 14.7 to 15);\textsuperscript{370} and
- an increase in the percentage of successfully completed training programs provided by TAFE institutes, (from 76.3 per cent to 77.5 per cent).\textsuperscript{371}

The Committee’s review of performance measures for 2003-04 also identified the following:

- performance outcomes declined from those in the previous year in primary and secondary schools identified as performing at or above expected levels in the triennial review process (from 96.2 per cent to 91 per cent for primary schools\textsuperscript{372} and from 91.3 per cent to 89 per cent for secondary schools);\textsuperscript{373};

\textsuperscript{363} Department of Education and Training, Annual Report 2002-03, p.25; and Department of Education and Training, Annual Report 2003-04, p.56
\textsuperscript{364} ibid.
\textsuperscript{365} ibid.
\textsuperscript{366} Department of Education and Training, Annual Report 2002-03, p.27; and Department of Education and Training, Annual Report 2003-04, p.57
\textsuperscript{367} Department of Education and Training, Annual Report 2002-03, p.25; and Department of Education and Training, Annual Report 2003-04, p.56
\textsuperscript{368} ibid.
\textsuperscript{369} Department of Education and Training, Annual Report 2002-03, p.28; and Department of Education and Training, Annual Report 2003-04, p.59
\textsuperscript{370} Department of Education and Training, Annual Report 2002-03, p.51; and Department of Education and Training, Annual Report 2003-04, p.63
\textsuperscript{371} ibid.
\textsuperscript{372} Department of Education and Training, Annual Report 2002-03, p.25; Annual Report 2003-04, p.57
\textsuperscript{373} Department of Education and Training, Annual Report 2002-03, p.27; and Department of Education and Training, Annual Report 2003-04, p.58
• the key performance target that 95 per cent of schools have a 1:5 or better computer-student ratio was not achieved for primary or secondary schools, at 83.3 per cent\textsuperscript{374} and 80.1 per cent\textsuperscript{375} respectively.

The Committee also notes that the 2003 literacy and numeracy national benchmark results for Years 3 and 5 for Victoria had not been released by the Ministerial Council on Education, Employment, Training and Youth Affairs at the time the department’s annual report was prepared.\textsuperscript{376} Consequently, the department’s 2003-04 annual report did not contain the results for the performance measures that related to these benchmarks. Actual results reported in the 2003-04 annual report relate to 2001.\textsuperscript{377} The Committee intends to examine numeracy and literacy levels for Victorian students as part of the review of the 2005-06 Budget Estimates.

The Committee reiterates that timely availability of performance information is an important element of the performance management framework. It recognises that this issue has affected the assessment of how student literacy and numeracy of Victorian school children compares with national standards.

8.3 Major issues

8.3.1 BluePrint for Government Schools

The Minister for Education launched the *BluePrint for Government Schools* in November 2003.\textsuperscript{378} This document identifies the objective of government school education that all students, irrespective of the school they attend, where they live or their home background are entitled to receive a high quality education and genuine opportunities to succeed.\textsuperscript{379}

The *Blueprint* framework focuses on reform within the following three areas: \textsuperscript{380}

- recognising and responding to diverse student needs with strategies developed for student learning and the development of a new resource allocation model;
- building the skills of the education workforce to enhance the teaching–learning relationship, with strategies developed for building leadership, creating and supporting a performance and development culture, and professionally developing teachers; and

\textsuperscript{374} Department of Education and Training, *Annual Report 2003-04*, p.56
\textsuperscript{375} ibid., p.57
\textsuperscript{376} ibid., pp.56–7
\textsuperscript{377} ibid., p.4
\textsuperscript{378} Media release, Minister for Education and Training, *Blueprint Spells Successful Future For Schools*, 13 November 2003
\textsuperscript{379} Department of Education and Training, *Blueprint for Government Schools*, p. 8
\textsuperscript{380} Department of Education and Training, 2003-04 *Annual Report*, p.19
continuously improving schools with strategies developed for school improvement and a leading school fund.

The Committee understands that the framework for the delivery of the Blueprint’s goals has yet to be finalised. Strategies are in various stages of completion and a performance measurement and reporting regime is in the process of being developed. The Committee considers that the finalisation of both these areas should be a priority for the Department of Education and Training.

The Committee recommends that:

**Recommendation 27:** The Department of Education and Training finalise, as a priority, implementation of strategies associated with the *Blueprint for Government Schools* framework and develop a performance measurement and reporting regime for outcomes delivered under this initiative.

### 8.3.2 Financial accountability arrangements for government school councils

There are 1,632 Victorian school councils set up under the *Education Act 1958* that oversee government schools. Schools’ operating revenue collections amounted to $349 million in 2003-04.

School councils are required to prepare within three months of the end of the financial year financial accounts on a cash basis, and have them audited by service providers appointed under contract by the Department of Education and Training. Each school council is required to publish an annual report of its activities and to present a statement of receipts and expenditure at a public meeting.

The Committee is aware that while 90 per cent of schools received unqualified audit opinions on their financial reports, 10 per cent were qualified regarding the incompleteness of cash takings because the councils had limited evidence of takings from fund-raising activities. The Committee is concerned at the adequacy of controls over cash collection at schools and considers that school councils need practical guidance from the department in a form of an easily adapted template to assist with accounting for cash, particularly moneys collected from fund-raising.

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381 ibid.
382 ibid.
386 ibid., p.61

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activities. The Committee also intends to undertake an analysis of schools revenue as part of its review of the 2005-06 Budget Estimates.

The Committee recommends that:

**Recommendation 28:** The Department of Education and Training provide practical guidance to school councils in the form of an easily adapted template to assist with accounting for cash collections, particularly moneys collected from fund-raising activities.

The Victorian Government Solicitor recently advised the Department of Education and Training that school councils are public statutory authorities. The Auditor-General considers that this means that school councils are subject to the accountability and auditing provisions of the *Financial Management Act 1994* and the *Audit Act 1994* which would require school councils to:

- prepare accounts on an accrual basis, rather than a cash basis;
- have their accounts audited by the Auditor-General; and
- present a report of operations, including the audited financial report, to Parliament.

The Department of Education and Training advised the Auditor-General that school councils, in their own right, will not be able to meet these requirements for some considerable time. Given this advice and the Education Act requirement that councils appoint approved auditors to provide assurance on their financial affairs, the Auditor-General has exercised the authority available under section 8 of the Audit Act to dispense with the audit of school councils until a longer-term solution is developed by the Department of Education and Training and the Department of Treasury and Finance. The Auditor-General and the Department of Education and Training agreed on an interim arrangement for 2005.

In view of the advice of the Victorian Government Solicitor and the materiality of school revenues and assets managed by Victorian schools councils, the Committee has concerns about whether schools should be deemed to be public bodies for financial reporting purposes. The Committee believes the financial audit and reporting regime applying to Victorian schools, while not diminishing accountability, should be practical, and that a reporting template for schools should be developed for this purpose as soon as practicable.

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387 ibid., p.60
388 ibid.
389 ibid.
390 ibid.
391 ibid.
Accordingly, the Committee recommends that:

**Recommendation 29:** The Department of Education and Training, in conjunction with the Department of Treasury and Finance, ensure a practical financial audit and reporting regime is developed for school councils.

### 8.3.3 Non-government schools in need of funding

The Committee noted that non-government schools educate over 286,700 students, equivalent to 35 per cent of Victorian school students.\(^{392}\)

The 2003-04 budget provided $62 million over four years to assist needy non-government schools with the rising costs of school education.\(^{393}\)

The Committee sought details from the Department of Education and Training on the resource allocation and accountability arrangements of this initiative. The department advised the following:\(^{394}\)

- in 2003-04, $4.25 million of the first year commitment of $11 million to non-government schools was allocated, and a further $4.25 million of the first year commitment was allocated in July 2004. Allocation of the remaining $16.5 million in 2004-05 is contingent on the development and implementation of a new resource model for non-government schools;
- a new funding model for non-government schools will be implemented from January 2006. A Consultative Working Committee was established by the department, the Catholic Education Commission of Victoria and the Association of Independent Schools of Victoria for this purpose;\(^{395}\) and
- the accountability arrangements are being developed through the new funding model and are yet to be finalised.

The Committee noted these developments and will continue to monitor resource allocation and accountability arrangements for funding provided to needy non-government schools.

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393 Minister for Education and Training; and Minister for Education Services, media release, *$234 million to encourage a smarter Victoria*, 6 May 2003
394 Department of Education and Training response to the Committee’s 2003-04 Budget Outcomes questionnaire, p21
8.3.4 The Reform and Demand Strategy

The Victorian Government developed a five point strategy commencing in 2003-04 to meet the challenges and demand pressures of Victoria’s education system. The Reform and Demand Strategy comprises:396

- an overarching strategy for school education (subsequently promulgated as the Blueprint for Government Schools);
- improved targeting of resources initiatives to improve educational outcomes in schools;
- initiatives to improve educational outcomes in schools consistent with A Better Reporting and Accountability System for Schools;
- rigorous accountability to support government objectives; and
- workforce strategies that focus on quality and excellence to improve educational outcomes.

The strategy was estimated to cost $414 million over four years, with expenditure in 2003-04 expected to be $82 million.397 In view of the significance of the initiative, the Committee sought details from the Department of Education and Training on expenditure in 2003-04 and the related projects and programs on which the funds were spent.

The department advised that the funding had been allocated across the department according to the outputs and output groups contributing to the achievement of the government’s targets and meeting departmental objectives. Consequently, the expenditure amount could not be acquitted on a program by program basis. At an aggregate level, the department operated within the 2003-04 budget allocation.398

The Committee noted the department’s response but is concerned at the lack of accountability for the funds expended on this significant strategy and for the outcomes achieved to date.

Accordingly, the Committee recommends that:

**Recommendation 30:** The annual report of the Department of Education and Training include details of the expenditure incurred, projects funded and outcomes achieved under the Reform and Demand Strategy.

396 Budget Paper No. 2, 2003-04 Budget Statement, p.65
397 ibid., p.66
398 Department of Education and Training response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.22
8.3.5 2003-04 asset initiatives

The Committee noted that the 2003-04 budget provided for nine new asset initiatives costing $137.1 million over the period ending 30 June 2005.\(^{399}\)

The Committee reviewed expenditure on three key initiatives: Building Better Schools (new schools); Facilities for Excellence; and Fire Reinstatement Programs (with a combined budget of $60 million)\(^{400}\) on the basis of details set out in Budget Information Paper No. 1, 2004-05 Public Sector Asset Investment Program.\(^{401}\)

Subsequent enquiries with the Department of Education and Training revealed that:\(^{402}\)

- Budget Information Paper No. 1 did not provide project details and associated expenditure for the Ballarat High School project in the Facilities for Excellence initiative; and
- expenditure on Facilities for Excellence initiative exceeded the 2003-04 budget allocation ($5.17 million compared to the budget of $5.1 million); and
- expenditure on the Building Better Schools (new schools) and Fire Reinstatement Program initiatives was significantly below budget because certain projects experienced unanticipated delays.

The Committee is concerned that Budget Information Paper No. 1 did not include all project details and associated expenditures for the three asset initiatives reviewed. The Committee considers this information should be disclosed to facilitate the accountability and transparency of asset initiatives.

The Committee recommends that:

**Recommendation 31:** The Department of Education and Training ensure Budget Information Paper No. 1 does not omit details of any asset initiative projects of $100,000 and above.

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\(^{399}\) Budget Paper No. 2, 2003-04 Budget Statement, p.207  
\(^{400}\) ibid.  
\(^{401}\) Budget Information Paper No. 1, 2004-05 Public Sector Asset Program, pp.25–32  
\(^{402}\) Department of Education and Training response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.22–23
CHAPTER 9: DEPARTMENT OF HUMAN SERVICES

Key Findings of the Committee:

9.1 Expenditure by the Department of Human Services in 2003-04 amounted to $9,269.2 million, which included $278.3 million additional expenditure of a routine nature, compared to the budget estimates of $8,990.9 million. This additional funding was used for increased wage payments to service providers; to ensure the financial viability of some public hospitals; to cover the cost of outstanding medical indemnity insurance claim liabilities; and cover the increasing costs of concessions to pensioners and other beneficiaries.

9.2 The cost of delivering 20 outputs (30.7 per cent of all outputs) exceeded the initial budget allocation by 10 per cent or more. The Department of Human Services 2003-04 annual report explained all variations from the output budget.

9.3 The Department of Human Services achieved or exceeded 71 per cent (169) of its performance targets (238) published in its 2003-04 annual report. The department’s annual report disclosed explanations for major deviations from targets.

9.4 The Department of Human Services did not achieve 50 per cent or more of the performance targets set for 19 of 65 outputs (29.2 per cent) in 2003-04.

9.5 In 2003-04, 86 per cent of emergency patients were admitted to a hospital bed within the recommended period of less than 12 hours compared to the target of 95 per cent.

9.6 During 2003-04, 26,220 patients stayed in emergency departments for over 12 hours while waiting for a hospital bed. An average of one in three emergency patients at The Alfred Hospital had to wait for more than 12 hours for admission, whereas around one in four patients was in this category at the Dandenong Hospital, the Monash Medical Centre and the Royal Melbourne Hospital.

9.7 The Department of Human Services reported that 241,835 emergency admissions to Victoria’s major metropolitan hospitals occurred in 2003-04, against a target of 261,000 (a reduction of 19,165 admissions or 7.3 per cent). The lower than expected number of admissions reflects the successful implementation of prevention and substitution programs under the Hospital Demand Management Strategy.
Key Findings of the Committee - continued:

9.8 The Department of Human Services met its 2003-04 target for 80 per cent of semi-urgent (category 2) patients to be admitted within the clinically ideal time of 90 days. The majority of the non-major metropolitan hospitals, major regional hospitals and other rural hospitals admitted more than 80 per cent of their semi-urgent cases from the elective surgery waiting list within the clinically ideal 90 day timeframe. The majority of the major metropolitan hospitals, however, did not reach this target.

9.9 During 2003-04 there was a high level of interest in accessing the Better Health Channel on the internet. The increased use was due to community concerns about influenza, SARS and meningococcal disease.

9.10 As a result of the price and resource allocation review, that was completed in 2003-04 to improve the financial viability of public hospitals, additional funding was provided in 2003-04 ($79.2 million) and $1.6 billion over four years to 2007-08. Governance, resource management and reporting practices have been strengthened to help achieve a balanced operating position in public hospitals over the next few years.

9.11 In the Disability Services output group, worse than expected performance during 2003-04 in the review of program plans for day activity and shared supported accommodation clients on a timely basis was primarily caused by data quality issues in transitioning from a manual to an electronic collection process, rather than under performance in delivering services.

9.12 The average cost of public housing stock acquired during 2003-04, excluding those houses acquired through the short-term leases program, was $197,000.

9.1 Financial analysis

In 2003-04 the Department of Human Services was responsible for the delivery of 65 outputs, which were initially budgeted to cost $8,990.9 million.\textsuperscript{403} Actual expenditure in 2003-04 amounted to $9,269.2 million, with the department incurring additional expenditure of $278.3 million.\textsuperscript{404} This additional expenditure was required to largely

\textsuperscript{403} Department of Human Services, 2003-04 Annual Report, pp.27–58
\textsuperscript{404} ibid.
cover the costs associated with: salary increases for employees in the non-government sector as wage agreements were finalised; maintaining the sustainability of the public hospital system; outstanding medical indemnity insurance claim liabilities; and concessions to pensioners and other beneficiaries. 405

The Committee noted that the cost of delivering 20 outputs (30.7 per cent) exceeded the initial budget allocation by ten per cent or more. The department’s annual report explained all variances from the output budget.

9.2 Performance information

The department achieved or exceeded approximately 71 per cent (169) of its performance targets (238) published in its 2003-04 annual report. 406 While explanations for major deviations were disclosed in the department’s 2003-04 annual report, the outputs with the largest proportion of targets for performance measures not met are shown in exhibit 9.1.

Exhibit 9.1: Department of Human Services outputs with a large proportion of targets for 2003-04 not met

<table>
<thead>
<tr>
<th>Output</th>
<th>Number of performance measures not met</th>
<th>Percentage of performance measures not met</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinical inpatient care</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>Aged care assessment</td>
<td>3</td>
<td>75</td>
</tr>
<tr>
<td>Community health care</td>
<td>2</td>
<td>66.7</td>
</tr>
<tr>
<td>Dental services</td>
<td>3</td>
<td>60</td>
</tr>
<tr>
<td>Communicable disease prevention and control</td>
<td>3</td>
<td>50</td>
</tr>
<tr>
<td>Health and social development</td>
<td>3</td>
<td>60</td>
</tr>
<tr>
<td>Long-term housing assistance</td>
<td>5</td>
<td>50</td>
</tr>
<tr>
<td>Kindergarten and child care services</td>
<td>2</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: Department of Human Services, 2003-04 Annual Report, pp.31, 32, 34, 35, 36, 37, 43, 50

The department explained in its annual report the factors that led to the non-achievement of most targets. But given that almost a third of the department’s performance targets were not met in 2003-04, and that 19 of 65 outputs (29.2 per cent) did not achieve 50 per cent or more of their performance targets, the Committee considers that the department needs to strive for a higher success rate.

405 Department of Human Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.2–3
406 Department of Human Services, 2003-04 Annual Report, pp.27-58
The Committee recommends that:

**Recommendation 32:** The Department of Human Services closely monitor performance against targets on a progressive basis for all its outputs.

### 9.3 Major issues

The Committee identified the following issues relating to the department’s portfolio arising from the 2003-04 budget.

#### 9.3.1 Emergency patients waiting for more than 12 hours for a hospital bed

The Committee noted that 86 per cent of emergency patients in 2003-04 were admitted to a hospital bed within the recommended period of less than 12 hours compared to the target of 95 per cent.\(^{407}\) The department reported that emergency admission times will be a priority area as part of the Hospital Demand Management Strategy in 2004-05.\(^{408}\) In response to the Committee’s concern regarding the consequences of emergency patients remaining in emergency wards for extended periods, the department advised that health services run extensive quality programs, which include clinical risk management and adverse event reporting.\(^{409}\) (An adverse event is an unintended injury or complication that results in disability, death or prolongation of hospital stay and is caused by health care management rather than the patient’s disease). These processes would identify any adverse health effects as a result of a prolonged stay in the emergency department.\(^{410}\)

Figures released by the government show that 26,220 patients stayed in emergency departments of 19 hospitals for over 12 hours during 2003-04 while waiting for a hospital bed.\(^{411}\) Of the major metropolitan hospitals, the Royal Children’s Hospital had the lowest proportion of emergency patients (4 per cent or 465 patients) who had to wait for more than 12 hours in emergency for admission to a hospital bed, while The Alfred had the highest proportion (35 per cent or 3,348 patients).\(^{412}\)

The total number of patients waiting more than 12 hours for a ward bed has reduced over the last four years from 27,909 (18 per cent of patients) in 2000-01 (see exhibit 9.2).\(^{413}\)

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\(^{407}\) ibid., p.27  
\(^{408}\) ibid., p.28  
\(^{409}\) Department of Human Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.6  
\(^{410}\) Department of Human Services, *Sentinel Event Program 2003-04 Annual Report*, p.33  
\(^{411}\) Department of Human Services, *Hospital services report*, September quarter 2004, p.10  
\(^{412}\) Department of Human Services, *Hospital services report*, September quarter 2004, January 2005, p.11  
\(^{413}\) Department of Human Services response to the Committee’s follow-up questions, p.1
Chapter 9: Department of Human Services

Exhibit 9.2: Emergency department presentations

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Waiting for more than 12 hours for a ward bed No.</th>
<th>Waiting for more than 12 hours for a ward bed %</th>
<th>Admits to a ward bed No.</th>
<th>Admitted within 12 hours %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>27,909</td>
<td>18</td>
<td>153,055</td>
<td>82</td>
</tr>
<tr>
<td>2001-02</td>
<td>26,304</td>
<td>16</td>
<td>167,787</td>
<td>84</td>
</tr>
<tr>
<td>2002-03</td>
<td>23,084</td>
<td>13</td>
<td>172,920</td>
<td>87</td>
</tr>
<tr>
<td>2003-04</td>
<td>26,220</td>
<td>14</td>
<td>183,356</td>
<td>86</td>
</tr>
</tbody>
</table>

Notes: VEMD admission to a ward data records only those who are transferred from an emergency department to an inpatient bed. Total emergency admissions drawn from the Victorian Admitted Episodes Dataset (VAED) records all patients who have undergone hospital admission processes to receive care and include patients who are admitted as an emergency but who do not access the hospital through the emergency department (for example they are admitted from an outpatients area).

Source: Victorian Emergency Minimum Dataset (VEMD); Department of Human Services response to the Committee’s follow-up questions.

Over the 2003-04 period there were four major metropolitan hospitals at the upper end of the scale that significantly affected the ability of the public hospital system to meet the performance target set by the government for 95 per cent of emergency patients to be admitted within the recommended period of 12 hours. At The Alfred Hospital, an average of one in every three emergency patients had to wait for more than 12 hours for admission to the hospital during 2003-04, whereas around one in every four patients were in this category at the Dandenong Hospital, Monash Medical Centre and the Royal Melbourne Hospital (exhibit 9.3). The Committee was informed by the department that these four hospitals have been recognised as requiring further investment in order to improve performance. In the current financial year, short stay beds have opened at The Alfred Hospital, Dandenong Hospital and Monash Medical Centre while at Royal Melbourne Hospital, a number of innovations have been made as part of efforts to improve patient flow.

414 Department of Human Services, Hospital services report, March quarter 2004, p.11, June quarter 2004, p.11 and September quarter 2004, p.11
415 Department of Human Services response to the Committee’s follow-up questions, p.2
416 Ibid.
Exhibit 9.3: Public hospitals with the largest proportion of emergency department patients experiencing stays of more than 12 hours in emergency prior to hospital admission

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
</tr>
<tr>
<td>The Alfred</td>
<td>902</td>
<td>37</td>
<td>822</td>
<td>36</td>
<td>781</td>
<td>33</td>
</tr>
<tr>
<td>Dandenong Hospital</td>
<td>580</td>
<td>23</td>
<td>617</td>
<td>25</td>
<td>491</td>
<td>21</td>
</tr>
<tr>
<td>Monash Medical Centre</td>
<td>1025</td>
<td>29</td>
<td>899</td>
<td>27</td>
<td>413</td>
<td>13</td>
</tr>
<tr>
<td>Royal Melbourne Hospital</td>
<td>1114</td>
<td>31</td>
<td>939</td>
<td>27</td>
<td>794</td>
<td>23</td>
</tr>
<tr>
<td>Goulburn Valley Health</td>
<td>194</td>
<td>15</td>
<td>169</td>
<td>15</td>
<td>200</td>
<td>14</td>
</tr>
</tbody>
</table>

Sources: Hospital Services Reports, March 2004 quarter 2004 p.11, June quarter 2004 p.11 and September quarter 2004 p.11
The Committee considers that the proportion of patients experiencing prolonged waiting periods in emergency departments of the hospitals shown in exhibit 9.3 is still excessive and notes the department’s designation of this area as one of high priority for 2004-05. While acknowledging that there has been a growth in the number of patients accessing hospitals through emergency departments in each of the past four financial years, the Committee will be interested in reviewing, during the next budget outcomes process, whether the department’s efforts have been effective in increasing the proportion of emergency department patients admitted to hospital wards within the recommended period of 12 hours.

9.3.2 Emergency patient admissions to hospitals

The department stated that an emergency admission is an unplanned admission to hospital due to unexpected illness or injury that requires urgent care and includes patients who receive an entire episode of care in an emergency department as well as patients who are admitted as an emergency but do not access the hospital through the emergency department (for example, they are admitted from an outpatients area). The department reported in its 2003-04 annual report that 241,835 emergency admissions occurred during 2003-04 against a target of 261,000 for Victoria’s major metropolitan hospitals (a shortfall of 19,165 admissions or 7.3 per cent). The Committee was advised that there were actually 241,883 emergency admissions for the 13 hospitals included in the analysis, and the variance of 48 from the previous reported outcome was due to the result of ongoing data validation processes undertaken by the department. In explaining the shortfall, the department stated that this result reflects the successful implementation of prevention and substitution programs under the Hospital Demand Management Strategy (HDMS). The department advised that in interpreting this outcome, the following factors should be recognised:

- the number of emergency admissions is an activity indicator, reflecting growth in demand and pressure on health services, whereas the number of patients who stay in emergency departments for an extended period is a performance indicator that reflects health service ability to provide timely access;
- the target of 261,000 emergency admissions was set by projecting previous years’ growth;
- a central policy objective for the HDMS is a reduction in preventible hospital admissions;

417 Department of Human Services, Hospital services report, June quarter 2004, p.33
418 Department of Human Services response to the Committee’s follow-up questions, p.3
419 Department of Human Services, 2003-04 Annual Report, p.27
420 Department of Human Services response to the Committee’s follow-up questions, p.2
421 Department of Human Services, 2003-04 Annual Report, p.28
422 Department of Human Services response to the Committee’s follow-up questions, pp.2–3
• implementation of HDMS initiatives, in particular prevention initiatives through the Hospital Admission Risk Program (HARP), resulted in 2003-04 growth being lower than had been predicted; and

• for this indicator, a negative variance compared to target is a favourable result.

The Committee noted that emergency admissions comprised around a third of all admission sources across the major metropolitan hospitals and other hospitals throughout the state during 2003-04. The major metropolitan hospitals with consistently the highest numbers of emergency admissions for each quarter during 2003-04 were the Frankston Hospital, the Monash Medical Centre and the Royal Melbourne Hospital.

Given the lower number of emergency patients admitted to hospitals compared to the target and the urgent nature of care required by emergency patients, the Committee was interested in exploring, from a risk management point of view, the way in which the department monitors the effectiveness of its prevention and substitution programs in securing high quality health outcomes for those emergency patients not admitted to a hospital. The department advised that many of the prevention and substitution strategies implemented under the Hospital Demand Management Strategy are based on similar initiatives around the world. These initiatives have not been associated with adverse health effects. On the contrary, the rationale for implementing these strategies is to provide improved health outcomes through innovative practice, including prevention of acute health episodes which would otherwise result in hospital admission, or provision of primary medical treatment in more appropriate settings for example, GP surgeries. Health services run extensive quality programs, which include clinical risk management and adverse event reporting. Prevention initiatives of the Hospital Demand Management Strategy are independently evaluated and to date no adverse effects have been identified in evaluations.

The Committee appreciates that a lower level of emergency admissions reflects the effectiveness of the department’s prevention and substitution strategies. The Committee also believes that outcomes resulting from the diversion of emergency patients from being admitted to the public hospital system need to be kept under constant review to ensure that improved health outcomes for these patients in urgent need of care are in fact realised in a non-hospital setting. It is for these reasons that the Committee supports the need for monitoring and reporting regimes.

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29 Department of Human Services, Hospital services report, September 2003, December 2003, March 2004 and June 2004, p.29
424 ibid., p.8
425 Department of Human Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.7
426 ibid.
427 ibid.
428 ibid.
429 ibid.
9.3.3 Elective patients classified as semi-urgent waiting over 90 days for a hospital bed

The Committee noted that 100 per cent of urgent (category 1) cases from the elective surgery waiting lists were admitted within the established time period of 30 days.\textsuperscript{430}

The department also met its target during 2003-04 for 80 per cent of semi-urgent (category 2) patients to be admitted within the clinically ideal time of 90 days.\textsuperscript{431} A comparison of how the department performed against this indicator over the past five financial years is shown in exhibit 9.4.

Exhibit 9.4: Semi-urgent (category 2) patients admitted within 90 days

<table>
<thead>
<tr>
<th>Year</th>
<th>Target (%)</th>
<th>Actual (%)</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-2000 (a)</td>
<td>88</td>
<td>82</td>
<td>45,764</td>
</tr>
<tr>
<td>2000-01</td>
<td>80</td>
<td>78</td>
<td>41,581</td>
</tr>
<tr>
<td>2001-02</td>
<td>80</td>
<td>79</td>
<td>40,819</td>
</tr>
<tr>
<td>2002-03</td>
<td>80</td>
<td>79</td>
<td>42,421</td>
</tr>
<tr>
<td>2003-04</td>
<td>80</td>
<td>80</td>
<td>46,784</td>
</tr>
</tbody>
</table>

\textit{Note:} (a) This was a new indicator in the 1999-2000 budget (the previous measurement of category 2 patients admitted within 90 days only recorded the raw number and not the percentage of the total of Category 2 patients admitted)

\textit{Source:} Department of Human Services response to the Committee’s follow-up questions

The Committee was interested in examining the performance of individual hospitals during 2003-04 in meeting the established target for this important timeliness indicator relating to the admission of elective patients categorised as semi-urgent.

The Committee noted, in examining the results of each quarter for 2003-04, the majority of the non-major metropolitan hospitals, major regional hospitals and other rural hospitals admitted more than 80 per cent of their semi-urgent cases from the elective surgery waiting list within the clinically ideal 90 day timeframe.\textsuperscript{432} However, the majority of the major metropolitan hospitals did not reach this target, with the lowest achievers being the Dandenong Hospital (an average rate of 58 per cent) and the Frankston Hospital (an average rate of 53 per cent).\textsuperscript{433}

\textsuperscript{430} Department of Human Services, 2003-04 Annual Report, p.27  
\textsuperscript{431} ibid.  
\textsuperscript{433} Department of Human Services, Hospital services report, December quarter 2003, p.27, March quarter 2004, p.27, June quarter 2004, p.27 and September quarter 2004, p.27
The analysis undertaken by the Committee revealed that at 30 June 2004 there were only four people on the elective surgery waiting list at the Angliss Hospital in the semi-urgent category who had been waiting for more than 90 days, while at the Royal Children’s Hospital, the Royal Women’s Hospital and the Latrobe Regional Hospital no people were experiencing waiting periods of this order.\textsuperscript{434} In contrast, at the Dandenong Hospital, the Frankston Hospital, the Monash Medical Centre and Barwon Health the numbers waiting over 90 days stood at 1,079, 1,301, 1,049 and 453 respectively at 30 June 2004.\textsuperscript{435} The position at 30 September 2004 was similar with 1,053 semi-urgent cases in this category at the Dandenong Hospital, 1,261 (Frankston), 1,052 (Monash) and 419 (Barwon Health).\textsuperscript{436}

While acknowledging that the 80 per cent target for the number of semi-urgent patients admitted within 90 days has been met on a statewide basis, the Committee is of the view that this outcome should be treated with caution because the waiting list numbers are much higher for the major metropolitan hospitals with an unweighted average admittance rate of only 71 per cent in 2003-04.\textsuperscript{437} The Committee encourages the department to give further attention to ensuring a higher proportion of people from elective surgery waiting lists associated with the major metropolitan hospitals, who are categorised as semi-urgent, are admitted for elective surgery within the clinically ideal time of 90 days.

The Committee recommends that:

**Recommendation 33:** The Department of Human Services continue its success rate for admitting people categorised as urgent from elective surgery waiting lists.

**Recommendation 34:** The Department of Human Services give further attention to the admission of semi-urgent cases on the waiting lists of the major metropolitan hospitals within the clinically ideal time of 90 days.

### 9.3.4 Addressing community concerns about influenza, SARS and meningococcal disease

The department revealed in its annual report that performance was significantly higher than expected during 2003-04 in accessing the Better Health Channel on the internet.\textsuperscript{438} With 4,552,750 more visits to the site and 7,755,501 more page views to

\begin{itemize}
  \item \textsuperscript{434} Department of Human Services, \textit{Hospital services report}, September quarter 2004, January 2005, pp.24-25
  \item \textsuperscript{435} ibid.
  \item \textsuperscript{436} ibid.
  \item \textsuperscript{437} Department of Human Services, \textit{Hospital services report}, December quarter 2003, p.27, March quarter 2004, p.27, June quarter 2004, p.27 and September quarter 2004, p.27
  \item \textsuperscript{438} Department of Human Services, \textit{2003-04 Annual Report}, p.34
\end{itemize}
the enquiries site than expected, the department explained that increased usage was
due to community concerns about influenza, SARS and meningococcal disease.439

In view of this level of community concern, the Committee was interested in learning
about the programs in place in 2003-04 to address these concerns and how the
department performed against objectives and targets developed for this area of
activity. The department advised that the Communicable Diseases Section was very
proactive in response to public concern about SARS, influenza (particularly avian
influenza) and meningococcal disease.440 Particularly in the early months of 2004,
departmental officers liaised with the Commonwealth Department of Health and
Ageing on a daily basis to formulate policies on SARS and avian influenza for health
care workers and provide advice for the general public.441 The Prevention and Perinatal
Health Section also implemented the National Meningococcal C Immunisation
Program, which led to further publicity and enquiries about meningococcal disease.442
Based on the volume of immunisations, the department estimates at least a 90 per cent
coverage in school aged Victorians against an expected target of 81 per cent coverage,
leading to a drop in cases of meningococcal C disease from 77 cases year-to-date in
2002 to 13 year-to-date in 2004.443

9.3.5 Quality of care provided by Victoria’s public hospital system

The department has an objective to improve human service safety and quality.444 To
address this objective the department undertook a range of measures that included,
among other things, the following:445

- conducted the Victorian Patient Satisfaction Monitor which sets benchmarks
  and provides comparative data for use by hospitals to implement quality
  improvements in the delivery of health services;

- developed a best practice safety and quality improvement framework to
  provide principles and practice guidelines for effectively monitoring, managing
  and improving health services;

- standardised clinical risk management activities for all public hospitals. These
  activities include implementing an incident reporting system, notifying the
  department of serious adverse events and producing a six-monthly report on
  clinical risk management issues addressed in each health service;

439 ibid.
440 Department of Human Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.7
441 ibid.
442 ibid.
443 ibid., pp.7–8
444 Department of Human Services, 2003-04 Annual Report, p.15
445 ibid., p.16
• implemented the sentinel event program to enable systemic analysis and the development of preventative strategies based on the reporting of serious adverse events in hospitals; and

• received quality of care reports from all health services, which provide information to the community on quality and safety standards in health services.

In assessing the achievement of outcomes relating to the provision of high quality health services, signalled by *Growing Victoria Together* as of importance to Victoria, the Committee sought a consolidated summary of the department’s analysis of the key findings contained in the quality of care reports produced by hospitals for 2003-04 compared to 2002-03 with regard to:

• infection control;

• medication errors;

• falls and pressure wound prevention and management; and

• continuity of care.

The department advised that the intent of the quality of care reports was not to provide time series analysis of service delivery. However, the reports do provide an opportunity for health care services to demonstrate the vital and innovative work being done to improve the safety and quality of patient care.446 The department provided the Committee with the following information:447

**(a) Infection control**

The Metropolitan Health and Aged Care Services (MHACS) Infection Control Program reported on actions taken including:

• establishing flu vaccination campaigns for staff;

• collecting data as per detail contained in health service Infection Control Plans;

• participating in the Victorian Nosocomial Infection Surveillance System (VICNISS) data collection and piloting;

• reporting on the processes and results of internal and external cleaning audits;

• monitoring and reporting on infection risks; and

• forming of infection control committees to review and develop new practices for prevention and management.

446 Department of Human Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.17

447 ibid., pp.17–18
These strategies continued to be developed and refined over the reporting periods 2002-03 to 2003-04. In 2002-03 a significant number of metropolitan and regional health services reported on preparations for, and management of, SARS and in 2004 the focus was on *serratia*.

**(b) Medication errors**

There was a marked improvement in reporting on medication errors from 2002-03 to 2003-04, notably through the work of the Medication Collaborative. Reporting on medication error monitoring and prevention will continue as a minimum reporting requirement for 2004-05, and outcomes reporting in this area by health services should improve with sustained attention. The key areas of reporting continue to be:

- monitoring both the prescribing and administration of medication;
- new ways of working with patients to improve safety across the continuum of care (acute and back to the community) with data documenting improvements of new initiatives;
- improving the identification of people with drug allergies;
- participation in the Medication Collaborative; and
- identifying the prevention and monitoring of medication errors as part of the Victorian Quality Council (VQC) priority action areas.

**(c) Falls and pressure wound prevention and management**

In 2004, reporting in the area of falls prevention had improved from the previous year with greater consistency across reports. The areas reported included:

- admission screening to identify people at risk of falls;
- incident reporting;
- training and education for ward staff in identifying people at risk and reducing falls; and
- purchasing of equipment and training in its use.

In the area of pressure wound prevention and management, while the 2003-04 Quality of Care Reports presented data in a variety of ways, some very well and others more superficially, there is an overall improvement on 2002-03. However, further development is required. Where data has been reported well, it considers issues such as:

- the prevalence of the use of risk screening tools, which some services identified as an area requiring improvement;
- staff training in identification and management of pressure wounds;
• incident reporting; and
• prevention strategies, particularly in maintaining older peoples’ mobility and independence.

**(d) Continuity of care**

In 2003-04 most of the reports addressed discharge planning developments and programs, with a significant focus on planning ongoing care for older people. This was consistent with 2002-03. Some health services identified significant improvement in discharge strategies for people with mental health issues and the use of liaison nurses in emergency departments. New tools for gathering information to plan admission assessment and discharge in smaller services were noted.

The Committee acknowledges the public release by the sentinel event program of its second annual report covering 2003-04 and the statement made by the Minister for Health that:

> the ability to learn from adverse patient outcomes enables the health sector to develop preventative strategies to ensure safe, quality patient care is an outcome for all Victorians.\(^{448}\)

The Sentinel Event Program Annual Report analyses serious adverse events in hospitals, determining the contributing and causal factors of these events; provides examples of sentinel events; and the risk reduction strategies developed to support system changes. All information the department receives is de-identified to preserve the privacy of the patient, practitioners and the organisation.\(^{449}\) A comparison of reported events for 2002-03 and 2003-04 is shown in exhibit 9.5. In 2003-04, issues surrounding procedures and guidelines remained the most commonly occurring factor accounting for 41 per cent of all reported events\(^{450}\) with matters relating to clinical guidelines and coordination of care appearing as the most common element within this contributing factor.\(^{451}\)

\(^{448}\) Department of Human Services, *Sentinel Event Program 2003-04 Annual Report*, p.v
\(^{449}\) ibid., p.1
\(^{450}\) ibid.
\(^{451}\) ibid., p.10
Exhibit 9.5: Reported events for 2002-03 compared to 2003-04

<table>
<thead>
<tr>
<th>Event</th>
<th>2002-03</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedure involving the wrong patient or body part</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>Retained instruments or other material after surgery requiring re-operation or further surgical procedure</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Medication error leading to the death of patient reasonably believed to be due to the incorrect administration of drugs</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Suicide in an inpatient unit</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Maternal death or serious morbidity associated with labour or delivery</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Complication of emergency/resuscitation management</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Complication of surgery</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Complication of inpatient fall</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Hospital process issue</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Infection control breach</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Complication of anaesthetic management</td>
<td>(a)</td>
<td>6</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>79</strong></td>
<td><strong>85</strong></td>
</tr>
</tbody>
</table>

*Note: (a) New event classifications used in the 2003-04 data analysis*

*Source: Department of Human Services, Sentinel Event Program Annual Report 2003-04, November 2004, pp.8–9*

In relation to the ten fall-related deaths listed in the above exhibit, which increased significantly when compared to the previous year, falls occurred while the patient in the hospital setting or resident of the aged care facility was walking from the bed, in the bathroom or sitting on a chair. Among a wide range of contributing factors and causes were:

- an absence of or non-adherence to a guideline pertaining to falls assessment and falls minimisation, patient observation processes and coordination of care; and
- failure to communicate information during handover and shift changes on transfer from another health setting.

To address this situation a large number of risk reduction strategies have, according to the sentinel event program, been implemented by the health services. The main strategies centred on improving staff orientation and training, revising and

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452 ibid., p.19  
453 ibid.  
454 ibid.
implementing falls risk assessment processes, and implementing or expanding a formal falls prevention program.\textsuperscript{455}

The Committee acknowledges that considerable measures have been taken across the public hospital system to improve safety and quality and that a range of mechanisms provide useful information for monitoring quality of patient care. Notwithstanding this procedural framework, the Committee believes there is a need to develop a more focused suite of performance measures dealing with the quality of patient care for reporting in the Budget Papers and the department’s annual report and more expansive reporting by public hospitals of adverse events. The reporting of sentinel events, while important, only captures the most serious medical mistakes.

The Committee recommends that:

\textbf{Recommendation 35:} The Department of Human Services develop a more focused suite of performance measures dealing with quality of patient care in public hospitals for inclusion in the Budget Papers and for annual reporting purposes.

\textbf{Recommendation 36:} In terms of improving human service safety and quality, the Department of Human Services consider expanding its performance measures to also include surveying semi-urgent patients on the elective waiting list for more than the recommended limit of 90 days to ascertain their health status.

\textbf{9.3.6 Financial viability of public hospitals}

The financial sustainability of the Victorian public hospital system has attracted considerable scrutiny by both the Committee and the Victorian Auditor-General’s Office over recent years. Summarising the situation in 2003-04, the department informed the Committee that it had completed a price and resource allocation review that indicated issues impacting on financial sustainability in the health services sector.\textsuperscript{456} As a result, further funding of $79.2 million was provided in 2003-04\textsuperscript{457} and $1.6 billion was provided over four years to 2007-08.\textsuperscript{458} Governance, resource

\textsuperscript{455} ibid.
\textsuperscript{456} Department of Human Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.17
\textsuperscript{457} Department of Treasury and Finance, 2003-04 Financial Report for the State of Victoria, p.135
\textsuperscript{458} Budget Paper No. 3, 2004-05 Service Delivery, p.275
management and reporting practices have been strengthened, with the aim of achieving a balanced operating position for public hospitals over the next few years.\footnote{Department of Human Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.17}

Assessment criteria used by the department to define financial difficulty was in line with that used by the Victorian Auditor-General’s Office, and includes the following indicators:\footnote{ibid.}

- level of cash reserves; and
- the extent to which current liabilities exceed current assets.

According to the department, the Health Services that have experienced difficulties in terms of two or more of the above criteria for 2003-04 included:\footnote{ibid.}

- Bayside Health
- Eastern Health
- Melbourne Health
- Southern Health
- Western Health
- Central Gippsland Health Service
- Goulburn Valley Health
- Latrobe Regional Health
- Wimmera Health Care Group

In analysing the financial performance and position of public hospitals for 2003-04, the Auditor-General recommended the Department of Human Services, in conjunction with the Department of Treasury and Finance, reassess its current method of funding public hospitals.\footnote{Victorian Auditor-General’s Office, \textit{Results of 30 June 2004 financial statement and other audits}, December 2004, p.74} This reassessment should consider providing depreciation funding to hospitals to maintain their existing infrastructure.\footnote{ibid.}

The Committee intends to continue to monitor the effectiveness of the government’s hospital sustainability initiatives and will view with interest the extent of progress made across the public hospital system towards achieving a balanced operating financial position.

\footnotesize
\begin{itemize}
  \item \footref{459}
  \item \footref{460}
  \item \footref{461}
  \item \footref{462}
  \item \footref{463}
\end{itemize}
9.3.7 Disability services – timely review of program plans for day activity clients and shared supported accommodation clients

As part of the Community Participation and Inclusion output, the department reported that for 2003-04 only 74 per cent of day activity clients program plans were reviewed within 60 days of the end of each 12 month service period compared to the target of 90 per cent.464 Similarly, for the Shared Supported Accommodation output, 76 per cent of client’s plans were reviewed within this timeframe compared to a target of 95 per cent.465

The Committee was interested in ascertaining the number of clients whose plans were not reviewed within the required timeframe, over what timeframes the remaining plans were in fact reviewed, the ramifications for these clients and the action planned to achieve these targets in future.

In response to these lines of enquiry, the department informed the Committee that the lower than expected actual performance result reported was primarily caused by data quality issues in transitioning from a manual to an electronic collection process, rather than under performance of service delivery.466 Prior to the introduction of the electronic data collection process (QDC), agencies provided the total number of individuals that had program plans reviewed within 60 days of the end of each 12 month service period.467 The electronic data collection process now requires actual dates of reviews to be recorded as a means of improving accountability.468 Some of the data subsequently received from agencies during the transition period was incorrect or incomplete and was not able to be reconciled with agencies at the time of publication of the annual report. The published performance result included only those clients where electronic returns confirmed a review had taken place.469 Missing or incomplete returns were counted as ‘not reviewed’ although this is unlikely, given past agency performance.470 As this issue reflects a data collection issue, the department assured the Committee that there are no ramifications for clients.471

According to the department, a strategy to improve the quality of the data being reported by service providers is being implemented for 2004-05 and it continues to work closely with service agencies to improve the quality of data collected.472

The Committee encourages an improvement in performance in this area in 2004-05.

464 Department of Human Services, 2003-04 Annual Report, p.57
465 ibid.
466 Department of Human Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.8
467 ibid.
468 ibid.
469 ibid.
470 ibid.
471 ibid.
472 ibid.
9.3.8 **Average cost of additions to the public housing stock**

In the Committee’s *Report on the 2004-2005 Budget Estimates*, the Committee flagged that it intended to follow-up the issue of determining the average cost of additions to the public housing stock as part of its report on the 2003-04 budget outcomes.473

Relevant information provided by the department is presented in exhibit 9.6.

**Exhibit 9.6:** Average cost of public housing stock acquired in 2003-04

<table>
<thead>
<tr>
<th>Units acquired (Director owned) 2003-04</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3 (2/1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of units</td>
<td>Total cost of acquisitions $ million (a)</td>
<td>Average cost of acquisitions $ 000 (a)</td>
</tr>
<tr>
<td>Separate house</td>
<td>159</td>
<td>37.36</td>
<td>235</td>
</tr>
<tr>
<td>Semi detached house</td>
<td>47</td>
<td>8.55</td>
<td>182</td>
</tr>
<tr>
<td>Medium density</td>
<td>341</td>
<td>68.96</td>
<td>202</td>
</tr>
<tr>
<td>Flat low rise</td>
<td>89</td>
<td>18.98</td>
<td>213</td>
</tr>
<tr>
<td>Movable units</td>
<td>8</td>
<td>0.07</td>
<td>9</td>
</tr>
<tr>
<td>Rooming house rooms</td>
<td>64</td>
<td>5.85</td>
<td>91</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>708</td>
<td>139.78</td>
<td>197</td>
</tr>
<tr>
<td>Community owned (govt contribution only)</td>
<td>234</td>
<td>19.7(b)</td>
<td>84(b)</td>
</tr>
</tbody>
</table>

Notes:  
(a) including land and administration costs  
(b) on the basis of cash expenditure and including progress payments  
(c) the above exhibit excludes units acquired by way of the short-term leases program

Source: Department of Human Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.19

A comparison of the average proceeds per units sold is shown in exhibit 9.7.

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## Exhibit 9.7
Average sale proceeds for units sold during 2003-04

<table>
<thead>
<tr>
<th>Units Sales (Director owned) 2003-04</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3 (2/1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of units</td>
<td>Total sale proceeds $ million</td>
<td>Average sale proceeds $ 000</td>
</tr>
<tr>
<td>Separate house</td>
<td>185</td>
<td>26.27</td>
<td>142</td>
</tr>
<tr>
<td>Semi detached house</td>
<td>18</td>
<td>2.96</td>
<td>164</td>
</tr>
<tr>
<td>Medium density</td>
<td>10</td>
<td>1.73</td>
<td>173</td>
</tr>
<tr>
<td>Flat low rise</td>
<td>4</td>
<td>0.74</td>
<td>185</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>217</strong></td>
<td><strong>31.69</strong></td>
<td><strong>146</strong></td>
</tr>
</tbody>
</table>

Source: Department of Human Services response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.19
**CHAPTER 10: DEPARTMENT OF INFRASTRUCTURE**

**Key Findings of the Committee:**

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1</td>
<td>Actual expenditure for the Department of Infrastructure in 2003-04 was $2,948.6 million, which was $381.6 million or 14.9 per cent higher than the budget estimates. This variation was mainly due to higher than expected expenditure of $201.8 million on metropolitan train services and $95.6 million on Melbourne’s tram services. This additional funding was required to ensure the public transport partnership arrangements, entered in February 2004, were financially sustainable.</td>
</tr>
<tr>
<td>10.2</td>
<td>For almost half (12) of the Department of Infrastructure’s outputs, the costs incurred during 2003-04 were more than 10 per cent over the budget estimates.</td>
</tr>
<tr>
<td>10.3</td>
<td>The Department of Infrastructure achieved 157 (67.4 per cent) of its 233 performance targets in 2003-04. Seven of the 30 outputs did not achieve the majority of their performance targets in 2003-04.</td>
</tr>
<tr>
<td>10.4</td>
<td>In terms of improving the disclosure of financial and performance related information in its annual report, the Department of Infrastructure could improve on the quality of information provided for variances of more than 10 per cent.</td>
</tr>
<tr>
<td>10.5</td>
<td>At 30 October 2004 the Regional Fast Rail Project had progressed more slowly than planned on the Bendigo and Latrobe corridors. At that time, the Bendigo and Latrobe projects were 55 per cent and 75 per cent complete respectively, based on the actual cost incurred as a percentage of the forecast final cost.</td>
</tr>
<tr>
<td>10.6</td>
<td>Completion dates for individual projects connected with the Regional Fast Rail Project have been revised to achieve the Victorian Government’s 2005 completion date for the entire project. In particular, to effectively sequence the required works, the completion date for the Bendigo corridor has been extended from 28 October 2004 to December 2005, while the deadline for the Latrobe corridor has been revised from 19 April 2004 to December 2005.</td>
</tr>
<tr>
<td>10.7</td>
<td>In 2003 Victoria recorded its lowest annual road toll of 330 since comprehensive records began in 1951. The following year it rose to 344. If the road toll can be restricted to the level reached in 2003 by 2007, the Victorian Government will achieve its <em>Arrive Alive!</em> target.</td>
</tr>
</tbody>
</table>
10.1 Financial analysis

During 2003-04 the Department of Infrastructure and VicRoads were responsible for the delivery of 30 outputs at a budgeted cost of $2,567 million.\textsuperscript{474} Actual expenditure in 2003-04 amounted to $2,948.6 million, which was $381.6 million or 14.9 per cent higher than budget estimates.\textsuperscript{475} This variation was mainly due to higher than expected expenditure of $201.8 million on metropolitan train services and $95.6 million on Melbourne’s tram services.\textsuperscript{476} This additional funding was required to ensure the public transport partnership arrangements, entered in February 2004, were financially sustainable.\textsuperscript{477}

The Committee noted that the cost of 13 of the department’s 30 outputs was within ten per cent of budget and five outputs were under budget by more than ten per cent.\textsuperscript{478} For 12 outputs, which represented nearly half of the department’s outputs, the actual cost was over budget by more than ten per cent.\textsuperscript{479}

In reviewing the output performance of the department, the Committee sought reasons from the department for unexplained variances of more than ten per cent between output budgets and actual costs. Information provided by the department is outlined in exhibit 10.1.\textsuperscript{480}

\begin{itemize}
\item \textsuperscript{474} Department of Infrastructure, 2003-04 Annual Report, pp.110–137
\item \textsuperscript{475} ibid.
\item \textsuperscript{476} ibid., pp.123–125
\item \textsuperscript{477} ibid.
\item \textsuperscript{478} ibid., pp.110–137
\item \textsuperscript{479} ibid.
\item \textsuperscript{480} Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.5
\end{itemize}
Exhibit 10.1: Department of Infrastructure and portfolio agencies reasons for variations in selected output costs for 2003-04

<table>
<thead>
<tr>
<th>Output details</th>
<th>2003-04 Budget (a)</th>
<th>2003-04 Actual (b)</th>
<th>Variation (c)</th>
<th>Variation (c) %</th>
<th>Information provided by the Department</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ million</td>
<td>$ million</td>
<td>$ million</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>ICT and Multimedia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICT industry and community development</td>
<td>12.2</td>
<td>13.5</td>
<td>+1.3</td>
<td>+10.7</td>
<td>Two-thirds of the ICT Sector Plan Implementation project costs, which were originally budgeted in DIIRD, were transferred to this output.</td>
</tr>
<tr>
<td>Ports and Intermodal Gateways</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ports and intermodal freight</td>
<td>2.6</td>
<td>3.7</td>
<td>+1.1</td>
<td>+42.3</td>
<td>Greater emphasis on Ports &amp; Intermodal activities than originally planned, including development of the Victorian Ports Strategic Framework.</td>
</tr>
<tr>
<td>Regional and Rural Transport Infrastructure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional public transport passenger and freight development</td>
<td>40.0</td>
<td>31.8</td>
<td>-8.2</td>
<td>-20.5</td>
<td>Lower than anticipated asset related expenses such as depreciation due to timing changes to various rail projects.</td>
</tr>
<tr>
<td>Metropolitan Transport Infrastructure and Public Development Projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Major public construction and land development</td>
<td>2.8</td>
<td>0.7</td>
<td>-2.1</td>
<td>-75.0</td>
<td>Largely a reclassification of Long Term Containment Facility costs as capital.</td>
</tr>
<tr>
<td>Transport Safety and Accessibility</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public transport safety initiatives and regulation</td>
<td>8.6</td>
<td>11.2</td>
<td>+2.6</td>
<td>+30.2</td>
<td>Reclassification of level crossing safety program from the Metropolitan Transport Infrastructure and Public Development Projects Output Group.</td>
</tr>
</tbody>
</table>

(b) 2003-04 Annual Report, pp.113,114,120,129,135
(c) A negative variance indicates the actual expenditure on the output was less than budget
Source: Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.5

The Committee considers that the inclusion of an explanation in the department’s annual report for all output costs that exceeded budget estimates by more than ten per cent would enhance the quality of financial information available to Parliament and other interested stakeholders, especially when around half the outputs in 2003-04 are in this category.
The Committee recommends that:

**Recommendation 37:** To enhance accountability, assist understanding of the Department of Infrastructure’s financial performance and enable informed judgements about the department’s financial management, the department’s annual report explain all output costs that exceed the budget estimates by 10 per cent.

The Committee also obtained additional information (exhibit 10.2) from the department for selected output cost variations to supplement explanations already provided in the department’s annual report.481

**Exhibit 10.2: Department of Infrastructure and portfolio agencies additional information provided to explain variations in selected output costs for 2003-04**

<table>
<thead>
<tr>
<th>Output details</th>
<th>2003-04 Variation between budget and actual (a) $ million</th>
<th>Variation % (a)</th>
<th>Explanation in the department’s annual report</th>
<th>Further information provided by the Department to the Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT and Multimedia</td>
<td>-13.3</td>
<td>-42.5</td>
<td>Largely reflects reduced Capital Charge and depreciation (page 113 of annual report)</td>
<td>Re-phased timing of the Telecommunications Purchasing and Management Strategy project for completion in 2005-06 and clarification that software is now exempt from the capital assets charge (CAC) resulted in lower 2003-04 CAC &amp; depreciation.</td>
</tr>
<tr>
<td>eGovernment infrastructure and ICT policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional and rural transport services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country/interstate rail services</td>
<td>+28.1</td>
<td>+21.0</td>
<td>Largely reflects the new funding arrangements for V/Line Passenger Services (pages 117 and 118 of annual report)</td>
<td>The original budget was based on a declining subsidy to franchisees, but this proved to be unsustainable. The additional funding was required to stabilize business in the short-term, establish the new V/Line entity as a stand-alone business and adequately cater for initiatives such as Regional Fast Rail, Ararat and Bairnsdale re-openings.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

481 ibid., pp.6–7
### Exhibit 10.2 – continued

<table>
<thead>
<tr>
<th>Output details</th>
<th>2003-04 Variation between budget and actual (a) $ million</th>
<th>Variation (a) (%)</th>
<th>Explanation in the department’s annual report</th>
<th>Further information provided by the Department to the Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan Transport Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metropolitan train services</td>
<td>+201.8</td>
<td>+36.9</td>
<td>Additional funds required to ensure the financial sustainability of the public transport partnership arrangements</td>
<td>As the original budget was predicated on a declining subsidy to franchisees which proved unviable, additional funds were required for: inter-operating agreements, revised operating subsidies, Metlink, rolling stock contract variations and other minor amounts. One-off payments related to the costs of the early termination of existing contractual arrangements with the franchisee operators and other parties.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Various one off payments to finalise existing contract agreements (pages 123 and 125 of annual report)</td>
<td></td>
</tr>
<tr>
<td>Metropolitan tram services</td>
<td>95.6</td>
<td>+35.3</td>
<td>As above (page 124 of annual report)</td>
<td>See above</td>
</tr>
<tr>
<td>Metropolitan Transport Infrastructure and Public Development Projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Major metropolitan road projects</td>
<td>+23.6</td>
<td>+23.4</td>
<td>Primarily due to the establishment of the Southern and Eastern Integrated Transport Authority (pages 127 and 130 of annual report)</td>
<td>The majority of the variance relates to Southern Eastern Integrated Transport Authority establishment costs, which occurred after the setting of the original budget in May 2003.</td>
</tr>
</tbody>
</table>
Exhibit 10.2 – continued

<table>
<thead>
<tr>
<th>Output details</th>
<th>2003-04 Variation between budget and actual (a) $ million</th>
<th>Variation (a) %</th>
<th>Explanation in the department’s annual report</th>
<th>Further information provided by the Department to the Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport Safety and Accessibility</td>
<td>+15.5</td>
<td>+221.4</td>
<td>Largely reflects the inclusion of expenditure on programs carried over from 2002-03 (pages 133 and 136 of annual report)</td>
<td>The target output for accident blackspots for 2003/04 was 51. The actual number of projects delivered was 93. The variance represents 17 new projects that were funded from savings achieved from completed projects under the $240 million Statewide Blackspot Program. The remaining 25 projects were originally programmed to be completed in 2002/03. Delays to these projects were the result of a range of reasons including protracted time to complete utility services alterations, adverse weather, finalisation of community consultation, and contract issues. Note that 93 per cent of projects were delivered in 2002/03 as programmed. The overall impact of the delay in delivering these projects is minimal as they represent only a small proportion of the total program of 1,131 projects.</td>
</tr>
</tbody>
</table>

Note: (a) A negative variance indicates the actual expenditure on the output was less than budget.

Sources: Department of Infrastructure, 2003-04 Annual Report, pp.113–136; Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.6–7

The Committee considers that the department’s 2003-04 annual report should have expanded on the reasons given for output cost variances.

10.2 Performance information

The department achieved or exceeded 67.4 per cent (157) of the 233 performance targets published in its 2003-04 annual report.\(^{482}\) The 2003-04 annual report explained major deviations and exhibit 10.3 shows the outputs with the largest proportion of unmet performance targets.

\(^{482}\) Department of Infrastructure, 2003-04 Annual Report, pp.110–137
Exhibit 10.3: Department of Infrastructure and portfolio agencies outputs with a large proportion of unmet performance targets for 2003-04

<table>
<thead>
<tr>
<th>Output</th>
<th>Number of performance measures not met</th>
<th>Percentage of performance measures not met</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger interchange development</td>
<td>6</td>
<td>85.7</td>
</tr>
<tr>
<td>Regional road projects</td>
<td>8</td>
<td>66.7</td>
</tr>
<tr>
<td>Metropolitan train services</td>
<td>3</td>
<td>50.0</td>
</tr>
<tr>
<td>Metropolitan tram services</td>
<td>4</td>
<td>50.0</td>
</tr>
<tr>
<td>Major public construction and land development</td>
<td>4</td>
<td>44.4</td>
</tr>
<tr>
<td>Traffic and road use management improvements</td>
<td>2</td>
<td>50.0</td>
</tr>
<tr>
<td>Vehicle and driver regulation</td>
<td>7</td>
<td>77.8</td>
</tr>
</tbody>
</table>

Source: Department of Infrastructure, Annual Report 2003-04, pp.115,121,123,124,129,134

The Committee recognises that the department’s annual report explained factors that led to the non-achievement of targets. But given that around a third of the department’s performance targets were not met in 2003-04 and that seven outputs out of 30 did not achieve the majority of their performance targets in 2003-04, the Committee considers that the department needs to strive for a higher success rate in future.

The Committee recommends that:

**Recommendation 38:** The Department of Infrastructure closely monitor its output performance against targets on a progressive basis, with a view to increasing the proportion of its published targets met and thereby improving the overall performance of its operations against planned activity levels.

In addition to the information contained in the department’s 2003-04 annual report, exhibit 10.4 provides further details that the Committee sought on selected performance measures and actual outcomes in 2003-04.\(^{483}\)

\(^{483}\) Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.8–11
Exhibit 10.4: Department of Infrastructure and portfolio agencies additional information sought by the Committee to explain variations between targeted and actual performance during 2003-04 for selected measures

<table>
<thead>
<tr>
<th>Output/Measure</th>
<th>Unit of measure</th>
<th>Target 2003-04</th>
<th>Actual 2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan train services</td>
<td>per cent</td>
<td>99.5</td>
<td>98.8</td>
</tr>
<tr>
<td>Services delivered (page 123 of annual report)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional information sought by Committee</td>
<td>Explanation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What aspects of service delivery did not meet target?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The measure Services delivered is the proportion of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the timetabled train services that have run. In</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003/04 99.5% of timetabled services were targeted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to operate while 98.8% of timetabled services did</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>operate. This reliability figure means that 1.2% of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>timetabled train services were cancelled in 2003/04.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Please quantify the shortage of qualified drivers</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>The shortage of drivers against establishment (i.e.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>total staff required to run services without</td>
<td></td>
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<tr>
<td>overtime) peaked at 77 in October. Allowing for</td>
<td></td>
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<tr>
<td>reasonable levels of overtime this equates to a</td>
<td></td>
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<tr>
<td>real shortage of 24 drivers. It is of note that in</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the period from February to April 2004 some 19</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>drivers retired or resigned. This figure is well</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>in excess of the ‘normal’ level of attrition.</td>
<td></td>
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<tr>
<td>Compounding this is the need to release drivers to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>train existing drivers on new rolling stock and to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>train Connex and former M&gt;Train drivers on the</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>parts of the network they do not currently drive.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Explain the particular problems with rolling stock</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reliability.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The availability of trains for service has been</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>affected by a number of factors including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Delays in introducing new Siemens trains which</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>have required a number of modifications, placing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>pressure on older trains such as the Hitachi trains</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(which are scheduled for retirement upon</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>introduction of new trains) that had to be retained</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in service for longer than expected.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Eleven 3 car Hitachi trains in the previous</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M&gt;Train fleet had to be withdrawn from service for</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>major maintenance catch up due to the delay in</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>introducing Siemens Trains.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What action has been taken to rectify these problem</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>areas? A. Drivers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actions include:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Development of revised rosters to enable the</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>train timetable to be delivered with fewer drivers.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Driver recruitment campaigns have been</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>undertaken. Connex has already increased the level</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of driver training proposed and expects about 52</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>drivers to graduate in each of 2005 and 2006.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• In September 12 new initiatives were implemented</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>with the agreement of the RTBU for a 12 month</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>period. These initiatives include additional shifts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>rostered for drivers previously assigned on</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>supervisory duties, changes to leave and day off</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>rostering and providing capacity for Connex to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>roster additional services with the current driver</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>pool.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The transfer of drivers from the metropolitan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>network (Connex) to vacancies at V/Line passenger</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>has been suspended and V/Line has directly recruited</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>drivers from other sources. V/Line has also</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>seconded drivers to Connex from time to time.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Chapter 10: Department of Infrastructure

Exhibit 10.4 – continued

<table>
<thead>
<tr>
<th>Additional information sought by Committee</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>B. Rolling Stock Reliability</strong></td>
<td>Since Connex took over responsibility for all metropolitan train services in April 2004, train availability has improved. The new Siemens trains are being progressively introduced and reliability of these trains is improving as normal introductory fault and driver familiarisation issues are resolved. New X'Trapolis trains which have been in service longer than the Siemens trains are achieving high levels of fault free operation. Connex has modified its Comeng train servicing program to provide greater focus on electrical traction components and door mechanics. Connex has also introduced additional preventative maintenance measures to avoid leaking windows and air conditioning failures which can cause trains to be withdrawn from service.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Output/Measure</th>
<th>Unit of measure</th>
<th>Target 2003-04</th>
<th>Actual 2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Metropolitan tram services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passengers carried</td>
<td>Million</td>
<td>140</td>
<td>135.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Additional information sought by Committee</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Please explain why, as stated by the department, the withdrawal of National Express from its franchises was a key factor behind this deterioration.</td>
<td>In the lead up to the withdrawal of National Express from its franchises there was a noticeable reduction in the punctuality and reliability for tram services. The withdrawal had a substantial impact on the morale of the workforce. The uncertainty created by the receivership extended until the new franchise commenced in April 2004. M&gt;Tram’s poor operational performance required it to offer passenger compensation for a number of months during 2003. This deterioration in operational performance was the major reason for patronage in 2003/04 being less than the target. It is worth noting that patronage on trams increased during the 2003/04 period from the previous year.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Output/Measure</th>
<th>Unit of measure</th>
<th>Target 2003-04</th>
<th>Actual 2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Metropolitan tram services (cont.)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services departing a monitoring point no more than 59 seconds before and less than 5 minutes 59 seconds after timetable:</td>
<td>Per cent</td>
<td>95</td>
<td>93.5</td>
</tr>
<tr>
<td>• 2nd monitoring point</td>
<td>Per cent</td>
<td>72</td>
<td>67.6</td>
</tr>
</tbody>
</table>

(page 124 of annual report)
Exhibit 10.4 – continued

<table>
<thead>
<tr>
<th>Additional information sought by Committee</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Please nominate key items affecting this performance and action taken to improve this level of performance.</td>
<td>The punctuality of tram services at the second monitoring point in 2003/04 of 93.5% is consistent with performance achieved in previous years. In 2002/03 it was 91.2%, in 2001/02 it was 94.8% and in 2000/01 it was 92%. The target of 95% is a stretch target which is not expected to be achieved every year. The punctuality of tram services at the second last monitoring point in 2003/04 of 67.6% is below the target of 72%. This performance measure includes both late and early running and the variance is due to a large extent to trams running early towards the end of their journey. A number of actions are being taken to improve tram punctuality and reduce travel time. In February 2004, the government announced $30 million funding over two years for the Tram Priority Program. This program is committed to improving tram travel speeds and punctuality through improved signal priority, allocation of road space to improve tram operations, linking of traffic and tram control centres and reviewing practices and road rules relating to tram priority. The strong financial incentive in the franchise agreement to maximise operational performance has also contributed to an ongoing review of operational practices. Yarra Trams is operating a new control centre with the aim of improving the efficiency of service management and control.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Output/Measure</th>
<th>Unit of measure</th>
<th>Target 2003-04</th>
<th>Actual 2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan arterial road links</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pavement widening (including shoulders):</td>
<td>km</td>
<td>3.9</td>
<td>...</td>
</tr>
<tr>
<td>• projects in progress</td>
<td>km</td>
<td>3.9</td>
<td>...</td>
</tr>
<tr>
<td>• projects commencing (page 128 of annual report)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional information sought by Committee</td>
<td>Explanation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The department revealed that delays were experienced in resolving project scope. Please outline to the Committee the projects involved, the particular scoping problems and the new timelines for completion of these projects.</td>
<td>The only project involved was Thompsons Rd, Dandenong Valley Hwy to Western Port Hwy pavement widening. The project scope has been reviewed to ensure that any future duplication of Thompsons Road can be implemented with a minimum amount of rework. The project is expected to be completed by 30/06/05.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Exhibit 10.4 – continued

<table>
<thead>
<tr>
<th>Output/Measure</th>
<th>Unit of measure</th>
<th>Target 2003-04</th>
<th>Actual 2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan arterial road links (cont.) Projects delivered in accordance with original planned completion date (page 128 of annual report)</td>
<td>per cent</td>
<td>95</td>
<td>57.1</td>
</tr>
</tbody>
</table>

**Additional information sought by Committee**

<table>
<thead>
<tr>
<th>Please nominate key items affecting this performance and action taken to improve this level of performance.</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A total of 9 projects were undertaken with 4 delayed. The key issues affecting the delivery of these projects in accordance with original planned completion date are as follows;</td>
</tr>
<tr>
<td></td>
<td>• Protracted negotiations with Freight Australia (in one case)</td>
</tr>
<tr>
<td></td>
<td>• Financial failure of a contractor requiring two contracts to be re-tendered</td>
</tr>
<tr>
<td></td>
<td>• Delays in obtaining Environmental Management Plan approval (in one case)</td>
</tr>
<tr>
<td></td>
<td>Action taken to improve performance include:</td>
</tr>
<tr>
<td></td>
<td>• A Standard Access Agreement with Freight Australia has now been agreed and accepted by the new operator (Pacific National)</td>
</tr>
<tr>
<td></td>
<td>• An improved system for assessing financial capacity is being implemented</td>
</tr>
<tr>
<td></td>
<td>• Work closely with environmental agencies</td>
</tr>
</tbody>
</table>

*Sources: Department of Infrastructure 2003-04 Annual Report, pp. 123–128; Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.8–11*

The Committee maintains that the department’s annual report has scope to better explain the non-achievement of performance targets for activities that are clearly in the public interest, such as the cancellation of timetabled train services, the punctuality of tram services and the timely completion or road related projects.

The Committee recommends that:

**Recommendation 39:** The Department of Infrastructure provide more expansive material in its annual report to fully explain major variations in achieving its performance targets.

### 10.3 Major issues

The Committee identified a number of issues relating to the department’s portfolio arising from the 2003-04 budget.
10.3.1 Regional Fast Rail Project

The Department reported in its 2003-04 annual report that the project is the biggest upgrade of regional rail in 120 years, whereby 38 new trains will provide greater reliability and comfort for rail services between Melbourne and Ballarat, Bendigo, Geelong and the Latrobe Valley.\(^{484}\) To continue monitoring progress of this significant project, the Committee sought information from the department on outcomes achieved for 2003-04 in terms of project cost, timelines and deliverables.

(a) Actual expenditure compared to planned expenditure

Information provided by the department is shown in exhibit 10.5.

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Planned expenditure 2003-04 $ million</th>
<th>Actual expenditure 2003-04 $ million</th>
<th>Variation (a) $ million</th>
<th>Variation (a) %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ballarat Corridor</td>
<td>74.80</td>
<td>83.03</td>
<td>8.23</td>
<td>11</td>
</tr>
<tr>
<td>Bendigo Corridor</td>
<td>89.90</td>
<td>72.31</td>
<td>-17.59</td>
<td>-20</td>
</tr>
<tr>
<td>Geelong Corridor</td>
<td>47.10</td>
<td>49.61</td>
<td>2.51</td>
<td>5</td>
</tr>
<tr>
<td>Latrobe Corridor</td>
<td>50.92</td>
<td>69.77</td>
<td>18.85</td>
<td>37</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>262.72</strong></td>
<td><strong>274.72</strong></td>
<td><strong>12.00</strong></td>
<td><strong>5</strong></td>
</tr>
</tbody>
</table>

Note: (a) a negative variation indicates that actual expenditure is below planned expenditure

Source: Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.22

The department advised the Committee that the program for the delivery of the infrastructure works on each of the corridors was reviewed and revised during 2003-04.\(^{485}\) Accordingly, work on two of the corridor upgrades progressed on or ahead of the 2003-04 schedule set out in last year's report, while progress on the remaining two corridors progressed more slowly.\(^{486}\) All four infrastructure upgrade projects are targeted for completion in 2005, with new trains to be progressively introduced from early 2005.\(^{487}\)

\(^{484}\) Department of Infrastructure, 2003-04 Annual Report, p.37
\(^{485}\) Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.23
\(^{486}\) ibid.
\(^{487}\) ibid.
(b) Progress of projects against estimated completion dates

The department provided the Committee with a status report on the progress of the fast rail projects against estimated completion dates (exhibit 10.6).

Exhibit 10.6: Department of Infrastructure status report for fast rail projects, 30 October 2004

<table>
<thead>
<tr>
<th>Project description</th>
<th>Status (a)</th>
<th>Start date (b)</th>
<th>Completion date (c)</th>
<th>Revised completion date (d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ballarat Corridor</td>
<td>78%</td>
<td>25/06/2002</td>
<td>29/06/2005</td>
<td>Oct 2005</td>
</tr>
<tr>
<td>Bendigo Corridor</td>
<td>55%</td>
<td>25/06/2002</td>
<td>28/10/2004</td>
<td>Dec 2005</td>
</tr>
<tr>
<td>Geelong Corridor</td>
<td>86%</td>
<td>25/06/2002</td>
<td>19/02/2005</td>
<td>June 2005</td>
</tr>
<tr>
<td>Latrobe Corridor</td>
<td>75%</td>
<td>25/06/2002</td>
<td>19/04/2004</td>
<td>Dec 2005</td>
</tr>
</tbody>
</table>

Notes: (a) Status is based on actual cost as at 30 October as a percentage of the forecast final cost
(b) Date contract signed
(c) Original completion dates
(d) New completion dates negotiated with the Contractors

Source: Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.23

The Committee was informed by the department that the targets were based on the contractors’ preliminary completion dates set in 2002, three of which involved finishing before the government’s 2005 target date.488 These dates have been revised in line with the need to sequence the works effectively to achieve the government’s 2005 completion date and effectively use the available resources of V/Line, Freight Australia and the contractors.489 The current status of the Bendigo works, for example, reflects the revised program, which involves this corridor’s major works being undertaken last, starting in early 2005.490 The department advised that more than 180 kilometres of track – the bulk of the major construction works on the Geelong, Latrobe Valley, and Ballarat lines – have been completed this year.491

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488 ibid.
489 ibid.
490 ibid.
491 ibid.
(c) **Outcomes delivered from the upgraded track infrastructure**

In 26 weeks of intensive construction this year, the department advised the Committee that a total of more than 180 kilometres of track across the three corridors have been upgraded with more than 270,000 concrete sleepers.\(^{492}\) The department stated that the immediate benefit to rail passengers following the major track upgrades undertaken is a smoother and more comfortable ride.\(^{493}\) It also considers that there are substantial economic benefits for local communities on each line during the intensive construction periods.\(^{494}\) The Committee acknowledges the following developments in relation to the individual fast rail projects.\(^{495}\)

**Geelong**
- an upgrade of 52 kilometres of track on the east and west lines occurred in a five-week period.
- the works included the removal of old track and timber sleepers, the installation of heavier rail, laying of 140,000 tonnes of new ballast, the installation of more than 74,000 new concrete sleepers and the upgrading of the surface of several level crossings.

**Latrobe Valley**
- an upgrade was done on 72 kilometres of 74 kilometres of track.
- the works included the removal of hundreds of overhead gantries and redundant electrical wiring, the installation of heavier rail and around 100,000 new concrete sleepers, and the upgrade of 13 level crossings.

**Ballarat**
- an upgrade of 62 kilometres of track occurred over a twelve-week period.
- the works included the installation of 93,000 new concrete sleepers and heavier rail, and the upgrade of more than 20 level crossings.
- as well as revitalising the existing track, the works included construction and commissioning of 8 kilometres of new track at Melton, Bacchus Marsh and other locations along the line.
- both the 240 metre-long Moorabool River Bridge, and 355 metre-long Lal Lal Creek Bridge are nearly completed.
- land acquisition has been completed on the Ballarat corridor.

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492 ibid.
493 ibid., pp.23–24
494 ibid., p.24
495 ibid.
The Committee also notes the comments made by the department’s Secretary that the Regional Fast Rail Project presents particular and unique risk management challenges to the department, such as the unavoidable risks associated with the government significantly upgrading an asset that the private sector controls, the age and condition of the existing track and the prevalence of heritage structures.496

The Committee recommends that:

**Recommendation 40:** The Department of Infrastructure subject the future stages of the Regional Fast Rail Project to a rigorous monitoring regime to ensure that it is completed within current timelines and budgets, and that the planned outcomes are achieved. The department’s 2004-05 annual report should report such information.

### 10.3.2 Arrive Alive! Victoria’s 2002-07 Road Safety Strategy

The strategy aims to reduce the number of deaths and serious injuries on Victorian roads by 20 per cent by 2007.497 The agencies involved in its implementation comprise VicRoads, Victoria Police, the Transport Accident Commission and the Department of Justice.498 Activities introduced in 2003-04 included the introduction of reduced speed zones near all Victorian primary and secondary schools and 50 kilometres per hour speed limits in a further 22 rural townships and outer metropolitan areas.499 The Committee also noted the continuation of road treatments under the Accident Blackspot Program which was fully allocated in 2003-04.500 More than 1,100 accident blackspots have been treated since the program began in 2000.501 The department advised the Committee of the following outcomes:

- in 2003–04, Victoria’s road toll was 334, down 32 (nine per cent) from the toll in the previous financial year and down 117 from that in 2001–02;
- in 2003, Victoria recorded its lowest annual road toll (330) since comprehensive records began in 1951 (the Arrive Alive! target for fatalities by the end of 2007 is 330);
- in 2003–04 there were 6,574 serious injuries, or 224 (3.3 per cent) fewer than the total in the previous financial year. While serious injuries have not fallen as significantly as fatalities, a preliminary analysis of Transport Accident

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496 Department of Infrastructure, *2003-04 Annual Report*, p.iii  
497 ibid., p.10  
498 ibid.  
499 ibid.  
500 ibid.  
501 ibid.  
502 Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.24–25
Commission claims data by Monash University Accident Research for the period January 2000 to September 2003 indicated a reduction in the severity of those seriously injured. The analysis showed that the average Injury Severity Score for all claims was significantly lower (22 per cent) in 2003 than in previous years falling from 4.16 in 2000 to 3.26 in 2003. The Injury Severity Score provides a measure of injury severity on a scale of 1 to 75, where 1 is a very minor injury and 75 is life threatening. It accounts for the effect of multiple injuries to different parts of the body; and

• an evaluation on the strategy’s success has not been undertaken at this stage. Some evaluation of programs and projects is underway or planned for 2004-05 (for example, an evaluation of the $240 million statewide Blackspot Program). A review of the status of initiatives implemented under Arrive Alive! is undertaken annually.

The Committee acknowledges that Victoria achieved its lowest annual road toll in 2003 since the inception of record keeping in 1951. If the road toll can be restricted to this level by the end of 2007, the government will achieve the target set in its Arrive Alive! strategy of no more than 330 fatalities in that year. The Committee is pleased that the road toll of 344 for 2004 (according to the release of the latest figures) was the second lowest on record.503 Notwithstanding the progress achieved to date, the Committee considers that it would be beneficial for the strategy to be reviewed in 2004-05 so the momentum can be maintained, with new initiatives identified to address recent problem areas before the strategy’s completion in 2007. The 20 per cent increase in the number of road fatalities among 18 to 25 year olds in 2004, for example, is a concern that will need to be addressed.504

The Committee recommends that:

**Recommendation 41:** The Department of Infrastructure commission a mid-term review of the effectiveness of the Arrive Alive! road safety strategy to ensure it achieves the target of a 20 per cent reduction in the number of deaths and serious injuries by 2007.

### 10.3.3 Metropolitan tram services

The Committee requested the department to outline the procedures followed by authorised officers if they detect passengers on a tram who have not validated their Metcard for their journey. The Committee was advised that tram passengers detected without a valid ticket are routinely reported for ‘fail to produce valid ticket’. A report of offence is sent to the Department of Infrastructure to issue an infringement notice. Exceptions may be made for passengers such as newly arrived immigrants or

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503 J.Dowling, 2004 road toll second lowest, The Sunday Age newspaper, 2 January 2005, p.9
504 ibid.
passengers with a disability or condition that prevents them from being able to manage the ticketing system.\textsuperscript{505}

Given that 4.1 million fewer passengers than expected were recorded as travelling on Melbourne’s trams during 2003-04, the Committee considers there would be merit in the department commissioning a study to evaluate the extent of fare evasion and whether compliance with the department’s ticket inspection policy is enforced.

The Committee recommends that:

**Recommendation 42:** The Department of Infrastructure commission a study to assess the true extent of fare evasion throughout Melbourne’s tram system, with a view to continuously improving the existing Metcard system and addressing any weaknesses, before a decision is made on the public transport ticketing system beyond 2007.

**Recommendation 43:** In order to minimise the extent of fare evasion occurring on Melbourne’s tram network and enable the number of passengers on particular routes to be effectively monitored, the Department of Infrastructure ensure that its ticket inspectorial policies are being enforced by the team of Authorised Officers.

\textsuperscript{505} Department of Infrastructure response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.22
CHAPTER 11: DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT

Key Findings of the Committee:

11.1 Actual expenditure by the Department of Innovation, Industry and Regional Development in 2003-04 amounted to $311.4 million, which was $68.4 million or 18 per cent under budget.

11.2 The Department of Innovation, Industry and Regional Development’s annual report did not disclose the cost of delivering outputs against the budget estimates. Information sought from the department revealed that the largest variations occurred in the following outputs: Science Technology and Innovation (down by 39 per cent); Investment Facilitation and Attraction (up by 44 per cent); Small Business Support (up by 45 per cent); Regional Strategic Leadership (up by 56 per cent); Rural Community Development (up by 199 per cent); Regional Infrastructure Development (down by 49 per cent); and Regional Economic Development (up by 39 per cent).

11.3 The Public Accounts and Estimates Committee does not share the view expressed by the Department of Innovation, Industry and Regional Development that it follows best practice in reporting costs against budget estimates by output group rather than by both output group and output.

11.4 In achieving or exceeding 90 per cent of its performance targets in 2003-04, the department realised substantially higher than expected outcomes in a range of performance measures which included the following:

- new investments facilitated and announced – +$1.06 billion
- exports delivered from investments facilitated – +$459.2 million
- new investments facilitated and announced in regional Victoria – +$579.9 million
- Jobs created in regional Victoria – +697

11.5 For most of the measures for which performance substantially exceeded expectations in 2003-04, the targets for 2004-05 were not made more challenging.
11.6 A new $25 million initiative, *VicStart*, was introduced during 2003-04 to improve the link, processes and skills to successfully commercialise Victoria’s science, technology and innovation ideas.

11.7 With 109 patents of projects funded through the STI Initiative, new intellectual property of potential commercial value appeared to be generated at higher than average rates in Australia. The number of patents (14) sought by organisations funded through the STI Initiative during 2003-04 exceeded the established target of 10.

11.8 Tourism Victoria participated in 95 campaigns in core international markets during 2003-04. A leverage ratio of 1:8 was achieved in 2003-04 (against a target of 1:3). This ratio measures the proportion of Tourism Victoria campaign expenditure relative to partner expenditure. Leverage of 1:30 was achieved in North America, due to heavily supported partner-led campaigns such as the *Have You Ever* campaign.

11.9 Expenditure by international visitors amounted to $2.2 billion during 2003-04, which exceeded the target of between $1.4 billion and $1.7 billion and the previous year’s result of $1.6 billion.

### 11.1 Financial analysis

The Department of Innovation, Industry and Regional Development was responsible for the delivery of 14 outputs during 2003-04.\(^{506}\) Actual expenditure for the year was $311.4 million,\(^{507}\) which was $68.4 million or (18 per cent) under budget estimates of $379.8 million.

The major variations from budget estimates occurred in the Innovation and Policy output group and Regional Development output group, for which expenditure was under budget by $55.6 million and $33.4 million respectively.\(^{508}\) The department advised that no significant reallocation of funds between output groups occurred in 2003-04.\(^{509}\)

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\(^{507}\) Department of Innovation, Industry and Regional Development, *2003-04 Annual Report*, p.54


\(^{509}\) Department of Innovation, Industry and Regional Development response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.6
The Committee noted that, while the department recorded an underspend of $68.4 million for 2003-04, the department incurred an operating deficit of $13.8 million for the financial year. The reason for the differing results is that the underspend compares expenditure incurred in the year to the estimated spend when the budget was prepared, whereas the operating deficit is an accounting concept comparing expenditure against revenue. The net deficit that arose in 2003-04 for the Regional Development output group of $22.4 million (due to the time lag between funding and the year that expenditure was incurred) was a key factor that contributed to the department’s operating deficit of $13.8 million.

In responding to the 2002-03 Budget Outcomes report, the Victorian Government stated that the background to the Department of Innovation, Industry and Regional Development’s ‘underspend’ had previously been highlighted in various Auditor-General and Public Accounts and Estimates Committee reports. The Committee was informed that the department was improving its monitoring of such activity but retained its view that there were sound business reasons for these underspends. In response to the Committee’s query about what further action was planned, the Government indicated that the department will continue to liaise with the Department of Treasury and Finance and other agencies on the continuing business needed to carry program funding from year to year.

The department’s 2003-04 annual report did not disclose the actual cost of delivering outputs against the budget estimates, so the Committee sought an explanation from the department of all major variances that exceeded 20 per cent (exhibit 11.1).

511 ibid., p.54
513 ibid.
514 ibid.
Exhibit 11.1: Department of Innovation, Industry and Regional Development
2003-04 output costs that exceeded budget estimates by more than 20 per cent

<table>
<thead>
<tr>
<th>Output</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column (2-1)/1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Science Technology and Innovation (a)</td>
<td>145.8</td>
<td>89.4</td>
<td>-38.7</td>
</tr>
<tr>
<td>Investment Facilitation and Attraction (b)</td>
<td>35.8</td>
<td>51.7</td>
<td>44.4</td>
</tr>
<tr>
<td>Small Business Support (c)</td>
<td>6.2</td>
<td>9.0</td>
<td>45.2</td>
</tr>
<tr>
<td>Regional Strategic Leadership (d)</td>
<td>1.8</td>
<td>2.8</td>
<td>55.6</td>
</tr>
<tr>
<td>Rural Community Development (e)</td>
<td>2.9</td>
<td>8.7</td>
<td>199.2</td>
</tr>
<tr>
<td>Regional Infrastructure Development (f)</td>
<td>86.5</td>
<td>43.8</td>
<td>-49.4</td>
</tr>
<tr>
<td>Regional Economic Development (g)</td>
<td>8.7</td>
<td>12.1</td>
<td>39.1</td>
</tr>
</tbody>
</table>

Notes: * a negative variance indicates that actual cost is below budget
(a) The variance is largely attributable to the re-phasing of STI Initiative funding from 2003-04 to future years
(b) The variance is largely attributable to additional expenditure in relation to the Investment Support Program, which was supplemented via a Treasurer Advance during 2003-04
(c) The variance is mainly attributable to the impact of transferring the budget allocation for the Office of the Small Business Commissioner to the Small Business Output after Budget Paper No. 3 was published
(d) The variance is largely attributable to higher than planned expenditure on employee-related costs and supplies and consumables
(e) The variance is largely attributable to higher than planned expenditure on employee-related costs and grant payments
(f) The variance is largely attributable to lower than expected Regional Infrastructure Development Fund (RIDF) grant expenditure, given that payment of RIDF grants depends on the achievement of agreed milestones as formalised in funding agreements, so generally lags behind funding approvals
(g) The variance is largely attributable to higher than planned expenditure on employee-related costs and grant payments

Source: Department of Innovation, Industry and Regional Development response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.5
In the budget outcomes report for 2002-03, the Committee recommended that:

- the Department of Innovation, Industry and Regional Development include in future annual reports, the actual cost outcomes for each output in the output groups and explain material variations from the budget estimates;\(^{515}\) and
- the government amend the reporting requirements of the Standing Directions of the Minister for Finance to require departments to disclose the budgeted and actual cost of each output when reporting on performance in their annual reports.\(^{516}\)

While the department maintains that it follows best practice, as determined by the Department of Treasury and Finance model financial report, in reporting costs against budget estimates on an output group rather than by both output group and output,\(^{517}\) the Government’s response to last year’s budget outcomes report is specific on this matter and reaffirms the Committee’s position. In its response, the government stated that:\(^{518}\)

> **Standing Directions of the Minister for Finance currently require departments to include a comparison of budgeted and actual performance against output targets. This should include comparison against output cost targets as published within the annual budget papers. Consideration will be given to further clarifying this requirement in the next update of the standing directions.**

The Committee considers that the department, by not reporting the cost of delivering outputs against targets and not explaining major variances from the budget estimates, has poor corporate governance arrangements and financial reporting practices that need to be rectified.

The Committee recommends that:

**Recommendation 44:** The Department of Innovation, Industry and Regional Development publish a comparison of output costs against budget estimates in its annual report, to ensure it is publicly accountable for its use of public moneys in line with the targets set for the department in the Budget Papers.

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\(^{516}\) ibid., p.116

\(^{517}\) Department of Innovation, Industry and Regional Development response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.4

11.2 Performance information

The department achieved or exceeded 90 per cent of its performance targets for 2003-04. The Committee noted that substantially higher than expected performance outcomes were recorded in a number of areas. Notable examples are shown in exhibit 11.2.

Exhibit 11.2: Department of Innovation, Industry and Regional Development
exceptional performance outcomes for 2003-04

<table>
<thead>
<tr>
<th>Performance measure</th>
<th>Unit of measure</th>
<th>2003-04 Target</th>
<th>2003-04 Actual Performance</th>
<th>2004-05 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>New investments facilitated and announced</td>
<td>$ million</td>
<td>1,400</td>
<td>2,460</td>
<td>1,600</td>
</tr>
<tr>
<td>Exports delivered from investments facilitated</td>
<td>$ million</td>
<td>500</td>
<td>959.2</td>
<td>(a)</td>
</tr>
<tr>
<td>Exports facilitated and imports replaced</td>
<td>$ million</td>
<td>180</td>
<td>486.7</td>
<td>680 (b)</td>
</tr>
<tr>
<td>Companies provided with export assistance</td>
<td>number</td>
<td>2,500</td>
<td>2,787</td>
<td>3,050</td>
</tr>
<tr>
<td>New investments facilitated and announced in regional Victoria</td>
<td>$ million</td>
<td>450</td>
<td>1,029.9</td>
<td>600</td>
</tr>
<tr>
<td>Jobs created in regional Victoria</td>
<td>number</td>
<td>1,000</td>
<td>1,697</td>
<td>1,000</td>
</tr>
<tr>
<td>Tourism Victoria’s international marketing expenditure as proportion of total campaign expenditure</td>
<td>ratio</td>
<td>1:3</td>
<td>1:8</td>
<td>1:7</td>
</tr>
<tr>
<td>Visitor expenditure (international)</td>
<td>Number ($ billion)</td>
<td>1.4–1.7</td>
<td>2.2</td>
<td>1.6–1.9</td>
</tr>
<tr>
<td>Investment projects facilitated</td>
<td>$ million</td>
<td>200-250</td>
<td>350</td>
<td>200-250</td>
</tr>
</tbody>
</table>

Notes: (a) This performance measure was discontinued in 2004-05 \(^{519}\)  
(b) Includes $500 million exports delivered from investments facilitated


The Committee also notes for most of the measures in exhibit 11.2, where 2003-04 results substantially exceeded expectations, that the targets set for 2004-05 were not made more challenging. The performance of an agency can be misleading if the targets set are understated and does not keep pace with results achieved in the previous year.

\(^{519}\) Budget Paper No. 3, 2004-05 Service Delivery, p.343
The Committee recommends that:

**Recommendation 45:** To develop appropriate performance targets and enhance continuous improvement, the Department of Innovation, Industry and Regional Development review whether there is scope for making its targets more challenging to reflect past performance.

11.3 Major issues

11.3.1 Science, Technology and Innovation Initiative (STI) grants

(a) Monitoring and reporting outcomes

In recognising that innovation is the key to international competitiveness, the Victorian Government’s Science, Technology and Innovation (STI) Initiative has been a centrepiece to its activities in this area.\(^{520}\) Launched in 1999-2000, the first generation of the STI consisted of a total funding commitment of $310 million over five years.\(^ {521}\) As part of the Government’s Innovation Economic Policy, the second generation of this policy was announced in October 2002, comprising a second tranche of $310 million over five years.\(^ {522}\) Exhibit 11.3 provides a comparison of annual expenditure to budget for each generation of the STI Initiative from 1999-2000 along with commitments and planned allocation of funding to 2007-08.
Exhibit 11.3: Department of Innovation, Industry and Regional Development
STI Initiative funding for first and second generation initiatives

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>First Generation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget Total</td>
<td>35</td>
<td>50</td>
<td>75</td>
<td>75</td>
<td>33</td>
<td>18</td>
<td>12</td>
<td>12</td>
<td>310</td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>32</td>
<td>41</td>
<td>60</td>
<td>72</td>
<td>46</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Commitments</td>
<td>35</td>
<td>12</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>310</td>
</tr>
</tbody>
</table>

Note: $310 million adjusts to $307.5 million by addition ($5 million) of Biotechnology Centre of Excellence and due to the withdrawal of funding for a $7.5 million project transferred to STI Initiative - Second generation

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Second Generation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget Total (a)</td>
<td>33.5</td>
<td>69</td>
<td>100</td>
<td>76</td>
<td>39</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>317.5</td>
</tr>
<tr>
<td>Expenditure (b)</td>
<td>33.5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>33.5</td>
</tr>
</tbody>
</table>

Notes: (a) $310 million increased to $317.5 million by addition of $7.5 million project transferred from STI Initiative - First generation
(b) Table assumes that allocations to other agencies have been fully expended

Source: Department of Innovation, Industry and Regional Development’s response to the Committee’s 2003-04 Budget Outcomes questionnaire, Attachment 2

Some of the larger programs and projects funded under the STI Initiative that extend over various departments are listed below:523

- Synchrotron: $57.2 million (a)
- Our Rural Landscapes: $50 million (a)
- BIO 21/Proteomics/the Walter and Eliza Hall Institute of Medical Research: $35 million
- VicStart/Building Better Businesses: $30 million (a)
- Expansion of Science and Technology Education in Schools: $27 million
- e-Prescribing: $24 million (a)

523 Department of Innovation, Industry and Regional Development response to the Committee’s 2003-04 Budget Outcomes questionnaire, Attachment 1
- Technology Commercialisation Program $20 million
- Broadband Networks $15 million (a)
- (NSV) Vic Neurosciences Consortium $13.3 million
- Genomics and Integrated Systems Modelling $12.4 million
- Nanotechnology Victoria $12 million
- Biotechnology Centre of Excellence $10 million
- Clinical Trials Victoria $8 million

(b) **STI Initiative second generation projects**

The department advised the Committee that projects funded from the first generation initiative were already demonstrating economic, social and environmental benefits for the state.524

The Committee considers that the department, after allowing a sufficient lead time for projects to be fully implemented, should measure and report on progress achieved against the predicted outcomes, accounting for economic impacts as well as social and environmental benefits. Where projects are delivered by other government agencies, the Department of Innovation, Industry and Regional Development should require, as a condition of grant funding, that recipient agencies disclose outcomes achieved from STI Initiative funding in their annual reports.

The Committee recommends that:

**Recommendation 46:** In terms of demonstrating that economic, social and environmental benefits are flowing to the state from the first and second generations of the $620 million STI Initiative, the Department of Innovation, Industry and Regional Development:

(a) publish in its annual report, after a sufficient lead time, relevant details on outcomes realised (including progress achieved against forecasted outcomes), and good examples of benefits realised and any lessons learnt; and

(b) require agencies that receive funding through the STI Infrastructure Grants Program to publish in their annual reports, the outcomes from the use of such funds.

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(c) **Technology commercialisation**

The department’s 2003-04 annual report, commented on the vital role of technology commercialisation in maintaining international competitiveness, enhancing quality of life and contributing to economic prosperity.\(^{525}\) The department also maintained that the Technology Commercialisation Program has been instrumental in the growth of a sustainable technology commercialisation services sector in Victoria.\(^ {526}\) A new $25 million initiative, *VicStart*, was introduced in 2003-04 as a second generation program, to expand on the Technology Commercialisation Program. Its aim is to improve the links, processes and skills required to successfully commercialise Victoria’s science, technology and innovation ideas.\(^ {527}\) The Committee noted that the number of patents (14) sought by STI Initiative funded organisations during 2003-04 exceeded the target of 10; the government has subsequently increased the target for 2004-05 to 14.\(^ {528}\)

The findings of the November 2003 outcome review and economic impact study of the STI Initiative (first generation) revealed that STI Initiative funded research projects appeared to be generating new intellectual property of potential commercial value at higher than average rates (per dollar of research funding) in Australia.\(^ {529}\) With 109 patents of projects funded through the first and second generation of the STI Initiative, the ratio of patents per $1 million funding (0.32) exceeds the average rate in Australia of (0.23) as per the results of the 2000 National Survey of Research on Commercialisation by the Australian Research Council and the National Health and Medical Research Council (2002).\(^ {530}\)

The department advised the Committee that actual performance (or potential capacity) of particular programs, projects and grants in generating intellectual property, included the following:\(^ {531}\)

- REDlab Test Facility/CEOS Pty. Ltd 55 patents
- Collaborative Optical Leading Testbed (COLT), Ballarat University 15 patents
- VicMicromanufacturing/miniFab/Microtechnology Centre, Management Ltd. 12 patents
- Genomics and Integrated Systems Modelling 8 patents
- VicMicroarray Consortium/Agriculture Vic Services 8 patents

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\(^{525}\) ibid., p.16  
\(^{526}\) ibid.  
\(^{527}\) ibid.  
\(^{528}\) ibid., p.18; and Budget Paper No. 3, *2004-05 Service Delivery*, p.141  
\(^{529}\) Department of Innovation, Industry and Regional Development, *2003-04 Annual Report*, p.15  
\(^{530}\) Department of Innovation, Industry and Regional Development response to the Committee’s 2003-04 Budget Outcomes questionnaire, Attachment 1  
\(^{531}\) ibid.
The Committee recommends that:

**Recommendation 47:** To assess the effectiveness of the Victorian Government’s $25 million VicStart initiative in assisting the commercialisation of Victoria’s science, technology and innovation ideas, the Department of Innovation, Industry and Regional Development describe examples of successful intellectual property arrangements in its annual report, particularly where the management arrangements have enabled the government to secure a financial benefit from the commercialisation of state funded research activities.

11.3.2 **Tourism – monitoring the effectiveness of international marketing campaigns**

(a) **Expenditure on international marketing campaigns**

Tourism Victoria participated in 95 campaigns in core international markets during 2003-04.\(^{532}\) The department did not provide the Committee with the requested expenditure details for each initiative. However, it did provide a breakdown of campaign expenditure by region (exhibit 11.4).\(^{533}\) The exhibit provides details of Tourism Victoria’s expenditure on international campaigns, as well as the contribution by co-operative partners.\(^{534}\) A leverage figure is also provided, which measures the proportion of Tourism Victoria campaign expenditure relative to partner expenditure.\(^{535}\) With the overall result for 2003-04 of leverage of 1:8, for example, Tourism Victoria achieved a result of $8 in international campaign expenditure for every $1 that was physically spent by the organisation, enabling more cost-effective marketing.\(^{536}\)

\(^{532}\) ibid., p.19

\(^{533}\) ibid.

\(^{534}\) ibid.

\(^{535}\) ibid.

\(^{536}\) ibid.
Exhibit 11.4: Department of Innovation, Industry and Regional Development
Tourism Victoria international campaigns and leverage by region

<table>
<thead>
<tr>
<th>Core International Markets</th>
<th>Number of Tourism Victoria international campaigns</th>
<th>Tourism Victoria campaign expenditure 2003-04 AUD$</th>
<th>Partner Campaign Expenditure 2003-04 AUD$</th>
<th>Leverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Asia</td>
<td>15</td>
<td>295,611</td>
<td>1,129,215</td>
<td>1:22</td>
</tr>
<tr>
<td>North Asia</td>
<td>13</td>
<td>247,514</td>
<td>366,151</td>
<td>1:9</td>
</tr>
<tr>
<td>Japan</td>
<td>14</td>
<td>448,067</td>
<td>591,267</td>
<td>1:1</td>
</tr>
<tr>
<td>New Zealand</td>
<td>9</td>
<td>349,781</td>
<td>318,509</td>
<td>1:1</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>16</td>
<td>381,016</td>
<td>2,510,174</td>
<td>1:7</td>
</tr>
<tr>
<td>North America</td>
<td>10</td>
<td>389,314</td>
<td>11,558,953</td>
<td>1:30</td>
</tr>
<tr>
<td>Europe</td>
<td>13</td>
<td>80,682</td>
<td>887,521</td>
<td>1:11</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>18,200</td>
<td>156,230</td>
<td>1:22</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>95</strong></td>
<td><strong>2,210,185</strong></td>
<td><strong>17,518,020</strong></td>
<td><strong>1:8</strong></td>
</tr>
</tbody>
</table>

Source: Department of Innovation, Industry and Regional Development’s response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.20

As outlined in exhibit 11.4, the leverage achieved for 2003-2004 (of 1:8) exceeded the target leverage of 1:3. The inflated leverage was realised largely due to Tourism Victoria’s participation in the major ‘Have You Ever’ campaign in North America, which was led by the Australian Tourism Commission (ATC). The campaign was the largest consumer campaign ever undertaken for Australia in this market and was heavily supported by campaign partners, including the Australian Tourism Commission and Qantas, who contributed over $9 million to the initiative. Tourism Victoria was a minor co-operative partner in this campaign, with a financial contribution of approximately $150,000. Given the significant contribution of external partners, the department advised that Tourism Victoria was able to cost-effectively leverage a substantial amount of media exposure in the market.

Other significant campaign initiatives in the United States were also undertaken with Hawaiian Airlines and National Geographic, inflating the leverage figure for this region. Total Tourism Victoria expenditure for these campaigns was $50,000 relative

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537 Department of Innovation, Industry and Regional Development, 2003-04 Annual Report, p.39
538 Department of Innovation, Industry and Regional Development response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.20
539 ibid.
540 ibid.
541 ibid.
to partner expenditure of $2.1 million. As shown in exhibit 11.4, these heavily supported partner-led campaigns resulted in leverage of 1:30.

The department advised the Committee that Tourism Victoria is unlikely to be able to leverage campaign expenditure as high in North America during 2004-05. A recent decision by Tourism Australia (former Australian Tourism Commission), to undertake largely stand-alone pure brand activity in many international markets, limits the opportunities available for Tourism Victoria to partner with it on large-scale co-operative initiatives.

The department informed the Committee that Tourism Victoria’s actual international campaign expenditure for 2003-04 was in line with planned expenditure, except for a carry over amount of $200,000 that had been committed to fund a new brand communications platform for Tourism Victoria in New Zealand. According to the department, the New Zealand – Brand Melbourne Campaign, now under development, was delayed by the need to wait for fresh consumer insights from a research project undertaken in July 2004.

(b) Measuring the effectiveness of international marketing campaigns

Tourism Victoria aims to maximise employment and the longer-term economic benefits of tourism to Victoria by developing and marketing the state as a competitive tourist destination for both domestic and international tourists. In terms of measuring the effectiveness of Tourism Victoria’s international marketing campaigns, the department indicated that a direct correlation with outcomes is not feasible to determine, but that performance is measured using the key criteria listed below:

- **International Arrivals into Victoria (aged 15 years and over)** - for the year ended June 2004, Victoria received 1.29 million international arrivals. This was within the target range of 1–1.4 million arrivals.

- **Victoria’s market share of international arrivals** - for the year ended June 2004, Victoria had a market share of 28 per cent of international arrivals into Australia. This was consistent with the result recorded for the year ended June 2003.

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542 ibid.
543 ibid.
544 ibid.
545 ibid.
546 ibid., p.21
547 ibid.
548 Department of Innovation, Industry and Regional Development, 2003-04 Annual Report, p.34
549 Department of Innovation, Industry and Regional Development response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.21–22
• *International nights in Victoria* - for the year ended June 2004, Victoria received over 30 million international nights. This exceeded the target range of 18-22 million and was driven by significant growth in nights from the key international markets of Japan, China and the United Kingdom.

• *Victoria's market share of international nights* - for the year ended June 2004, Victoria had a market share of 23 per cent of international nights spent in Australia. This represented growth of 4 percentage points from 19 per cent recorded for the year ended June 2003.

• *Campaign leverage* - measure of Tourism Victoria’s international campaign expenditure relative to partner expenditure. As noted, Tourism Victoria achieved a leverage figure of 1:8 for 2003-04 which exceeded the target of 1:3.

The Committee also noted that expenditure by international visitors amounted to $2.2 billion during 2003-04, which exceeded the target of $1.4 billion and $1.7 billion\(^{550}\) and the previous year’s result of $1.6 billion\(^{551}\).

Given the magnitude of marketing campaigns undertaken in international markets during 2003-04, particularly in North America, the Committee considers that the department needs to monitor the effectiveness of its efforts in attracting international tourists to Victoria and quantify the contribution of tourism from overseas to Victoria’s economic and social development. Apart from the success or otherwise of marketing campaigns, the Committee recognises that the tourism industry is susceptible to volatility arising from extraneous factors, (such as the recent events in Asia), that can have an influence on competing markets.

The Committee recommends that:

**Recommendation 48:** The Department of Innovation, Industry and Regional Development:

(a) monitor the effectiveness of its international marketing campaigns in attracting international tourists to Victoria; and

(b) quantify in its annual report the contribution of international tourism to enhancing Victoria’s economic and social development.

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\(^{551}\) *ibid.*, p.37
CHAPTER 12: DEPARTMENT OF JUSTICE

Key Findings of the Committee:

12.1 The 2003-04 budget of the Department of Justice was $2,177.2 million. Actual expenditure for that year was $2,221 million, $43.8 million or two per cent over the budget estimates.

12.2 The budgeted costs used for comparisons with actual costs in both the Department of Justice’s budget portfolio output statements and financial statements differed from the budgeted output costs set out in the 2003-2004 Budget Papers for the justice portfolio.

12.3 The Department of Justice significantly improved performance reporting in 2003-04. The majority of cost estimates and performance targets set out in the 2003-04 Budget Papers for the Justice portfolio have been reported on in the department’s 2003-04 annual report. The department’s annual report is yet to include budget portfolio costs and performance results for the Victoria Police, the Metropolitan Fire and Emergency Services Board and the Country Fire Authority.

12.4 Victoria Police’s working capital deficit declined in 2003-04 from $32.8 million to $14.4 million (down $18.4 million) at 30 June 2004.

12.5 The Department of Justice met or exceeded 73 per cent of its performance targets for 2003-04.

12.6 The Department of Justice’s 2003-04 annual report did not include commentary on significant variations between performance targets and actual achievements.

12.7 Reported reductions in the Victorian crime rate in 2003-04 were not demonstrated in a quantifiable manner in performance reporting provided by Victoria Police.

12.8 The proportion of court fines outstanding for 12 months and longer increased over the past three years.

12.9 Collection rates for outstanding court orders and warrant fines are significantly lower than those for other fines.

12.10 Recommended annual saving targets for the Victorian Electoral Office are equivalent to almost 30 per cent of the Office’s annual grant income in 2003-04.
Key Findings of the Committee - continued:

12.11 It is now 10 months since the Committee sought details of the operating costs provided for under contracts with private prisons operators. The Committee considers that this matter should be resolved as a priority and the information provided.

12.12 Buoyant building conditions in 2003-04 generated significant building levy revenues for the Building and Advice Conciliation Victoria, which is operated jointly by Consumers Affairs Victoria and the Building Commission.

12.13 Consumer Affairs Victoria developed a Compliance and Enforcement Policy that is publicly accessible through a web site.

12.14 The first round of community benefit statements covering 2003-04 for gaming venue club and hotel operators was not provided to the public until 1 February 2005.

12.15 The approved format for community benefit statements does not include an independent auditor’s report on the community benefit statement.

12.1 Financial analysis

The 2003-04 budget for the Department of Justice was $2,177.2 million. Actual expenditure for the year was $2,221 million (exhibit 12.1). The variation of $43.8 million represented 2 per cent of the budget allocation.

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### Exhibit 12.1: Department of Justice output group summary 2003-04

<table>
<thead>
<tr>
<th>Output group</th>
<th>Column 1 2003-04 Budget ($ million)</th>
<th>Column 2 2003-04 Actual ($ million)</th>
<th>Column (2-1) Variation (a) ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Safety Policy</td>
<td>9.7</td>
<td>15.5</td>
<td>5.8</td>
</tr>
<tr>
<td>Emergency Prevention and Response (b)</td>
<td>91.8</td>
<td>98.1</td>
<td>6.3</td>
</tr>
<tr>
<td>Reducing the Crime Rate (c)</td>
<td>572.9</td>
<td>603.6</td>
<td>30.7</td>
</tr>
<tr>
<td>Reducing the Road Toll and Incidence of Road Trauma (c)</td>
<td>119.2</td>
<td>125.6</td>
<td>6.4</td>
</tr>
<tr>
<td>High levels of Community Perceptions of Safety (c)</td>
<td>466.2</td>
<td>485.7</td>
<td>19.5</td>
</tr>
<tr>
<td>High Levels of Customer Satisfaction (c)</td>
<td>50.6</td>
<td>53.2</td>
<td>2.6</td>
</tr>
<tr>
<td>Enforcing Correctional Orders</td>
<td>328.6</td>
<td>331.9</td>
<td>3.3</td>
</tr>
<tr>
<td>Legal Support for Government</td>
<td>43.5</td>
<td>32.7</td>
<td>-10.8</td>
</tr>
<tr>
<td>Dispensing Justice</td>
<td>286.6</td>
<td>308.9</td>
<td>22.3</td>
</tr>
<tr>
<td>Enforcing Court Orders</td>
<td>118.6</td>
<td>79.7</td>
<td>-38.9</td>
</tr>
<tr>
<td>Achieving Equal Opportunity</td>
<td>10.5</td>
<td>10.5</td>
<td>-</td>
</tr>
<tr>
<td>Protecting Consumers</td>
<td>55.3</td>
<td>51.4</td>
<td>-3.9</td>
</tr>
<tr>
<td>Regulating Gaming and Racing</td>
<td>23.7</td>
<td>24.2</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,177.2</strong></td>
<td><strong>2,221.0</strong></td>
<td><strong>43.8</strong></td>
</tr>
</tbody>
</table>

**Notes:**
(a) A negative variance indicates the actual expenditure on the output group was less than budget
(b) Includes output costs for the Metropolitan Fire and Emergency Services Board and the Country Fire Authority
(c) Outputs delivered by Victoria Police


The Committee noted that the major budget variations occurred in the four output groups delivered by Victoria Police with expenditure being approximately five per cent over budget across these output groups. Additional expenditure on output groups reflects financial support for the underworld crime taskforce, Operation Purana, road safety, community policing and a range of other areas impacting on

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553 Victoria Police, 2003-04 Annual Report, pp.5–11
crime and the causes of crime, the national hand gun buy back scheme and further funding of staff entitlements and cost increases on major contracts.554

The Committee noted there were also significant budget variations for a number of other outputs.555 Details are provided at exhibit 12.2.

Exhibit 12.2: Department of Justice selected output cost variations 2003-04

<table>
<thead>
<tr>
<th>Output details</th>
<th>Column (1)</th>
<th>Column (2)</th>
<th>Column (2-1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003-04 Budget $ million</td>
<td>2003-04 Actual $ million</td>
<td>Variation(a) $ million</td>
</tr>
<tr>
<td>Legal Support for Government</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal advice to Government</td>
<td>9.4</td>
<td>13.5</td>
<td>4.1</td>
</tr>
<tr>
<td>State Electoral Roll and Elections</td>
<td>21.7</td>
<td>5.8</td>
<td>-15.9</td>
</tr>
<tr>
<td>Dispensing Justice</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matters in the Children’s court</td>
<td>8.6</td>
<td>12.8</td>
<td>4.2</td>
</tr>
<tr>
<td>Public Safety Policy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crime and Violence Protection</td>
<td>4.0</td>
<td>7.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Emergency readiness and support</td>
<td>5.7</td>
<td>8.5</td>
<td>2.8</td>
</tr>
<tr>
<td>Emergency Prevention and Response</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metropolitan Fire and Emergency Services</td>
<td>23.4</td>
<td>25.2</td>
<td>1.8</td>
</tr>
<tr>
<td>Country Fire Authority</td>
<td>39.4</td>
<td>41.9</td>
<td>2.5</td>
</tr>
<tr>
<td>Enforcing Correctional Orders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community based offender supervision</td>
<td>35.2</td>
<td>32.0</td>
<td>-3.2</td>
</tr>
</tbody>
</table>

Note: (a) A negative variance indicates the actual expenditure on the output group was less than budget

Sources: Budget Paper No. 3, 2003-04 Budget Estimates, pp.211–240; Department of Justice 2003-04 Annual Report, pp.65–76; Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.3

The Department of Justice provided the following explanations for output cost variations from the budget estimates:556
• Legal Advice to Government – During 2003-04, the Victorian Government Solicitor’s Office (VGSO) completed a review of billing and debtors management arrangements, which resulted in the cessation of the Public Account Advance to recoup all outlays through the Office’s principal billing process for services rendered. The change resulted in an additional $4.4 million reflecting both the revenues and expenses of the VGSO and therefore in the final cost of the output;

• State Electoral Roll and Elections - Output costs reflected an adjustment due to an error correction of different information held by the department and the Victorian Electoral Commission (VEC) following review and analysis of the Department’s State Administrative Unit (SAU) balances in 2003-04. A review revealed that a transitional adjustment processed during 1998-99 had not been subsequently adjusted by the department. The correction followed consultation and agreement with both the Department of Treasury and Finance and the Victorian Auditor-General’s Office.

The Committee noted the department’s explanation for the variation in the State Electoral Roll and Elections output, but considers that full output costs should be disclosed and unusual cost components explained rather than netted against the total output cost. The Committee noted that the department used this treatment to explain the budget variation for the Matters in the Children’s Court output.

The Committee recommends that:

Recommendation 49: The Department of Justice ensure the full costs for outputs are disclosed and that any unusual cost components are explained rather than netted against the total.

• Matters in the Children’s Court – Output costs includes $4.9 million for the building revaluation that was not included in the 2003-04 budget for the output;

• Crime and Violence Prevention – Output cost included $2.6 million in grant program funding provided through the Community Support Fund that was not included in the 2003-04 budget for the output; and

• Emergency Readiness Support – output cost includes project funding from the Community Support Fund that was not included in the budget for the output.

The Committee recommends that:

Recommendation 50: The Department of Justice ensure the budget estimate of output costs include grant funding for outputs from the Community Support Fund.
• Metropolitan Fire and Emergency Services – output costs included Enterprise Bargain Agreement supplementation provided to the organisation;

• Country Fire Authority – output costs include Enterprise Bargain Agreement supplementation provided to the organisation; and

• Community based offender supervision – the establishment of Corrections Victoria, which was brought about by the amalgamation of the former Office of the Correctional Services Commissioner and CORE (Correctional Enterprises) resulted in a re-allocation of funding across outputs to better reflect the now centralised and integrated policy development, program delivery, and administration functions of the portfolio.

The Committee noted the Department of Justice’s 2003-04 annual report compares the actual cost of selected outputs against a ‘2003-04 target’. In nearly all cases, that is a different target from the estimate specified in the 2003-04 Budget Papers or the outcome target specified in the 2004-05 Budget Papers. The Committee sought advice from the department on how the 2003-04 targets used for comparing output costs in the 2003-04 annual report were determined and why the department adopted them as the basis for comparison with the 2003-04 actual output costs.

The department advised that:

• the 2003-04 output targets included in the annual report represented the 2003-04 expected outcome estimate included in the 2004-05 Budget Papers, adjusted for approved material resource changes that occurred after the 2004-05 budget estimates were finalised. Major post budget resource adjustments included Treasurer’s Advances to fund enterprise bargaining agreements and final revenue retention outcomes; and

• a number of significant resource changes occurred after the budget estimates were finalised in May 2004 and before the end of 2003-04.

Based on these explanations, the department concluded that the 2003-04 output cost targets published in its annual report provided a more accurate account of available resources than do the 2003-04 expected outcomes included in the 2004-05 Budget Papers.

The Committee has reservations about the basis adopted by the department to assess its performance in delivering outputs against budget. The Committee noted the following issues:

559 Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.17
560 ibid.
the government has indicated that the Standing Directions of the Minister for Finance require departments to use original budget details, as published in Budget Paper No. 3, in their budget portfolio outcomes statements. Further departmental annual reports compare output costs against targets published within the Budget Papers; and

the department 2003-04 annual report does not adequately disclose the adoption of output cost budgets different from those set out in the Budget Papers, the financial impact of such a change and how the revised budget basis effects the evaluation and interpretation of output costs.

The Committee considers that accountability and transparency for output budget and cost comparisons are best served by all departments using a uniform basis of output cost budgets. The adoption of output cost budgets based on additional resourcing requirements identified after Parliament has approved the budget obviates the opportunity to scrutinise these changes and limits the department’s incentive to achieve more accurate forecast of needs when preparing budget submissions.

The Committee recommends that:

**Recommendation 51:** The Department of Justice ensure that budget output cost details published in the Budget Papers are the sole basis of comparison with actual costs reported in the budget portfolio statement published in future annual reports.

The Committee’s 2002-03 budget outcomes report noted that the department and its agencies except the Office of the Victorian Privacy Commissioner, did not disclose the estimated and actual costs for some outputs in their 2002-03 annual reports. The Committee is pleased that a substantial improvement in disclosure was made in 2003-04, with the department’s annual report including the majority of cost and performance targets set out in the 2003-04 Budget Papers for the Justice portfolio. Other improvements include explanations of key output cost variations from budget estimates and a schedule of agencies providing outputs.

The Committee noted, however, that the department’s 2003-04 annual report still omits expenditure and performance outcomes for Victoria Police, the Metropolitan Fire and Emergency Services and the Country Fire Authority. Expenditure on these

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563 Department of Justice, 2003-04 Annual Report, pp.64–76
564 ibid., pp.64 and 66
outputs totalled $1,335.2 million in 2003-04, equivalent to 60 per cent of expenditure on outputs delivered within the Justice portfolio.

While the Committee noted that Victoria Police’s annual report discloses that expenditure and performance results for that agency’s outputs, the Committee considers that the department’s should include information on the costs and performance outcomes for the outputs of all portfolio agencies (irrespective of the provider) because the department is the body that Parliament authorised and funded to deliver the outputs. The Committee considers that accountability is enhanced where agencies also report outcomes for outputs funded under the budget allocation for the Justice portfolio.

The Committee recommends that:

Recommendation 52: The Department of Justice disclose in its annual report the budget and performance outcomes for outputs delivered by Victoria Police, the Metropolitan Fire and Emergency Services and the Country Fire Authority.

In reviewing the Department of Justice’s budget portfolio financial statements for controlled and administered financial transactions published in the annual report for 2003-04 and the Committee noted the following:

- the budget amount used to compare with actual results is the 2003-04 revised budget amount rather than budgeted amount set out in the Budget Papers for 2003-04;
- the financial statements did not disclose the financial impact of the adoption of a budget basis other than that prescribed under the Standing Directions of the Minister for Finance;
- note disclosures were lacking for the composition of material account balances; and
- although a revised basis for budgeted amounts was used in the budget portfolio financial statements, the financial statements did not explain material variances between actual results and the budget basis adopted by the department for reported financial performance and financial position.

The Committee reiterates that the accountability and transparency of budget portfolio controlled and administered financial transactions are best served by departments.

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565 Victoria Police 2003-04 Annual Report, pp.6-11; and Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.3
566 Victoria Police, 2003-04 Annual Report, pp.6–11
adopting a uniform basis of budgetary comparison. Additionally, accountability and transparency is enhanced by note disclosure of the composition of key account balances and by explanations for material variances between actual and budgeted costs.

The Committee recommends that:

**Recommendation 53:** When publishing budget portfolio financial statements for reporting controlled and administered financial transactions, the Department of Justice disclose the budgeted amounts set out in annual Budget Papers, and include adequate note disclosure for major account balances and material variations between actual and budgeted costs.

The Committee reviewed the financial statements of Victoria Police’s for 2003-04 and noted a decline in Victoria Police’s working capital deficit of $18.4 million to $14.4 million at 30 June 2004 following a resource allocation review that addressed long service and other funding issues.

The Committee noted that the decrease would have been greater except for Victoria Police’s assumption of liabilities in 2003-04 for revised whole of government vehicle leasing arrangements which included a current liability of $7.3 million. Another key component of current liabilities are employee entitlements of $46.46 million at 30 June 2004.

The Committee considers that a positive working capital position is necessary to ensure the short term financial viability of Victoria Police. Scope for improvement in working capital may exist through reductions in outstanding leave entitlements.

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568 Victoria Police, 2003-04 financial statements, p.4
569 Victoria Police, 2003-04 Annual Report, p.46
571 Victoria Police, 2003-04 financial statements, pp.4 and 20
572 ibid., p.13
The Committee recommends that:

**Recommendation 54:** Victoria Police improve its short term financial viability by reducing the working capital deficit, with an emphasis on reducing excess leave entitlements.

### 12.2 Performance information

The department’s 2003-04 annual report provided significant information on its achievements against performance targets set out in the Budget Papers.573

The Committee noted the department met or exceeded 73 per cent of targets.574

Nevertheless, the department’s disclosure of performance results did not explain significant variations from targets. The Committee considers commentary on performance target variations is essential for accountability and assessment of departmental performance. The government has indicated that such disclosure should include commentary on significant variations between budgeted and actual results in budget portfolio outcome statements.575

The Committee recommends that:

**Recommendation 55:** The Department of Justice include in its annual report a commentary on significant variations between performance targets and actual achievements for the budget portfolio outputs.

The Committee sought explanations from the department for a number of variations between targeted and actual performance measures. Exhibit 12.3 details the performance measures and the department’s explanations for the variations.

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574 ibid.
### Exhibit 12.3: Department of Justice output performance measures 2003-04 explanations for significant target variations

<table>
<thead>
<tr>
<th>Output/Measure</th>
<th>Unit of measure</th>
<th>Target 2003-4</th>
<th>Actual 2003-04</th>
<th>Departmental explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Privacy Regulation</td>
<td></td>
<td></td>
<td></td>
<td>Fewer requests for advice and formal complaints in the jurisdiction were received, but a much higher number of promotional/training activities were provided. A review of the operation of the Information Privacy Act 2000 and the Office of the Victorian Privacy Commissioner has recently been completed.</td>
</tr>
<tr>
<td>Formal complaints in jurisdiction</td>
<td>Number</td>
<td>110</td>
<td>47</td>
<td>Fewer requests for advice and formal complaints in the jurisdiction were received, but a much higher number of promotional/training activities were provided. A review of the operation of the Information Privacy Act 2000 and the Office of the Victorian Privacy Commissioner has recently been completed.</td>
</tr>
<tr>
<td>State Electoral Roll and Elections</td>
<td></td>
<td></td>
<td></td>
<td>The 2003-04 Budget Paper target was incorrectly set at 37. The correct number is 1. With no elections scheduled for 2003-04, training sessions were not conducted.</td>
</tr>
<tr>
<td>Training programs conducted for election officials</td>
<td>Number</td>
<td>37</td>
<td>0</td>
<td>The Victorian Electoral Commission (VEC) conducted 53 Statutory elections in 2003-04 (compared to 11 in 2002-03) which included 46 Community Health Centre elections (8 in 2002-03). In addition, the VEC conducted 44 Commercial and Community elections (which VEC is under no legal obligation to conduct), which compares to the 27 conducted in 2002-03.</td>
</tr>
<tr>
<td>Non-government</td>
<td>Number</td>
<td>15</td>
<td>97</td>
<td>The Victorian Electoral Commission (VEC) conducted 53 Statutory elections in 2003-04 (compared to 11 in 2002-03) which included 46 Community Health Centre elections (8 in 2002-03). In addition, the VEC conducted 44 Commercial and Community elections (which VEC is under no legal obligation to conduct), which compares to the 27 conducted in 2002-03.</td>
</tr>
<tr>
<td>Matters in the Magistrates Court</td>
<td></td>
<td></td>
<td></td>
<td>A review of pending cases by the Victims of Crime Assistance Tribunal resulted in a large number of older cases (two years and over) being finalised, thus distorting this particular timeliness measure.</td>
</tr>
<tr>
<td>Proportion of matters finalised within 9 months - VOCAT</td>
<td>Per cent</td>
<td>60</td>
<td>43.8</td>
<td>A review of pending cases by the Victims of Crime Assistance Tribunal resulted in a large number of older cases (two years and over) being finalised, thus distorting this particular timeliness measure.</td>
</tr>
<tr>
<td>Traffic Fines Processing</td>
<td></td>
<td></td>
<td></td>
<td>The level of infractions is below target for three reasons: delays in the implementation of the Road Safety Initiatives, the suspension of prosecution for speeding offences detected on the Western Ring Road and the CityLink Tunnel, and a significant reduction in the percentage of drivers detected speeding from mobile speed cameras (improved driver behaviour).</td>
</tr>
<tr>
<td>Traffic infringement notices processed</td>
<td>Number (000)</td>
<td>2250</td>
<td>1317</td>
<td>The level of infractions is below target for three reasons: delays in the implementation of the Road Safety Initiatives, the suspension of prosecution for speeding offences detected on the Western Ring Road and the CityLink Tunnel, and a significant reduction in the percentage of drivers detected speeding from mobile speed cameras (improved driver behaviour).</td>
</tr>
</tbody>
</table>
## Exhibit 12.3 – continued

<table>
<thead>
<tr>
<th>Output/Measure</th>
<th>Unit of measure</th>
<th>Target 2003-4</th>
<th>Actual 2003-04</th>
<th>Departmental explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enforcement of Court Orders</strong></td>
<td>Number (000)</td>
<td>975</td>
<td>768</td>
<td>There has been a significant drop in infringements lodged with PERIN in 2003-04. The target has been revised down to 825,000 for 2003-04 to take account of actual trends in lodgement numbers. These reductions reflect lower infringement numbers flowing through the infringement process as a result of delays in the implementation of Road Safety Initiatives and a reduction in the number of drivers detected speeding.</td>
</tr>
<tr>
<td>Total number of infringements processed by PERIN</td>
<td>Number (000)</td>
<td>975</td>
<td>768</td>
<td></td>
</tr>
<tr>
<td><strong>Consumer protection</strong></td>
<td>Number</td>
<td>7500</td>
<td>5586</td>
<td>The quantity measure relating to trade measurement is below target because of the delay in the commencement of the new element of this measure. The new element relates to the inspection and testing of utility meters. The target for the overall measure for 2003-04 was increased from 5,125 to 7,500 because of this new element. Commencement has been delayed because the enabling regulations are not yet made. The old elements of the measure are all above target.</td>
</tr>
<tr>
<td>Traders’ premises inspected for Trade Measurement purposes, servicing licensees</td>
<td>Number</td>
<td>7500</td>
<td>5586</td>
<td></td>
</tr>
<tr>
<td>assessed, and inspectorial and laboratory contracts managed and inspection</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and testing of utility meters conducted</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Department of Justice, Annual Report 2003-2004, pp.65–76 and the Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.5–7

Total expenditure for Victoria Police for 2003-04 was $1,268.1 million. Of this total, expenditure for two outputs Crime Reduction and High Levels of Community Perception of Safety accounted for $1,089.3 million (or 85.9 per cent) while the other two outputs - Reducing the Road Toll and High Levels of Customer Satisfaction - represented $178.8 million (or 14.1 per cent) of total expenditure.

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576 Victoria Police, 2003-04 Annual Report, pp.6–9
577 ibid.
The Committee noted that budget and expenditure details for each output group have been included in Victoria Police’s annual report for 2003-04.\textsuperscript{578} Other positive features of the Victoria Police’s annual report are:\textsuperscript{579}

- a description of how the output group activity relates to goals set out in Victoria Police’s five strategic plan The Way Ahead Strategic Plan 2003-2008;
- explanations of variance between actual results and targets for key output performance measures; and
- explanations of output cost variations from budget estimates.

Notwithstanding these positive improvements in reporting by Victoria Police in 2003-04, the Committee has some concerns. The Committee noted the following, for example, in regard to performance reporting for the Reducing the Crime Rate output group\textsuperscript{580}:

- details were not provided of planned and actual achievements in 2003-04 against the strategic goal in Victoria Police’s The Way Ahead Strategic Plan 2003-2008 for a five per cent reduction in the Victorian crime rate by 2008;
- no explanation was provided of how the two outputs within the Reducing the Crime Rate output group, Investigating Crimes and Police Court and Custody Services, and their related performance measures contributed to Victoria Police’s strategic goal of a five per cent reduction in the crime rate by 2008;
- assertions of a significant drop in the rate of offending in some crime categories occurred in 2003-04 was not quantified or matched to a target for reductions; and
- without performance indicators for reductions in the rate of offending in crime categories, it is difficult to assess Victoria Police’s claim that under-achievements of performance targets in the Investigating Crimes output ranging between 8 and 30 per cent for the number of investigations for crimes against persons, car thefts and household burglaries arose solely from fewer offences being recorded.

The Committee considers that the current performance reporting by Victoria Police is a significant improvement on reporting in previous years, but the agency’s performance measures and targets should more accurately reflect achievements against goals set out in The Way Ahead Strategic Plan 2003-2008 for crime reduction. The development of crime reduction output performance measures that are clearly linked to Victoria Police’s strategic directions to 2008 for crime reduction should be a key requirement of performance reporting and a matter of priority.

\textsuperscript{578} ibid., pp.5–11
\textsuperscript{579} ibid.
\textsuperscript{580} ibid., pp.6-7
The Committee recommends that:

**Recommendation 56:** Victoria Police enhance its performance reporting regime for budget portfolio outputs to demonstrate achievement against the goals for crime reduction set out in The Way Ahead Strategic Plan 2003-2008.

### 12.3 Major issues

#### 12.3.1 Collection and enforcement of fines

The Committee noted that the Enforcement of Court Orders output group provided funding in 2003-04 for the processing of traffic infringement notices, unpaid infringement notices forwarded by registered issuing agencies to the PERIN court and the enforcement by the Office of the Sheriff of judicial fines, court orders and civil and criminal warrants.\(^{581}\)

Expenditure on these activities amounted to $79.7 million.\(^{582}\) The revised 2003-04 estimate for revenue from police and court fines was $483.4 million.\(^{583}\)

**(a) Managing outstanding fines**

The Department of Justice’s outstanding debt from fines increased by $67 million to $554.4 million in 2003-04 and that 51.5 per cent of this debt had been outstanding for more than two years.\(^{584}\)

The Committee sought details from the department of its debt management policies and practices for reducing outstanding fines.

Regarding action taken in 2003-04 to reduce outstanding fines, the department advised that 490,000 warrants were actioned compared to 408,000 in 2002-03 as a result of additional staff being recruited to the Sheriff’s Office in late 2003.\(^{585}\) Further work was also undertaken on strategic initiatives that will have an impact on outstanding fines. These initiatives include:\(^{586}\)

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\(^{581}\) Department of Justice, *2003-04 Annual Report*, p.72

\(^{582}\) ibid.

\(^{583}\) Budget Paper No. 4, *2004-05 Statement of Finances*, p.133


\(^{585}\) Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.18

\(^{586}\) ibid.
• a whole of government infringements review aimed at simplifying the infringement system, and having fairer and more appropriate treatment of disadvantaged persons;

• the piloting of the mobile data network that will allow police vehicles to access, the Sheriff’s warrant data bases during vehicle and driver licence checks; and

• liaison with the Municipal Association of Victoria, the Privacy Commissioner, municipalities and other state agencies to improve the accuracy of the warrant database through technical and regulatory improvements, as well as the capacity of sheriff officers to access their databases.

Other initiatives advised by the department to reduce outstanding fine levels are:\n
• the development of a defendant database that will allow more targeted selection of warrant execution;

• more pro-active administration to improve the accuracy of the addresses of defendants, and to contact defendants before a court order progressing to warrant stage;

• opportunities for defendants to satisfy the debt through a wider range of payment methods; and

• the setting of contractual targets for the clearance of aged debt.

Additionally, the Parliamentary Law Reform Committee inquiry into warrant powers and procedures, currently underway, may identify further improvements in enforcement powers to enable fairer and more efficient debt recovery.\n
The Committee considers that the results of these initiatives should be reported in the department’s 2004-05 annual report.

The Committee recommends that:

**Recommendation 57:** The Department of Justice publish in its 2004-05 annual report the results of the whole of government infringements review, and any other reviews or initiatives aimed at improving collection of outstanding fines along with the expected financial outcomes for reducing outstanding fines.

\[587\] ibid., p.21

In view of the current level of outstanding fines, the Committee requested that the department provide:

- details of trends in unpaid fines at 30 June 2001 to 2004; and
- the proportion of fines outstanding for longer than 60 days over the last three years.

Exhibit 12.4 contains data provided by the department.

**Exhibit 12.4:**

<table>
<thead>
<tr>
<th>Fine type</th>
<th>Fines outstanding longer than one year at 30 June</th>
<th>Fines outstanding at 30 June longer than 60 days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traffic Camera Office infringements</td>
<td>10.0</td>
<td>10.4</td>
</tr>
<tr>
<td>On the spot fines</td>
<td>20.1</td>
<td>20.8</td>
</tr>
</tbody>
</table>

*Source: Department of Justice response to the Committee’s 2003-2004 Budget Outcomes questionnaire, p.19*

Exhibit 12.4 indicates that both the level of the unpaid fines at 30 June and the age of debt have increased since 2001-02. The department has advised that:

- the number of fines outstanding in 2003-04 was affected by the temporary suspension of enforcement of fines on the Western Ring Road and CityLink tunnels due to the testing of fixed speed cameras; and
- the number of fines outstanding is still indicative of high overall collection rates at year end and based on available information, more than comparable to that of any other jurisdiction in Australia.

The Committee also notes that clearance rates within 12 months for traffic infringements notices and on the spot fines were 89 per cent and 79 per cent respectively. These rates are significantly higher than comparable rates of 37 per cent for court orders and 34 per cent for warrants. Such low clearance rates for both court orders and warrants are probably the reason for $285.7 million of outstanding fines (equivalent to 52 per cent of all outstanding fines) being outstanding for more than two years.

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589 Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.19
591 ibid.
592 ibid.
The Committee therefore considers that the department should examine opportunities to improve clearance rates for outstanding court orders and fines. Accountability for the management of unpaid fines would be further improved by establishing performance indicators and the resulting data published in the department’s annual report.

The Committee recommends that:

**Recommendation 58:** The Department of Justice develop an appropriate suite of performance indicators to manage uncollected fines and ensure the publication of targets and results in future departmental annual reports.

(b) **Doubtful debt provisioning**

The Committee noted that the department’s doubtful debt provision for outstanding fines increased in 2003-04 by $49 million to reach $351 million, which was equivalent to 63 per cent of outstanding fines debt. Given the high proportion of fines provided for as doubtful debt, the Committee sought details from the Department of Justice on the basis of recent increases in the doubtful debt provision for outstanding fines.

The department advised that:

- unpaid fines that are unlikely to be expiated are assessed monthly. This assessment is based on the type of fine, the time the fine has been outstanding, and the likelihood of the fine not being expiated, based on historical expiation rates achieved;
- doubtful debt provision was increased in 2002-03 and 2003-04 by $36 million and $47.1 million respectively; and
- Victoria’s *Arrive Alive!* Road Safety Strategy launched in November 2001, resulted in an increase in the number of infringements issued. The increase in fine revenue over this period led to a consequential increase in the provision for doubtful debts.

The Committee noted that write-offs to the bad debt provision over the period 2002-03 and 2003-04 were $8.7 million and bad debts $17.3 million.

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593 ibid., p.59
594 Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.20
595 ibid.
The Committee noted that unpaid fines other than open court warrants have a statutory collection life of five years and fines written off for accounting purposes remain a court order under the *Magistrates’ Court Act 1989.*\(^{596}\) The Committee therefore considers a greater chance of recovery exists than in normal circumstances and this, combined with the relatively low rates of bad debt write off in the past two years, suggests that doubtful debts may be higher than required. As such, a review of doubtful debt provisioning practices may be warranted.

The Committee recommends that:

**Recommendation 59:** The Department of Justice review doubtful debt practices for outstanding fines to ensure provisioning levels reflect reasonable expectations that collection of the debt is doubtful.

### 12.3.2 Victorian Electoral Commission – independent review of costs

Government funding provided in 2003-04 to the Victorian Electoral Commission (VEC)) amounted to $15.14 million.\(^{597}\)

The Committee noted that a key activity in 2003-04 was a review of the Commission’s organisational effectiveness and cost efficiency.\(^{598}\)

- the review was undertaken by an independent team consisting of an external consultant and a former interstate Electoral Commissioner; and
- the object of the review was to achieve a savings target of $13.5 million over the next three financial years set by the Cabinet’s Economic Review Committee (ERC).

The review identified and recommended savings to meet the savings target. Other findings of the review were that:\(^{599}\)

- savings proposed by discontinuation of updating the electoral enrolment register were rejected given the value of this asset to the state;
- the full direct costs of the Commission’s operations for local government electoral activities would be passed on to local government;

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\(^{596}\) ibid.


\(^{598}\) ibid., p.54

\(^{599}\) ibid.
meaningful benchmarking comparison with other jurisdictions was not possible given significant variations in electoral functions amongst the states; and

the Commission lacked an overarching risk management plan.

The Committee noted that the recommended annual savings of $4.5 million are equivalent to nearly 30 per cent of the Commission’s funding level of $15.2 million in 2003-04 and is concerned about the sustainability of these savings. The Committee understands that the Commission has expressed reservations with at least $1.2 million of savings required to meet the target. The Committee also notes that the absence of meaningful benchmarking comparison presumably limits cost comparisons with other jurisdictions. The Committee considers that the government should critically examine the recommended saving proposals to ensure future funding for the operations of the Commission are compatible with service levels required.

The Committee recommends that:

**Recommendation 60:** The government consider the impact of recommended saving proposals arising from the recent review of the Victorian Electoral Commission on the effective operations of the Office.

### 12.3.3 Prison lockdowns in 2003-04 – compilation of data

As part of the 2004-05 budget estimates hearing for the Corrections portfolio, the Committee sought advice from the Minister for Corrections regarding the monthly incidence and duration of lock downs at each of Victoria’s 13 prisons over the past 12 months. The Minister replied that details would be forwarded to the Committee following the validation of data by the Corrections Inspectorate.

The Department of Justice subsequently provided data for the financial year to April 2004, representing the period for which the Corrections Inspectorate was asked to validate the information available from prisons (exhibits 12.5 and 12.6).
## Exhibit 12.5: Prison lock downs 2003-04

<table>
<thead>
<tr>
<th>Site</th>
<th>Jul 03</th>
<th>Aug 03</th>
<th>Sep 03</th>
<th>Oct 03</th>
<th>Nov 03</th>
<th>Dec 03</th>
<th>Jan 04</th>
<th>Feb 04</th>
<th>Mar 04</th>
<th>Apr 04</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>HM Ararat Prison</td>
<td>12</td>
<td>14</td>
<td>13</td>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>14</td>
<td>13</td>
<td>13</td>
<td>129</td>
</tr>
<tr>
<td>HM Prison Barwon</td>
<td>7</td>
<td>5</td>
<td>10</td>
<td>10</td>
<td>26</td>
<td>31</td>
<td>14</td>
<td>42</td>
<td>5</td>
<td>6</td>
<td>156</td>
</tr>
<tr>
<td>HM Prison Beechworth</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>8</td>
<td>4</td>
<td>5</td>
<td>48</td>
</tr>
<tr>
<td>HM Prison Bendigo</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>26</td>
</tr>
<tr>
<td>Dame Phyllis Frost Centre</td>
<td>8</td>
<td>12</td>
<td>10</td>
<td>10</td>
<td>8</td>
<td>2</td>
<td>6</td>
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<td>1</td>
<td>89</td>
</tr>
<tr>
<td>HM Prison Dhurringile</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Fulham Correctional Centre</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>4</td>
<td>49</td>
</tr>
<tr>
<td>HM Prison Langi Kal Kal</td>
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<td>0</td>
<td>0</td>
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<td>5</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>HM Prison Loddon</td>
<td>0</td>
<td>4</td>
<td>6</td>
<td>5</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>1</td>
<td>3</td>
<td>33</td>
</tr>
<tr>
<td>Melbourne Assessment Prison</td>
<td>3</td>
<td>4</td>
<td>6</td>
<td>8</td>
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<td>8</td>
<td>6</td>
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</tr>
<tr>
<td>Port Phillip Prison</td>
<td>8</td>
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<td>58</td>
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<td>407</td>
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<td>HM Prison Tarrengower</td>
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<td>0</td>
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<td>5</td>
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<td>0</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>HM Prison Won Wron</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>51</strong></td>
<td><strong>55</strong></td>
<td><strong>78</strong></td>
<td><strong>95</strong></td>
<td><strong>109</strong></td>
<td><strong>127</strong></td>
<td><strong>113</strong></td>
<td><strong>166</strong></td>
<td><strong>118</strong></td>
<td><strong>121</strong></td>
<td><strong>1033</strong></td>
</tr>
</tbody>
</table>

*Source: Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, Appendix A*
Exhibit 12.6: Duration of lockdowns 2003-04

<table>
<thead>
<tr>
<th>Prison</th>
<th>Jul 03</th>
<th>Aug 03</th>
<th>Sep 03</th>
<th>Oct 03</th>
<th>Nov 03</th>
<th>Dec 03</th>
<th>Jan 04</th>
<th>Feb 04</th>
<th>Mar 04</th>
<th>Apr 04</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>HM Ararat Prison</td>
<td>16.00</td>
<td>17.00</td>
<td>19.00</td>
<td>13.00</td>
<td>13.50</td>
<td>14.00</td>
<td>14.50</td>
<td>58.00</td>
<td>36.50</td>
<td>37.75</td>
<td>239.25</td>
</tr>
<tr>
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<td>56.00</td>
<td>19.00</td>
<td>47.00</td>
<td>36.00</td>
<td>105.00</td>
<td>160.00</td>
<td>86.00</td>
<td>396.00</td>
<td>12.00</td>
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</tr>
<tr>
<td>HM Prison Beechworth</td>
<td>12.00</td>
<td>15.00</td>
<td>12.00</td>
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<td>12.00</td>
<td>12.00</td>
<td>15.00</td>
<td>56.50</td>
<td>12.00</td>
<td>15.00</td>
<td>176.50</td>
</tr>
<tr>
<td>HM Prison Bendigo</td>
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<td>5.00</td>
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<td>5.00</td>
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</tr>
<tr>
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<td>45.50</td>
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<td>102.00</td>
<td>70.50</td>
<td>4.00</td>
<td>376.00</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<td>46.00</td>
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<td>0.00</td>
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</tr>
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<td>Fulham Correction Centre</td>
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<td>13.90</td>
<td>11.25</td>
<td>62.91</td>
<td>23.84</td>
<td>15.25</td>
<td>12.33</td>
<td>14.00</td>
<td>16.25</td>
<td>11.00</td>
<td>200.89</td>
</tr>
<tr>
<td>HM Prison Langi Kal Kal</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>55.00</td>
<td>0.00</td>
<td>0.00</td>
<td>55.00</td>
</tr>
<tr>
<td>HM Prison Loddon</td>
<td>0.00</td>
<td>16.00</td>
<td>14.00</td>
<td>11.91</td>
<td>8.00</td>
<td>8.50</td>
<td>6.67</td>
<td>55.67</td>
<td>2.00</td>
<td>5.50</td>
<td>128.25</td>
</tr>
<tr>
<td>Melbourne Assessment Prison</td>
<td>3.59</td>
<td>12.33</td>
<td>8.67</td>
<td>8.33</td>
<td>10.83</td>
<td>8.08</td>
<td>4.50</td>
<td>42.75</td>
<td>7.00</td>
<td>15.75</td>
<td>121.83</td>
</tr>
<tr>
<td>Port Phillip Prison</td>
<td>51.00</td>
<td>13.75</td>
<td>60.34</td>
<td>146.01</td>
<td>141.27</td>
<td>201.00</td>
<td>260.33</td>
<td>170.59</td>
<td>275.67</td>
<td>278.59</td>
<td>1598.55</td>
</tr>
<tr>
<td>HM Prison Tarrengower</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>70.00</td>
<td>0.00</td>
<td>0.00</td>
<td>70.00</td>
</tr>
<tr>
<td>HM Prison Won Wron</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>62.00</td>
<td>0.00</td>
<td>0.00</td>
<td>62.00</td>
</tr>
<tr>
<td>Total</td>
<td>181.25</td>
<td>157.48</td>
<td>208.76</td>
<td>343.66</td>
<td>351.44</td>
<td>434.33</td>
<td>426.33</td>
<td>1176.51</td>
<td>436.92</td>
<td>402.59</td>
<td>4119.27</td>
</tr>
</tbody>
</table>

Source: Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, Appendix A
The department advised that the data supplied have now been verified to the extent possible.\textsuperscript{603} The Committee noted the data have been collected in this form for the first time and, as such, the counting rules employed by prisons are understood to vary to a limited extent and that Corrections Victoria is now working with the Corrections Inspectorate to develop a standardised counting rule that will be applied in 2005.\textsuperscript{604}

The Committee considers that uniform counting rules for the incidence and duration of lockdowns at each of Victoria’s 13 prisons should be developed as soon as possible so accurate and consistent details of lockdowns are available for all prisons to facilitate analysis and comparisons.

### 12.3.4 Private prison contracts – results of contractual review process

As part of the Committee’s 2004-05 budget estimates hearing for the Corrections portfolio, the Committee sought advice from the Minister for Corrections on how the disclosure of the contract costs for the private prisons would interfere with the proper and efficient performance of government. The Minister replied that external legal advice on the matter had recently been finalised and a response to the Committee would be provided once the matter had been considered by the Department of Justice.\textsuperscript{605}

As part of the review of the 2003-04 budget outcomes, the Committee followed up this issue. The department informed the Committee that, as advised previously, external legal advice has been sought on probity related matters. Given the complexity and sensitivity of the issues, discussions are still occurring between the Department of Justice and the Department of Treasury and Finance. In December 2004, the department advised that a decision is expected shortly and advice will be forwarded to the Committee by the end of January 2005. At the date this report was published, this information had not been provided to the Committee.\textsuperscript{606}

It is now 10 months since the Committee first reviewed this matter with the Minister for Corrections. The Committee considers that issues relating to the disclosure of the operating costs provided for under contracts with private prison operators should be resolved as a matter of priority and the information provided to the Committee.

\textsuperscript{603} Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.24

\textsuperscript{604} ibid.


\textsuperscript{606} Department of Justice response to the Committee’s 2003-2004 Budget Outcomes questionnaire, p.24
12.3.5 **Prison capacity expansion project – identification of projects and expenditure**

A key initiative of the Department of Justice’s infrastructure investment program has been the prison capacity expansion program.⁶⁰⁷

The department’s 2003-04 annual report indicates that the program commenced in 2001 and involves building three new facilities and upgrading two existing prison facilities with new accommodation units. In total, over 1,000 new permanent beds will be delivered.⁶⁰⁸ Outcomes under the program also include better facilities that support new rehabilitation, and pre and post release initiatives.⁶⁰⁹ Exhibit 12.7 contains further details provided by the department.

**Exhibit 12.7:**

**Department of Justice prison capacity expansion program**

<table>
<thead>
<tr>
<th>Prison location</th>
<th>Project Description</th>
<th>TEI ($ million)</th>
<th>Expenditure to the end of 2003-04 ($ million)</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Correctional facilities</td>
<td>New 600 bed maximum security remand facility at Ravenhall and a new 300 medium security correctional centre near Geelong.</td>
<td>(a) 17.0</td>
<td>11.0</td>
<td>Expected in 2005-06</td>
</tr>
<tr>
<td>Beechworth</td>
<td>New 120 bed minimum security open prison</td>
<td>17.3</td>
<td>12.8</td>
<td>Expected in 2004-05</td>
</tr>
<tr>
<td>Ararat</td>
<td>26 additional accommodation units</td>
<td>8.8</td>
<td>6.0</td>
<td>Expected 2004-05</td>
</tr>
<tr>
<td>Langi Kal Kal</td>
<td>14 additional accommodation units</td>
<td>4.9</td>
<td>3.4</td>
<td>March 2004</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>48.0</strong></td>
<td><strong>33.3</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** (a) These projects are now proceeding under the Partnerships Victoria Policy. As a result $132.345 million originally classified as capital funding will be reclassified to recurrent funding for the operation of the facilities from 2006-07

**TEI** Total Estimated Investment

**Sources:** Department of Justice Annual Report 2003-2004, p.54 and the Department of Justice’s response to the Committee’s 2003-2004 Budget Outcomes questionnaire, Appendix B; Budget Information Paper No. 1, 2004-05 Public Sector Asset Investment Program, pp.56–59

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⁶⁰⁷ Budget information Paper No. 1, 2003-04 Public Sector Asset Investment Program, p.49
⁶⁰⁸ Department of Justice, 2003-04 Annual Report, p.54
⁶⁰⁹ ibid.
The Committee noted that changes within Budget Information Paper No. 1, 2004-05 Public Sector Asset Investment Program to the descriptive titles for the prison capacity expansion program and projects from year-to-year since 2001 have made it difficult to track the progress for the program. Comparing progress is also complicated by development of the new correctional facilities as Partnerships Victoria projects, which resulted in a reclassification of approved funding from capital to recurrent expenditure. In the 2003-04 Budget Information Paper No. 1, the program is disclosed as a single project while the 2004-05 Budget Information Paper No. 1 lists individual projects but does not designate them as part of the prison capacity expansion program.

The Committee recommends that:

Recommendation 61: The Department of Justice ensure Budget Information Paper No. 1 clearly identifies details of the prison capacity expansion program and related projects to facilitate transparency in the progress of the prison expansion program.

12.3.6 Men’s and women’s community based corrections facilities - identification of projects and expenditure

The Committee sought details of progress on the men’s and women’s community-based corrections facilities program.

The Department of Justice advised that the original plan was to construct and operate three community transitional units (two men’s units and one women’s unit). The current proposal is now to proceed with the one men’s unit (of 25 beds) on a West Melbourne site. The project is estimated to cost $13.5 million and is expected to be finalised in mid 2006. Expenditure to 30 June 2004 amounted to $4.7 million.

12.3.7 Building and Advice Conciliation Victoria – Governance arrangements

The Department of Justice, through its business unit Consumer Affairs Victoria (CAV), in partnership with the Building Commission, operates the Building and Advice Conciliation Victoria (BACV). BACV commenced operations on 1 July 2002.
and is a ‘one-stop-shop’ for consumers and builders, providing free advice and assistance to resolve domestic building disputes.  

The department advised that the BACV management arrangements are subject to a memorandum of understanding between Consumer Affairs Victoria and the Building Commission. A steering committee comprising members from both organisations and the Victorian Civil and Administrative Tribunal meets quarterly to consider outcomes achieved by the BACV and resolve governance issues. A working party also meets as needed to consider operational issues.

The BACV’s activities are reported in the annual reports of the Building Commission, Consumer Affairs Victoria, and the Department of Justice. During 2003-04, BACV received 21,120 enquiries and more than 1,600 complaints, representing a rise of up to 40 per cent on those received in 2002-03. In 2003-04, 75 per cent of disputes were resolved via conciliation and 92 per cent of people had problems resolved before they turned into formal complaints. The total amount recovered in redress was around $630,000.

The department advised that Consumer Affairs Victoria fully funds its BACV operations from the Domestic Builders’ Trust Fund and that its total expenditure in 2003-04 was $2.91 million which was applied to building compliance, enforcement and policy development activities.

The Committee noted that the BACV activities are funded from a share of BACV building permit levies collected by the Building Commission and credited to the Domestic Builder's Trust Fund. During 2003-04, levy payments to Consumer Affairs Victoria amounted to $4.1 million. Building levy income credited to the fund reflected a high of $15.28 billion for the state’s building activity in 2003-04.

**12.3.8 Consumer Affairs Victoria – compliance and enforcement**

The Committee sought details from the department on Consumer Affairs Victoria’s compliance and enforcement activities. Exhibit 12.8 sets out selected outcomes of compliance and enforcement activities.

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613 Department of Justice, 2003-04 Annual Report, p.50
614 Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.25
615 ibid.
616 Building Commission, 2003-04 Annual Report, p.6
618 Department of Justice, 2003-2004 Annual Report, p.50
619 Consumer Affairs Victoria, 2003-2004 Annual Report, p.52
620 Building Commission, 2003-04 Annual Report, p.6
621 Consumer Affairs Victoria, 2003-2004 Annual Report, p.52
622 Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.25
624 ibid., p.52
625 ibid., p.5
Exhibit 12.8: Consumer Affairs Victoria compliance and enforcement outcomes

<table>
<thead>
<tr>
<th></th>
<th>2001-02</th>
<th>2002-03</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of fines issued ($)</td>
<td>670,405</td>
<td>385,250</td>
<td>503,600</td>
</tr>
<tr>
<td>Other penalties ($)</td>
<td>108,676</td>
<td>3,650</td>
<td>36,483</td>
</tr>
<tr>
<td>Total of costs issued</td>
<td>68,544</td>
<td>52,733</td>
<td>48,284</td>
</tr>
<tr>
<td>Prosecutions</td>
<td>87</td>
<td>79</td>
<td>49</td>
</tr>
<tr>
<td>Successful prosecutions</td>
<td>84</td>
<td>77</td>
<td>47</td>
</tr>
<tr>
<td>VCAT reviews</td>
<td>n/a</td>
<td>36</td>
<td>29</td>
</tr>
<tr>
<td>Written warning issued</td>
<td>238</td>
<td>404</td>
<td>307</td>
</tr>
<tr>
<td>Voluntary written undertaking</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Injunctions and disciplinary actions</td>
<td>12</td>
<td>57</td>
<td>32</td>
</tr>
<tr>
<td>Infringement notices and enforceable undertakings</td>
<td>484</td>
<td>565</td>
<td>223</td>
</tr>
</tbody>
</table>

Source: Department of Justice, response to the Committee’s 2003-4 Budget Outcomes questionnaire, p.26

Note: n/a Not applicable

The Department of Justice advised that the most significant change in Consumer Affairs Victoria’s enforcement policy has been the move away from near total reliance on summary criminal proceedings to enforce obligations imposed under the Fair Trading Act 1999 and other consumer legislation administered by Consumer Affairs Victoria.626

The department advised that an updated compliance and enforcement policy was issued in September 2004.627 The policy promotes self regulation, industry compliance strategies, information and education, and the communication of outcomes to prevent future breaches of the law. The policy outlines the principles that underpin enforcement activities within Consumer Affairs Victoria; priority issues of major strategic significance; and criteria to determine investigation and enforcement action.628 The Committee noted that Consumer Affairs Victoria’s has made its compliance and enforcement policy accessible to the public on its web site.629

Consumer Affairs Victoria checks compliance levels through regular compliance monitoring for both metropolitan and regional programs, and adjusts its resource allocation according to the results obtained. Consumer Affairs Victoria also monitors

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626 Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.27
627 ibid.
628 Consumer Affairs Victoria, Compliance and enforcement policy, August 2004, p.1
629 ibid.
consumer complaints closely and is influenced by the nature and extent of these complaints in the allocation of its resources.630

12.3.9 Gaming portfolio – Community benefit statements

In June 2003, the Minister for Gaming announced a new gambling industry reform operative from 1 July 2003 requiring gaming venue operators of clubs and hotels to publicly issue community benefit statements so Victorians would be aware how clubs and hotels meet their obligations to local communities.631

Given 2003-04 was the initial year for the operations of the community benefit statements, the Committee sought details from the Department of Justice on lodgement and publication outcomes for this period.

The department advised that all except 20 of 558 licensees, had lodged community benefit statements of which 17 related to expired licensees. Thirty-three per cent of licensees had lodged community benefit statements by 30 September 2004, but this proportion increased to 94 per cent by 31 October 2004.632

The Committee appreciates that some delay in statement lodgement could be expected in the initial year of the operation. However, the Committee considers that the industry should be encouraged to meet statutory deadlines for the 2004-05 financial year and beyond.

The Committee recommends that:

**Recommendation 62:** The Victorian Commission for Gambling Regulation ensure licensees lodge community benefit statements for 2004-05 and beyond by 30 September each year.

In response to the Committee’s enquiry about when community benefit statements would be published on the Victorian Commission for Gambling Regulation’s web site, the department advised that 148 statements were to be published before 31 December 2004, while 389 statements requiring clarification were to be published no later than 31 January 2005.633

The Committee appreciates that 2004-05 was the first year of the Community Benefit Statement reporting regime which may account for such a high proportion of statements for 2003-04 requiring clarification. Notwithstanding this the Committee

630 Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.27
631 Hon. J. Pandazopoulos, MP, Minister for Gaming, media release, *Gaming reforms set to benefit local communities from July*, 24 June 2003
632 Department of Justice response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.28
633 ibid.
considers that clarification of issues arising from the 2003-04 reporting cycle should be promptly resolved and advised to the industry.

While the department advised that the publication of the statements on the Commission’s web site would commence before the end of December 2004,\(^{634}\) the Committee noted publication did not occur until 1 February 2005.\(^{635}\)

The Committee views such delays with concern. The Committee noted that the Commission commenced operations on 1 July 2003.\(^{636}\) More importantly, delays in the publication of communication based statements negates the primary purpose of the statement regime, which is to enable public assessment of how venue operators are meeting their community benefit obligations. Extended delays in the publication of statements detracts from the relevancy of the reported information and weakens the accountability process. Specifying a deadline for the publication of the community benefit statement on the Commission’s web site would ensure the statements remain timely and relevant to the users.

The Committee recommends that:

**Recommendation 63:** The Department of Justice consider amending the *Gambling Regulation Act* 2003 to provide a deadline for the publication of community benefit statements on the web site of the Victorian Commission for Gambling Regulation, to ensure the statements remain timely and relevant to the users.

The Committee noted that community benefit statements must be audited by an independent auditor.\(^{637}\) However, the Committee observed an anomaly in the audit reporting arrangements as the independent auditor provides the venue operator with an audit report, the venue operator only needs to certify in the statement that the statement has been audited, the independent auditor’s statement has been received and state that the statement complies with the *Gambling Regulation Act* 2003.\(^{638}\) The Committee considers that the statement’s accountability and transparency would be better served if the independent auditor’s report was appended to the community benefit statement.

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\(^{634}\) ibid.

\(^{635}\) As advised to the Committee on 16 February 2005. See also Victorian Commission for Gambling Regulation, *Community Benefit Statements*, www.vcgra.vic.gov.au

\(^{636}\) Department of Justice, 2003-04 Annual Report, p.45

\(^{637}\) *Gambling Regulation Act* 2003, s.3.6.9

\(^{638}\) Victorian Commission for Gambling Regulation, *Community Benefit Statements - Frequently Asked Questions*, p.15
The Committee recommends that:

**Recommendation 64:** The Victorian Commission for Gambling Regulation amend the format of the community benefit statement to require the inclusion of the audit report of the independent auditor.
Key Findings of the Committee:

13.1 The 2003-04 budget of the Department of Premier and Cabinet was $392.7 million. Actual expenditure for the year was $395.9 million, $3.2 million or less than one per cent over budget.

13.2 The department’s 2003-04 annual report did not include explanations for key variances for portfolio costs and performance targets.

13.3 The surplus for budget portfolio controlled transactions was $23.4 million compared to a budget of $3.3 million. This mainly arose from the gift to the National Gallery of Victoria of the Dr Joseph Brown art collection valued at $21 million.

13.4 The Department of Premier and Cabinet met approximately eighty per cent of its performance targets, half of which were exceeded.

13.5 Visitor/user targets for public cultural institutions were over estimated in 2003-04 due to a lack of historical data to assess the impact of the recent expansion of these facilities.

13.6 Reviews of information service delivery arrangements by the Department of Premier and Cabinet during 2003-04 are estimated by the department to have generated whole of government on-going savings of more than $3 million.

13.7 The Museums Board of Victoria disclosed accumulated losses of $42.31 million at 30 June 2004.

13.8 Funding to cover annual depreciation expenses of arts agencies is not included in grants provided by Arts Victoria.

13.9 The National Gallery of Victoria incurred an operating deficit of $8.8 million in 2003-04 before taking into account fund-raising revenue.

13.10 Fourteen per cent of recipients who received grants totalling $2 million from Arts Victoria did not meet agreed outcomes.

13.11 Significant savings and efficiencies are expected to arise from new directions for whole of government information and communication technology management.
13.1 Financial analysis

The budget for the Department of Premier and Cabinet for 2003-04 was $392.7 million.\textsuperscript{639} Actual expenditure for the year was $395.9 million.\textsuperscript{640} Details are set out at exhibit 13.1

Exhibit 13.1: Department of Premier and Cabinet output group summary 2003-04

<table>
<thead>
<tr>
<th>Output group details</th>
<th>Column (1) 2003-04 Budget $ million</th>
<th>Column (2) 2003-04 Actual $ million</th>
<th>Column (2-1) Variation (a) $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Policy Advice and Projects</td>
<td>67.5</td>
<td>71.1</td>
<td>3.6</td>
</tr>
<tr>
<td>Public Sector Management, Governance and Support</td>
<td>17.6</td>
<td>19.7</td>
<td>2.1</td>
</tr>
<tr>
<td>Arts and Cultural Development</td>
<td>307.6</td>
<td>305.1</td>
<td>-2.5</td>
</tr>
<tr>
<td>Total</td>
<td>392.7</td>
<td>395.9</td>
<td>3.2</td>
</tr>
</tbody>
</table>

Note: (a) A negative variance indicates the actual expenditure on the output group was less than budget.


Expenditure exceeded budget by $3.2 million which represented less than one per cent of budget.

The Committee noted there were significant variations between budgeted and actual costs for a number of outputs.\textsuperscript{641} Details are provided at exhibit 13.2.

\textsuperscript{639} Budget Paper No. 3, 2003-04 Budget Estimates, p.256
\textsuperscript{640} Department of Premier and Cabinet, 2003-04 Annual Report, pp.90–94
\textsuperscript{641} ibid.
### Exhibit 13.2: Department of Premier and Cabinet output cost variations 2003-04

<table>
<thead>
<tr>
<th>Output details</th>
<th>2003-04 Budget $ million</th>
<th>2003-04 Actual $ million</th>
<th>Variation (a) $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Policy Advice and Projects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic policy advice</td>
<td>30.3</td>
<td>23.7</td>
<td>-6.6</td>
</tr>
<tr>
<td>Government information services and support</td>
<td>26.6</td>
<td>35.0</td>
<td>8.4</td>
</tr>
<tr>
<td>Arts and Cultural Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arts portfolio agencies</td>
<td>202.0</td>
<td>192.0</td>
<td>-10.0</td>
</tr>
<tr>
<td>Infrastructure and cultural facilities</td>
<td>75.7</td>
<td>84.7</td>
<td>9.0</td>
</tr>
</tbody>
</table>

**Note:** (a) A negative variance indicates the actual expenditure on the output group was less than budget

**Source:** Department of Premier and Cabinet Annual Report 2003-04, pp.90–94

The Department of Premier and Cabinet advised that the variations within The Strategic Policy Advice and Projects output group were a result of the reallocation of costs relating to the Office of the Chief Information Officer. The variations within The Arts and Cultural Development output group were also the result of the reallocation of costs within that group.642

The Committee noted the Department of Premier and Cabinet’s annual report did not include explanations for key variations between budget and actual costs for outputs.

The Committee recommends that:

**Recommendation 65:** The Department of Premier and Cabinet include in its annual report, explanations for material differences between budgeted and actual output costs.

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642 Department of Premier and Cabinet response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.2
The Committee noted the actual net result for 2003-04 for budget portfolio controlled transactions was a surplus $23.4 million compared to a budgeted target of $3.3 million resulting in a variation of $20.1 million.\textsuperscript{643} The variance arose mainly as a result of the National Gallery of Victoria receiving the gift of the Dr Joseph Brown collection valued at $21 million.\textsuperscript{644} Net controlled assets increased by $178 million above budget mainly due to revaluations of collections held by the State Library, Government House, properties controlled by Arts Victoria and art works held by National Gallery of Victoria.\textsuperscript{645}

### 13.2 Performance information

Around 80 per cent of the department’s performance measures were met and about half the targets were exceeded.\textsuperscript{646} However, the department’s annual report does not provide explanations for performance targets which are either unmet or exceeded. The Committee believes an explanation for variations from performance targets should be included in the department’s annual report to ensure accountability and an assessment of the department’s performance.

The Committee recommends that:

**Recommendation 66:** The Department of Premier and Cabinet include in its annual report explanations for key variations between targets and actual achievement for performance measures.

The Committee noted the following significant variations between planned and actual performance (exhibit 13.3).

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\textsuperscript{643} Department of Premier and Cabinet, 2003-04 Annual Report, p.96

\textsuperscript{644} National Gallery of Victoria, 2003-04 Annual Report, p.129

\textsuperscript{645} Department of Premier and Cabinet 2003-04 Annual Report, pp.96–97

\textsuperscript{646} ibid., pp.90–94
### Exhibit 13.3: Department of Premier and Cabinet output performance measures 2003-04

<table>
<thead>
<tr>
<th>Output / Performance measure</th>
<th>Unit of measure</th>
<th>2003-04 Target</th>
<th>2003-04 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government information services and support</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop communications resource products, standards and guidelines in response to identified government requirements.</td>
<td>Per cent</td>
<td>85</td>
<td>-</td>
</tr>
<tr>
<td>Number of strategic projects aimed at improving communication effectiveness and efficiency</td>
<td>Number</td>
<td>6</td>
<td>18</td>
</tr>
<tr>
<td><strong>Public sector employment and conduct services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site visits to organisations (validation of inspections and consultancies)</td>
<td>Number</td>
<td>50</td>
<td>132</td>
</tr>
<tr>
<td><strong>Ombudsman services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finalise consideration of complaints</td>
<td>Number</td>
<td>4,600</td>
<td>3,964</td>
</tr>
<tr>
<td>Issues monitored under legislative requirements</td>
<td>Number</td>
<td>700</td>
<td>1,732</td>
</tr>
<tr>
<td><strong>Chief Parliamentary counsel services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Versions of Acts and Statutory Rules published electronically</td>
<td>Number</td>
<td>1,050</td>
<td>717</td>
</tr>
<tr>
<td><strong>Arts portfolio agencies</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visitors/users to all agencies</td>
<td>Number</td>
<td>9,210,000</td>
<td>8,285,775</td>
</tr>
<tr>
<td>Value of film, television and new media production supported by Film Victoria</td>
<td>$ million</td>
<td>78</td>
<td>66</td>
</tr>
<tr>
<td>Additional employment from production supported by Film Victoria</td>
<td>Number of EFT positions</td>
<td>2,900</td>
<td>2,445</td>
</tr>
</tbody>
</table>

*Source: Department of Premier and Cabinet Annual Report 2003-04, pp.90–94*

The department advised the Committee of the following reasons for the variation between target and actuals for the above performance measures:

- a greater number of projects were undertaken within the Government Information Services and Support output and the achievement of 96 per cent for the communication resource development performance measure was omitted from the department’s annual report due to a printing error;

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647 Department of Premier and Cabinet response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.3–4
• site visits to organisations exceeded the target within the Public Sector Employment and Conduct Services output due to a program decision to extend the number of organisations visited;

• shortfalls in complaints finalisation for the Ombudsman services output arose due to a reduction in the complaints received in the third quarter of 2003-04 which was linked to outreach program activities. Issues monitored under legislative requirements arose from higher levels of inspections of police telephone interception activity and access to City Link data;

• the number of Acts and Statutory Rules published electronically is determined by the amendments of the amending act which are variable by nature;

• the value of film and other media productions supported by Film Victoria was down due to the delay of a large feature film and reductions in off-shore productions shot in Australia because of the stronger Australian dollar; and

• targets set for the visitors/users to all arts agencies were set too high because of a lack of historical data on the impact of the expansion of facilities.648

The Committee recommends that:

**Recommendation 67:** The Department of Premier and Cabinet ensure it has a reliable and accurate system for recording the number of visits to art facilities.

### 13.3 Major issues

#### 13.3.1 Government Information Services and Support

The Committee also sought details from the Department of Premier and Cabinet of reviews undertaken in 2003-04 of the effectiveness of strategies or initiatives used across departments and agencies to improve communication activities, the outcome of the reviews and any action taken to improve the current arrangements.

The department advised that it conducts regular reviews of the effectiveness of communications activities.649 During 2003-04, the department targeted a range of cross-government performance improvement issues in the areas of tender advertising, recruitment advertising, media monitoring, media buying and directory listings. The department informed the Committee that substantial savings were achieved in a number of areas:650

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648 ibid.
649 ibid., p.10
650 ibid., pp.10–11
tender advertising costs across government have been reduced by at least $120,000 per annum;

- a new system to develop and place recruitment advertising is currently being tested. Overall saving should exceed $1 million per annum when rolled-out across all departments;

- a review of media monitoring services has resulted in the decision to deliver these services in-house. Savings across government are estimated to be $1 million per annum;

- an audit of Master Advertising Media Services (MAMS) contractors’ performance identified areas for internal performance improvement which has reduced operational costs to contract users by at least $100,000 in 2003-04; and

- the cost of White Pages directory listings across government has been reduced by around $1 million per annum following a review of commercial and administrative arrangements between the Victorian Government and the service provider.

The Committee acknowledges the efforts of the Department of Premier and Cabinet in 2003-04 to contain costs of government information services.

### 13.3.2 Museums Board of Victoria – financial sustainability of operating activities

The Committee noted the Museums Board of Victoria (the Board) has incurred operating losses of about $13 million annually since 2001-02, although for at least the last two financial years, the annual depreciation and amortisation expense has averaged $20.2 million. Accumulated losses at 30 June 2004 totalled $42.31 million.

In response to the Committee’s request for details of the financial sustainability of the Board’s future operating activities, the Department of Premier and Cabinet advised that:

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651 Museums Board of Victoria, 2003-04 Annual Report, p.115
652 ibid., p.102
653 ibid.
654 Department of Premier and Cabinet response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.11
• the Board projects a net operating deficit for 2004-05 of $14 million inclusive of depreciation expenses;

• the Board continually reviews performance in areas of commercial potential and takes every opportunity to seek grants and partnership revenue;

• increases in entry prices are not an option following the government’s decision to reduce, abolish or provide concessions for a range of visitors from May 2003; and

• increases in revenues for other products and services are limited by competitive factors.

The Department of Premier and Cabinet advised it does not allocate funding for depreciation expenses to the arts agencies. Grant approvals to an agency to purchase fixed assets, are funded from a depreciation reserve accessible by the department.

The Committee noted that under these funding arrangements, in the absence of compensating revenue from other sources, art agencies will tend to generate operating deficits, particularly where, as in the case of the Board, depreciation expenses are significant ($20.67 million in 2003-04). Additionally, non funding of depreciation expenses restricts an agency’s ability to ensure adequate maintenance and replacement of its capital base.

In order that users of financial reports of art agencies can properly interpret reported financial operating results and adequately assess the capital replacement needs of these entities, the Committee believes that the annual reports and financial statements of art agencies should clearly outline policies for the funding of depreciation expenses and its financial consequences.

The Committee recommends that:

**Recommendation 68:** The Department of Premier and Cabinet ensure that the annual reports and financial statements of its agencies disclose financial policies for funding depreciation and provide an explanation about the impact of these arrangements on financial performance and asset replacement needs.

655 ibid.
656 ibid.
657 Museums Board of Victoria, *2003-04 Annual Report*, p.102
The Committee reiterates the view of the former Public Accounts and Estimates Committee that the Department of Treasury and Finance needs to establish clear guidelines on how depreciation and maintenance expenses are to be determined by art agencies for accounting, budgeting and pricing purposes.658

13.3.3 National Gallery of Victoria – financial sustainability of operating activities

The revenue of the National Gallery of Victoria (NGV) comprises operating revenue and fund-raising revenue. This latter revenue category is raised from private donations and is not normally applied to operating activities but dedicated to the purchase of art works or capital projects.659

In 2003-04, NGV incurred an operating loss of $8.8 million before fund-raising revenue was taken into account, compared to surpluses generated over the past three years.660 NGV attributes the loss in 2003-04 to a one off expense of $2 million for the re-opening of NGV International; a six month revenue collection period in 2003-04; and a doubling of operating cost over the past five years due to the expansion of NGV’s facilities and activities.661

In response to the Committee’s request for details of the financial sustainability of the NGV’s operating activities for 2004-05, the Department of Premier and Cabinet advised that:662

- as at December 2004, NGV forecasts an (unspecified) operating deficit for 2004-05; and
- the deficit is subject to current investigation by the Trustees of NGV. Cash reserves from previous years are sufficient to cover operating requirements.

While reliance on cash reserves to cover operating shortfalls may alleviate funding problems in the short term, the Committee considers a more forward looking financial strategy is required for operating revenue that focuses on identifying new revenue sources, cost containment and productivity improvements.

659 National Gallery of Victoria, 2003-04 Annual Report, p.128
660 ibid.
661 ibid.
662 Department of Premier and Cabinet response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.12
The Committee recommends that:

**Recommendation 69:** The Department of Premier and Cabinet, in conjunction with National Gallery of Victoria, develop a financial strategy to ensure the financial sustainability of NGV’s operating activities and focus on revenue raising opportunities, cost containment and productivity improvements.

### 13.3.4 Arts Development and Access output – grant recipients and agreed outcomes

The Committee noted that a performance target of 85 per cent was set in 2003-04 for the Arts Development and Access output performance measure, Grant recipients who met or exceed agreed outcomes.663

The Department of Premier and Cabinet advised the Committee that while 14 per cent of grant recipients did not meet their targets for agreed outcomes in 2003-04,664 most of the recipients who fell within this category, achieved over two thirds of their target.665 Reasons for non-achievement of agreed outcomes by grant recipients were advised as:

- programs may be affected by other sources of income not being fully realized for example, a sponsorship deal may fall through; Commonwealth or local government funding may not be approved; box office targets may not be realized; or donations may be less than expected;
- external economic factors may impact an arts company’s output and impact on touring schedules and attendances by tourists; and
- arts organisations operate in a climate of business risk and initial plans can be tailored and amended during the course of the year.

Strategies employed by Arts Victoria to ensure grant funding is effectively targeted require art organisations to submit applications containing comprehensive business, marketing and audience development plans associated with the program or project for which funding is sought.667 Arts Victoria also closely monitors the performance of all funded organisations and comprehensive acquittal reports must be provided on all funded projects on completion.668

663 Department of Premier and Cabinet *2003-04 Annual Report*, p.93
664 Department of Premier and Cabinet response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.12
665 ibid.
666 ibid., pp.12–13
667 ibid., p.13
668 ibid.
The Committee was advised that funding of $2 million was provided in 2003-04 to grants recipients who subsequently did not meet the agreed outcomes for programs or projects.\(^{669}\) The Committee is concerned that grants are approved before funding from other sponsoring bodies, the Commonwealth or municipal councils is confirmed. The Committee considers that Arts Victoria’s grant assessment process should be reviewed to ensure a more rigorous evaluation of the revenue and economic credibility of grant applications prior to approval.

The Committee recommends that:

**Recommendation 70:** The Department of Premier and Cabinet review the process used by Arts Victoria to ensure a more rigorous approach is adopted to the assessment of revenue and economic projections underpinning applications for arts funding.

The Committee understands that Arts Victoria is in the early stage of developing a range of performance information to cover activity and risk management of arts funding proposals. The early completion of this project should be a priority for Arts Victoria.

**13.3.5 Implementing the eGovernment Plan**

The Committee previously noted funding of $33.4 million over four years\(^ {670}\) was provided in the 2003-04 Budget for the implementation of the *eGovernment* plan which is designed to provide a new direction for whole of government information and communication technology (ICT) management including the establishment of a Chief Information Officer position.\(^ {671}\) The *eGovernment* plan provides for the delivery of the Government’s Standard Corporate ICT Infrastructure Strategy.\(^ {672}\)

The department advised that the major outcomes for 2003-04 were:\(^ {673}\)

- establishment of the Office of the Chief Information Officer and the Office of the Chief Technology Officer;
- establishment of whole of government ICT governance processes; and
- mobilisation of whole of government ICT standardisation priority projects, including data centre consolidation, application hosting consolidation, and electronic content management systems.

\(^{669}\) ibid.


\(^{672}\) ibid.

\(^{673}\) Department of Premier and Cabinet response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.14
The Department of Premier and Cabinet confirmed that the Chief Information Officer is not responsible for the actual implementation of individual ICT projects. Notwithstanding this, the Office was established with the objective, among others, of ensuring that ICT money is well spent. Accordingly the Committee considers the Office of the Chief Information Officer’s role should include monitoring and reporting on the savings and achievements generated under the Standard Corporate ICT Infrastructure Strategy.

The Committee recommends that:

**Recommendation 71:** The Department of Premier and Cabinet develop a performance reporting framework to monitor and publicly report on achievements and cost savings generated from the government’s Standard Corporate ICT Infrastructure Strategy.
Key Findings of the Committee:

14.1 In 2003-04 the Department of Primary Industries’ expenditure of $310.4 million was $13.1 million or 4.4 per cent over budget.

14.2 Except for the Industry and Community Compliance Services output, for which expenditure was under the budget by $2.2 million (12.2 per cent), all of the Department of Primary Industries’ outputs had expenditure within ten per cent of the budgeted cost.

14.3 The budget variance for the Industry and Community Compliance Services output related to the delay in finalising the plan for the Marine Parks Act which caused funding of some projects to be out of line with the original approved cash flow. The non-finalisation of two compensation claims also contributed to the budget variance.

14.4 The Department of Primary Industries achieved or exceeded 84 per cent of the performance targets published in its 2003-04 annual report.

14.5 The Department of Primary Industries’ annual report contained a high standard of notes to satisfactorily explain variations between performance targets and actual results.

14.6 In expending $16.7 million in 2003-04 on modernising rural research centres, works to be undertaken at Agriculture Victoria Ellinbank and the acquisition of research equipment fell behind schedule, partly as a result of problems encountered in the works’ design phase and the length of contract negotiations for the modernisation of equipment.

14.7 The Royal Melbourne Showgrounds Redevelopment has been approved to proceed as a Partnerships Victoria project, so the revised cash flow showing that expenditure of $25.2 million, $60 million and $5.5 million in 2004-05, 2005-06 and 2006-07 respectively, will need to be re-phased for a second time, although the completion date is still scheduled for September 2006.

14.8 The investment in the Department of Primary Industries’ dryland salinity research activities in 2003-04 amounted to $4.7 million, comprising $3.4 million from the Victorian Government, $780,000 from the Commonwealth Government and $550,000 from industry sources.
14.9 According to information contained in a recent report by the Australian National Audit Office, assessing the achievement of targets for salinity prevention, stabilisation and reversal and improved water quality is a long-term exercise and will not be possible within the eight year timeframe envisaged for the National Action Plan for Salinity and Water Quality. As such, no significant outcome reporting is anticipated until later years.

14.10 Until reliable performance information on the effectiveness of salinity mitigation measures is available, the Parliament, government agencies, the farming community and taxpayers cannot be assured that public moneys allocated towards addressing the land and water salinisation in regional Victoria have had any positive affect.

14.1 Financial analysis

The Department of Primary Industries was responsible for the delivery of seven outputs during 2003-04, at a budgeted cost of $297.3 million.\(^{675}\) Actual expenditure for the year amounted to $310.4 million, which was $13.1 million (or 4.4 per cent) over budget.\(^{676}\)

Except for the Industry and Community Compliance Services output, for which expenditure was under budget by $2.2 million (12.2 per cent), all of the department’s outputs had expenditure within 10 per cent of the budgeted cost. Exhibit 14.1 compares budgeted expenditure with actual costs for the Industry and Community Compliance Services output.

Exhibit 14.1: Department of Primary Industries output expenditure variation – 2003-04

<table>
<thead>
<tr>
<th>Output details</th>
<th>Column (1)</th>
<th>Column (2)</th>
<th>Column (2-1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry and Community Compliance Services</td>
<td>2003-04</td>
<td>2003-04</td>
<td>Variation</td>
</tr>
<tr>
<td></td>
<td>Budget $ million</td>
<td>Actual $ million</td>
<td>$ million</td>
</tr>
<tr>
<td>Industry and Community Compliance Services</td>
<td>18.0</td>
<td>15.8</td>
<td>-2.2</td>
</tr>
</tbody>
</table>

Source: Department of Primary Industries, 2003-04 Annual Report, p.24

\(^{675}\) Department of Primary Industries, 2003-04 Annual Report, pp.13–31

\(^{676}\) ibid.
In seeking further information on this variance, which was disclosed in the department’s annual report and concerned the late finalisation of the Marine Parks Act and the non-finalisation of certain compensation claims, the Committee was given the following information:

- the implementation of the Marine Parks Act was delayed by issues regarding its passage through Parliament in 2001-02. The Act was finally passed for implementation in 2002-03, but a number of one-off projects to be completed in the first two years were out of line with the original approved cash flow. This resulted in a carry over of funding into 2004-05. Full implementation will be finalised by 2006-07.

- the following compensation claims, which are reportable against the Industry and Community Compliance Services output were not finalised:
  - Marine Park Initiative compensation claim (approximately $410,000) - pending final claim from Rural Finance Corporation. This initiative provides compensation for rock lobster and fin fish for the imposition of no take zones in marine park areas.
  - Commercial Licence Buy Back (approximately $120,000) - pending one claim that is awaiting a court hearing. This buy-back program is for the purchase of commercial licences and additional compensation claims, including lost income. It is funded from the Recreational Fishing Trust, Fund and the licences are bought from those holders that operated within areas now declared ‘recreation only’.

14.2 Performance information

The department achieved or exceeded 84 per cent of the performance targets published in its 2003-04 annual report.

The Committee acknowledges the high quality of annual report notes used to satisfactorily explain variations between performance targets and actual results.

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677 Department of Primary Industries response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.3
14.3 Major issues

14.3.1 Science, innovation and education precincts

The Committee was interested in examining developments in the ongoing program to modernise the department’s rural research centres.

The funding allocation from the Growing Victoria Infrastructure Reserve (GVIR) for the department’s science innovation and education precincts across regional Victoria is shown in exhibit 14.2

Exhibit 14.2: Department of Primary Industries science, innovation and education precincts – funding allocation from the GVIR

<table>
<thead>
<tr>
<th></th>
<th>2001-02 Actual</th>
<th>2002-03 Actual</th>
<th>2003-04 Actual</th>
<th>2004-05 Revised</th>
<th>Total Estimated investment from the GVIR</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ million</td>
<td>5.1</td>
<td>22.2</td>
<td>16.7</td>
<td>6.0</td>
<td>50.0</td>
</tr>
</tbody>
</table>

Source: Budget Information Paper No. 1 2004-05 Public Sector Asset Investment Program, p.11

The department provided the following comparison of budgeted and actual expenditure on science innovation and education precincts (exhibit 14.3).
Exhibit 14.3: Department of Primary Industries
science, innovation and education precincts – analysis of expenditure incurred in 2003-04 compared to budget

<table>
<thead>
<tr>
<th>Project description</th>
<th>Column (1) Actual expenditure to 30 June 2003 $ million</th>
<th>Column (2) Planned expenditure 2003-04 $ million</th>
<th>Column (2-1) Actual expenditure 2003-04 $ million</th>
<th>Variation (a) $ million</th>
<th>Variation (a) %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture Victoria Ellinbank - modernise Facilities</td>
<td>2.6</td>
<td>8.9</td>
<td>7.3</td>
<td>-1.6</td>
<td>18%</td>
</tr>
<tr>
<td>Agriculture Victoria Hamilton - modernise facilities Hamilton</td>
<td>0.5</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td>Agriculture Victoria Horsham - modernise Facilities</td>
<td>5.0</td>
<td>4.0</td>
<td>4.0</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td>Agriculture Victoria Rutherglen – modernise Facilities</td>
<td>2.6</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td>Centre for Land Protection Research, Bendigo - modernise Facilities</td>
<td>2.0</td>
<td>0.5</td>
<td>0.5</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td>Institute of Sustainable Irrigated Agriculture, Kyabram – modernise Facilities</td>
<td>0.8</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td>Institute of Sustainable Irrigated Agriculture, Tatura - modernise Facilities</td>
<td>5.0</td>
<td>0.9</td>
<td>0.9</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td>Sunraysia Horticulture Centre – modernise Facilities</td>
<td>3.3</td>
<td>0.2</td>
<td>0.2</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td>Victoria’s Research Equipment Acquisition – modernise Facilities</td>
<td>5.5</td>
<td>8.5</td>
<td>3.9</td>
<td>-4.6</td>
<td>54%</td>
</tr>
</tbody>
</table>

*Note:* (a) A negative variance indicates the actual expenditure on the output group was less than budget

*Source:* Department of Primary Industries’ response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.10

The factors leading to two projects falling behind schedule, are set out below.678

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678 ibid., pp.10–11
• Agriculture Victoria Ellinbank - this project was behind schedule due to deficiencies in the design documentation prepared by the architect. Delays were also caused by the roof trusses and wall frames not being manufactured to the correct specifications and thus being returned to the manufacturer for modification. Inclement weather also caused delays to the project;

• Victoria's research equipment acquisition - extensive contract negotiations for the Advanced Scientific Computing project meant that the preparation of the project requirements, definitions and project plan could not commence. Once this phase began in late January, it was evident that the amount of time required to complete the project had been underestimated, and the timelines were extended from six to ten months. This delay was compounded by internal problems at the contracting company, which resulted in numerous changes to the project manager who was to be deployed to the project.

These delays meant that the initial completion date of June 2004 for the above two projects was extended to April 2005 and June 2005 respectively.679

The Committee considers that asset investment programs need to be competed on time and to the required standard. The Committee also reiterates its concerns, expressed in the 2002-03 budget outcomes report, about the redevelopment of the Marine and Freshwater Resources Institute at Queenscliff, whereby delays in capital works may lead to an overall increase in project costs through inflationary and other project extension impacts.680

The Committee noted the Government’s response to last year’s budget outcomes report regarding the department’s commitment to undertake a more detailed analysis of the market place and likely producers, and to allocate more resources to the planning and design phase of project management so as to mitigate issues that can delay the completion of capital projects.681

679 ibid., p.11
The Committee recommends that:

**Recommendation 72:** While noting that the majority of research and development infrastructure projects were delivered on time and budget, the Department of Primary Industries ensure effective contract management procedures are applied to its capital works program so as to minimise the risk of delays to the completion of its asset investment projects, particularly for the planning and design phase and the selection of contractors.

Given that the modernisation program of the department’s regional scientific infrastructure was completed as at June 2004 (except for the above two projects), the Committee was also interested in understanding the achievements realised to date and how the department planned to acquire data to measure the achievement of intended outcomes.

The $50 million investment under Growing Victoria is targeted to upgrade and enhance the Department of Primary Industries’ regional science infrastructure under the Science Innovation and Education network. The Science Innovation and Education (SIE) strategy aims to ensure the department’s continued capability to conduct and deliver contemporary and best practice scientific research in regional Victoria that will drive increases in productivity and environmental sustainability. Productivity improvements are a key driver of economic growth. As the majority of the department’s research is co-funded by industry, enhancing the department’s regional science infrastructure helps position the department to continue to secure industry co-investment in a national competitive funding arena. Information will be collected on the proportion and quantum of rural industry research funding attracted by the department.

Another intention of the strategy is to progressively attract co-location of education providers (primarily universities) and industry at the department’s regional research centres, particularly at the four major centres of Mildura, Tatura, Horsham and Ellinbank. Each centre has established new conference and meeting facilities, which will attract use by the education and private sectors for co-operative and independent teaching and training sessions.

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682 Department of Primary Industries response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.12
683 ibid.
684 ibid.
685 ibid.
686 ibid.
687 ibid.
688 ibid.
Of the major centres, Horsham is the most complete, and the new investment provided additional resources to support office and laboratory facilities in order to attract the tertiary sector and grains industry to this region.\(^{689}\) This was aimed at creating an important regional innovation hub. Twelve offices and five laboratories were created at Horsham, and occupancy by companies attracted to the centre was at 85 per cent at November 2004.\(^{690}\) The University of Melbourne also located two senior research and lecturing staff at the Horsham Centre.\(^{691}\) Each centre will record conference and meeting use, programs and, where applicable, the co-location of new tertiary public and industry organisations.\(^{692}\)

The Committee recommends that:

**Recommendation 73:** The Department of Primary Industries’ 2004-05 annual report summarises information on the benefits derived from the modernisation of its science, innovation and education precincts across regional Victoria. In addition to disclosing information on the department’s success in securing further rural industry research funding from co-investors and attracting co-location of education providers and industry to its regional research centres, the department should disclose the impact of the additional scientific research on regional economies, employment, productivity, environmental sustainability and economic growth.

**14.3.2 Royal Melbourne Showgrounds Redevelopment**

Exhibit 14.4 summarises expenditure on the redevelopment of the Royal Melbourne Showgrounds.\(^{693}\)
Exhibit 14.4: Department of Primary Industries expenditure on the Royal Melbourne Showgrounds redevelopment

<table>
<thead>
<tr>
<th>Total Estimated Investment ($000)</th>
<th>Expenditure to 30 June 2004 ($000)</th>
<th>Estimated Expenditure 2004-05 ($000)</th>
<th>Remaining Expenditure ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>100,700</td>
<td>9,976 (a)</td>
<td>25,224</td>
<td>65,500</td>
</tr>
</tbody>
</table>

Note: (a) Expenditure comprises the following:

Consultants paid via and including Major Projects Victoria ($000):

- Project initiation: 1,180
- Master Plan: 514
- Project Support: 2,038
- Partnerships Vic. – tender and transaction: 1,510
- Sub total: 5,242
- Construction: 1,851
- Transitional working capital accommodation: 1,320
- Other costs (including departmental costs, management and joint venture establishment): 1,563
- Grand total: 9,976

Source: Department of Primary Industries response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.17–18

The Committee noted that the Treasurer approved a revised cash flow for the showgrounds redevelopment project in 2003-04, reducing the budget estimate for that year from $71.5 million to $6 million. The department reported in its 2003-04 annual report that when the budget estimate was approved in 2002-03, implementation details were not known and the published cash flow of $100.7 million over three years was a general estimate. Arrangements have since been finalised and the cash flow has been revised to a period of five years. The revised cash flow is shown in exhibit 14.5.

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694 Department of Primary Industries, 2003-04 Annual Report, p.84, Note 5 to the financial statements
695 ibid.
696 ibid.
Exhibit 14.5: Department of Primary Industries revised five year cash flow for the Royal Melbourne Showgrounds redevelopment

<table>
<thead>
<tr>
<th>2002-03 ($ million)</th>
<th>2003-04 ($ million)</th>
<th>2004-05 ($ million)</th>
<th>2005-06 ($ million)</th>
<th>2006-07 ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.0</td>
<td>6.0</td>
<td>25.2</td>
<td>60.0</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Source: Department of Primary Industries response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.17

The Committee was informed by the department that the originally approved cash flow for the showgrounds project was revised due to the need to establish joint venture arrangements before construction. The department also indicated that the showgrounds redevelopment has now been approved to proceed as a Partnerships Victoria project, so the cash flow will need to be re-phased again.

Regarding timelines for completion, the department informed the Committee that the redevelopment is still scheduled for completion by September 2006, as earlier announced. Exhibit 14.6 shows the particular stages to be completed over the five year period, together with anticipated completion dates for each stage.

Exhibit 14.6: Department of Primary Industries

Anticipated completion dates for each of the

<table>
<thead>
<tr>
<th>Royal Melbourne Showgrounds Redevelopment – Stage</th>
<th>Anticipated completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commence construction Stage 1</td>
<td>Jan 2005</td>
</tr>
<tr>
<td>Commence construction Stage 2</td>
<td>October 2005</td>
</tr>
<tr>
<td>Complete construction</td>
<td>August 2006</td>
</tr>
<tr>
<td>Commence operation phase</td>
<td>October 2006</td>
</tr>
<tr>
<td>Commence development eastern precinct non-core land</td>
<td>October 2006</td>
</tr>
<tr>
<td>Complete eastern precinct development (approximate only - not determined precisely at this point of time).</td>
<td>March 2008 (approximate)</td>
</tr>
</tbody>
</table>

Source: Department of Primary Industries response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.17–18

The Committee was advised that Major Projects Victoria is acting as project manager for the joint venture, and will have responsibility for delivery of the project. The

697  Department of Primary Industries response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.17
698  ibid.
699  ibid.
700  ibid., p.18
Department of Primary Industries will have a governance role overseeing the project.\textsuperscript{701}

The Committee recommends that:

\textbf{Recommendation 74:} In undertaking its governance role for the redevelopment of the Royal Melbourne Showgrounds, the Department of Primary Industries closely monitor progress against each of the milestone stages to ensure compliance with the financial budget, completion of timelines and quality standards, so the project is delivered in an efficient and effective manner.

\section*{14.3.3 \textit{Salinity research – funding and outcomes}}

The department reported in its 2003-04 annual report that it conducts soil and water sciences research in a range of areas including dryland salinity.\textsuperscript{702} The Committee was interested in the funding sources for dryland salinity research, the amounts invested and the outcomes achieved in 2003-04. The department informed the Committee that the majority of its research into causes and solutions of dryland salinity in Victoria is conducted as a core partner in the Co-operative Research Centre for Plant Based Management of Dryland Salinity.\textsuperscript{703} The benefits to Victoria of working within the national context include strong research leadership, focus and direction, alignment of the Government and industry priorities, financial leverage on the States’ investment, and synergistic benefits for nationally networked scientists.\textsuperscript{704}

The investment (all sources) in dryland salinity research activities by the department in 2003-04 was $4.74 million.\textsuperscript{705} This included Victorian Government investment ($3.4 million), Commonwealth Government investment ($780,000), and industry investment ($550,000).\textsuperscript{706} The Victorian research is directed at seeking new and highly profitable plants and land-use options for Victoria’s major agro-ecological zones, and providing analytical tools, policy analysis and policy instruments for application by policy makers.\textsuperscript{707} Research and extension efforts are conducted within the department and are also linked to the core industry partner in the Co-operative Research Centre, Landmark (the Australian Wheat Board).\textsuperscript{708}

\begin{itemize}
\item \textsuperscript{701} ibid.
\item \textsuperscript{702} Department of Primary Industries, \textit{2003-04 Annual Report}, p.34
\item \textsuperscript{703} Department of Primary Industries response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.20
\item \textsuperscript{704} ibid.
\item \textsuperscript{705} ibid.
\item \textsuperscript{706} ibid.
\item \textsuperscript{707} ibid.
\item \textsuperscript{708} ibid.
\end{itemize}
The outcomes from research during 2002-03 and 2003-04 included new knowledge generation as described in publications (28 scientific publications, 27 conference papers and 42 extension, farmer and public presentations), new products and analytical tools (for example, new salt tolerant plant species identified and undergoing field evaluation, the predictive Catchment Analysis Tools computer model for measuring land intervention impacts on salinity, and new technology for remotely measuring native grass distribution in Victoria), and practice change by private land managers (for example, dramatically increased seed sales of lucerne, which is the foundation plant species that underpins improved perenniality of pasture) which aid reduction in groundwater recharge.\(^{709}\) The output of the research has been widely used in the Regional Catchment Strategies of Victoria’s Catchment Management Authorities.\(^{710}\)

In establishing whether salinity related research funding has had any worthwhile effect in terms of achieving outcomes, a recent report issued by the Australian National Audit Office in December 2004 (The Administration of the National Action Plan for Salinity and Water Quality) provided an insight into measuring progress in terms of achieving program goals. The report found that:

> assessing the achievement of targets concerned with preventing, stabilising and reversing trends in salinity and improving water quality is a long-term exercise...

> This will not be possible within the eight year timeframe originally envisaged for the National Action Plan for Salinity and Water Quality. Consequently, to maximise program impact, the dissemination of information relating to good practices and lessons learned on a national basis, will be a crucial part of the process over the remaining years of the program.\(^{711}\)

Some of the major risks and challenges highlighted in the report are listed below:\(^{712}\)

- salinity will not be addressed comprehensively with targeted revegetation treatments or discharge management. The hope of finding a low cost solution, such as planting a relatively small proportion of the landscape with trees in strategic areas, is no longer tenable – except where there are responsive, local aquifers that may yield a net benefit;
- the best that can be expected from recharge treatments is a slowing of the rate of future salinisation. Rehabilitation of existing salinity damage is generally not economically viable, owing to the sluggish response of water tables to recharge

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\(^{709}\) Department of Primary Industries, 2003-04 Annual Report, p.34.

\(^{710}\) Department of Primary Industries response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.20


\(^{712}\) ibid., pp.39–40
reductions. The focus of policy should be on preventing future damage to high value assets, and on carefully prioritising on-ground investment so as not to waste money;

- revegetation management remains the key to managing water resources, although the costs and benefits of revegetation catchments requires careful analysis. Cleared catchments can contribute to salinity but they also provide twice as much water for consumptive use compared to uncleared catchments; and

- living with salt will become inevitable if profitable plant-based solutions are not available. Some salt land pastures have already proven viable, as well as profitable, but these need refinement and their use requires a mindset change among many farmers.

Until reliable performance information on the effectiveness of salinity mitigation measures is available, the Parliament, government agencies, the farming community and taxpayers cannot be assured that public moneys allocated towards addressing the land and water salinisation in regional Victoria have had any positive affect.

Given no significant outcome reporting is anticipated until later years, the Committee reinforces the comments by the Commonwealth Auditor-General that examples of good practices and lessons learned should be disseminated and that on-ground investment should be carefully prioritised to ensure money is not wasted.

The Committee recommends that:

**Recommendation 75:** For its salinity related research activities, the Department of Primary Industries ensure good practices and lessons learned are disseminated and carefully prioritise on-ground investment in projects.

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713 ibid., p.90
CHAPTER 15: DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

Key Findings of the Committee:

15.1 The 2003-04 budget estimates for the Department of Sustainability and Environment was $901 million. Actual expenditure was $951.4 million, which was $50.4 million (or 5.6 per cent) over budget.

15.2 Increased costs of $31.8 million for fighting bush fires in 2002-03 coupled with $17.6 million for 2002-03 carry over funding for the restoration of environmental flows (the Snowy Project) were the main reasons for the budget overspend in 2003-04.

15.3 The Department of Sustainability and Environment’s 2003-04 annual report did not include:

- budget and performance targets for the Environment Protection output group;
- explanations of cost variations for a number of other outputs; and
- an explanation for unbudgeted expenditure of $144.1 million in the budget portfolio statement of financial performance.

15.4 The Department of Sustainability and Environment has made little progress in resolving accuracy, completeness and valuation issues for Crown land holdings.

15.5 The initial round of performance statement reporting by regional water authorities was concluded in 2003-04.

15.6 Performance measurement and reporting regimes should be developed for both the Victorian Water Trust and the Renewable Energy Support Fund.

15.7 The Environment Protection Authority produced two annual reports in 2003-04.

15.8 Environment Protection Authority’s 2003-04 annual report did not include explanations of variations from performance targets and budgeted costs.
15.1 Financial analysis

The Department of Sustainability and Environment’s 2003-04 budget was $901 million.\textsuperscript{714} Actual output expenditure for the year was $951.4 million (exhibit 15.1) resulting in an over-spend of $50.4 million (or 5.6 per cent).

Exhibit 15.1: Department of Sustainability and Environment output group summary 2003-04

<table>
<thead>
<tr>
<th>Output group</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column (2-1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003-04</td>
<td>2003-04</td>
<td>Variation</td>
</tr>
<tr>
<td></td>
<td>Budget</td>
<td>Actual</td>
<td>(a)</td>
</tr>
<tr>
<td></td>
<td>($ million)</td>
<td>($ million)</td>
<td>($ million)</td>
</tr>
<tr>
<td>Catchment and water</td>
<td>223.7</td>
<td>249.7</td>
<td>26.0</td>
</tr>
<tr>
<td>Conservation, recreation and public land</td>
<td>217.4</td>
<td>215.1</td>
<td>-2.3</td>
</tr>
<tr>
<td>Land information</td>
<td>91.0</td>
<td>85.7</td>
<td>-5.3</td>
</tr>
<tr>
<td>Environment protection</td>
<td>58.0</td>
<td>56.1</td>
<td>-1.9</td>
</tr>
<tr>
<td>Forest and fire management</td>
<td>227.3</td>
<td>252.8</td>
<td>25.5</td>
</tr>
<tr>
<td>Sustainability policy and programs</td>
<td>50.7</td>
<td>50.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Sustainable cities and regions</td>
<td>32.9</td>
<td>41.3</td>
<td>8.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>901.0</strong></td>
<td><strong>951.4</strong></td>
<td><strong>50.4</strong></td>
</tr>
</tbody>
</table>

*Note: (a) A negative variance indicates the actual expenditure on the output group was less than budget*

Exhibit 15.2 sets out the reasons for the cost variations of ten per cent or greater, as advised by the department.

Exhibit 15.2: Department of Sustainability and Environment output cost variations from the budget estimates 2003-04

<table>
<thead>
<tr>
<th>Output details</th>
<th>2003-04 Variation between budget and actual (a) ($ million)</th>
<th>Variation (%)</th>
<th>Explanation of Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catchment and Water Sustainable water management and supply</td>
<td>17.6</td>
<td>17.8</td>
<td>The major contributor to the increased budget for this output was the carryover of funds from 2002-03 in relation to the Restoration of Environmental Flows - the Snowy Project. These funds were expended to meet Victoria's contribution to the Joint Government Enterprise.</td>
</tr>
<tr>
<td>Conservation, Recreation and Public Land Biodiversity conservation, utilisation and ecosystem services</td>
<td>4.9</td>
<td>25</td>
<td>The major contributors to the increased funding for this output, apart from the increased corporate expenditure assigned to the output, were the carry over of unspent appropriations from 2002-03, the commencement of the Improving Public Safety on Public Land Initiative and a boost in funding for the Victorian Environmental Assessment Council. As well, additional projects were delivered across the state, funded from external sources (for example Project Trust Funds).</td>
</tr>
<tr>
<td>Forest and Fire Management Fire operation</td>
<td>31.8</td>
<td>76.3</td>
<td>The variation reflected the cost of fighting Victorian bushfires.</td>
</tr>
<tr>
<td>Sustainable Cities and Regions Sustainable place management</td>
<td>6.4</td>
<td>85.6</td>
<td>Pride of Place Grants overspent by $4.8 million. Capital funding transferred to Payments for Outputs. Also $1.6 million was transferred to the Sustainability Policy – Urban and Regional Output.</td>
</tr>
</tbody>
</table>

Sources: Department of Sustainability and Environment response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.4–5 and Department of Sustainability and Environment, 2003-04 Annual Report, p.131
The Committee noted that the Department of Sustainability and Environment has disclosed output cost details and associated performance results for all output groups except the Environment Protection output group. These details are reported in EPA Victoria’s 2003-04 annual report, although EPA Victoria received only $33 million in output funding from expenditure of $56.1 million funded from the Environment Protection output group.

The Committee considers that the department should include outcomes from the Environment Protection output group in its annual report, irrespective of whether another portfolio agency provides all or part of the outputs. The Standing Directions of the Minister for Finance requires departments to include a comparison of the outputs targets specified in the budget with actual performance.

The Committee recommends that:

**Recommendation 76:** The Department of Sustainability and Environment’s annual report disclose the budgeted and actual costs and associated performance results for all the outputs within the Environment Protection output group.

The department’s annual report does not explain all significant output cost variations from the budget estimates. The Committee considers that accountability and transparency for output costs are enhanced when key variations are explained and disclosed.

The Committee recommends that:

**Recommendation 77:** Output performance reporting by the Department of Sustainability and Environment encompass explanations of all significant output cost variations from the budget estimates.

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717 ibid., p.68
718 ibid., p.88
719 Department of Treasury and Finance, Standing Direction No. 4, *Financial Management Reporting*, s.4.2(k)
720 For example, see Department of Sustainability and Environment, *2003-04 Annual Report*, pp.126,130 and 132-133
Unapplied appropriation for the Department of Sustainability and Environment at 30 June 2004 totalled $55.6 million, comprising $29.5 million for outputs and $26 million for additions to net assets.\textsuperscript{721} Approval has been obtained to carry over $12.3 million for the National Action Plan for Salinity and Water Quality jointly funded by the Commonwealth Government and the Victorian Government ($9.1 million), and for programs funded from the Commonwealth Natural Heritage Trust ($3.2 million).\textsuperscript{722}

The net result for budget portfolio controlled operating transactions was a deficit of $94.2 million, compared to a budgeted deficit of $10.3 million.\textsuperscript{723} The higher than expected deficit of $83.9 million arose mainly from unbudgeted expenditure of $144.1 million for other expenses from ordinary activities off-set by $60.7 million in additional output appropriation revenue.\textsuperscript{724}

The Committee noted that the explanations in the annual report of variances for budget portfolio controlled operating transactions do not comment on the nature and reason for the unbudgeted expenditure.\textsuperscript{725} The Committee considers that the department should disclose all unbudgeted transactions that have a material impact on the financial result for operating activities.

The Committee recommends that:

**Recommendation 78:** The Department of Sustainability and Environment’s annual report explain the nature of, and reason for, unbudgeted transactions that have a material impact on the financial result for budget portfolio operating activity transactions.

The Committee noted the Auditor-General’s concern at the department’s lack of progress in dealing with the following issues relating to Crown land holdings:\textsuperscript{726}

- doubts over the completeness and accuracy of the Crown land records; and
- out-dated land valuations.

The Committee considers that these issues should be resolved quickly, particularly in view of the adoption of Australian equivalents to the International Financial Reporting Standards.

\textsuperscript{721} ibid., p.83
\textsuperscript{722} Department of Sustainability and Environment response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.2
\textsuperscript{723} Department of Sustainability and Environment, 2003-04 Annual Report, p.110
\textsuperscript{724} ibid.
\textsuperscript{725} ibid.
\textsuperscript{726} Victorian Auditor-General’s Office, Results of 30 June 2004 financial statement and other audits, December 2004, pp.136–137
The Committee recommends that:

**Recommendation 79:** The Department of Sustainability and Environment confirm the completeness and accuracy of current Crown land records and ensure timely valuations are undertaken for Crown land.

### 15.2 Performance information

The department met or exceeded approximately 68 per cent of its performance measures in 2003-04\(^{727}\) compared to 65 per cent in 2002-03.\(^{728}\) While the Committee reviewed the explanations provided in the annual report for the variations between targets and actual achievements, it sought additional information on the reasons for the variations (exhibit:15.3).

The department provided the following information:

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## Exhibit 15.3: Department of Sustainability and Environment output performance measures 2003-04

<table>
<thead>
<tr>
<th>Output/Measure</th>
<th>Unit of measure</th>
<th>Target 2003-04</th>
<th>Actual 2003-04</th>
<th>Further information provided</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sustainable water management and supply</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume of the State’s water resources covered by tradeable Bulk Water Entitlement orders granted by the Minister.</td>
<td>million megalitres</td>
<td>4.9 (a)</td>
<td>0.21</td>
<td>Estimated that target will be achieved by mid 2005.</td>
</tr>
<tr>
<td>River basins for which surface water allocations have been determined.</td>
<td>number</td>
<td>21 (a)</td>
<td>4</td>
<td>Estimated that target will be achieved by mid 2005.</td>
</tr>
<tr>
<td>New waste-water management improvement projects (New Town Sewerage Schemes) supported</td>
<td>number</td>
<td>20 (a)</td>
<td>7</td>
<td>The New Town Initiative provided for $22.5 million to be invested in the provision of sewerage services to country towns. Total expenditure for the program is: 2000/01 $5 million 2001/02 $7.5 million 2002/03 $5.6 million 2003/04 $3.2 million Total $21.3 million Seven out of the target of eight projects were undertaken. The eighth (Seaspray) was not undertaken because of delays in the design phase.</td>
</tr>
<tr>
<td>Development of an implementation plan for the research in water recycling and conservation program</td>
<td>date</td>
<td>Feb-04</td>
<td></td>
<td>The draft implementation plan is for the Smart Water Fund. Application packs, calling for research proposals, will be published. Public advertisement of the program is anticipated to commence in early 2005.</td>
</tr>
</tbody>
</table>
## Exhibit 15.3 – continued

<table>
<thead>
<tr>
<th>Output/Measure</th>
<th>Unit of measure</th>
<th>Target 2003-04</th>
<th>Actual 2003-04</th>
<th>Further information provided</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sustainable catchment management</strong></td>
<td></td>
<td></td>
<td></td>
<td>Of the total funding allocated ($1 million) to Tackling Weeds on Private Farmland in 2003-04, $897,892 was redirected to Bushfire Recovery and $70,000 allocated to projects with Shires. The number of Shires expected to be participating in the innovative partnerships projects in 2004-05 is 12.</td>
</tr>
<tr>
<td>Number of Shires participating in innovative partnerships projects</td>
<td>number</td>
<td>12</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Number of co-funded projects implemented on linear reserves</td>
<td>number</td>
<td>10</td>
<td>n/a</td>
<td>No funding was allocated to this project in 2003-04. Funding directed to Bushfire Recovery as outlined in the performance measure above. The number of co-funded projects expected to be implemented in 2004-05 is 4.</td>
</tr>
<tr>
<td>Community-based Land and Water Management plans- new or revised plans prepared and endorsed</td>
<td>number</td>
<td>12</td>
<td>5</td>
<td>For 2003-04 the completion of Regional Catchment Strategies (RCS) took precedence over the Land and Water Management Plans (L&amp;WMP). Emergencies such as drought and fire also affected the region's ability to direct resources to this activity. Nine of 10 RCSs are now complete and this will release resources for completion of the L&amp;WMPs. DSE is emphasising with the CMAs the need to complete these plans by the end of 2004-05 and have funded land and water management planning projects as a priority where regions have requested support.</td>
</tr>
</tbody>
</table>
### Exhibit 15.3 – continued

<table>
<thead>
<tr>
<th>Output/Measure</th>
<th>Unit of measure</th>
<th>Target 2003-04</th>
<th>Actual 2003-04</th>
<th>Further information provided</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sustainable forest production and industry development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of thinnings</td>
<td>m³ (000)</td>
<td>170</td>
<td>106</td>
<td>Expected revenue was $1.4 million but only collected $885,298 from reduced thinnings due to contractors being diverted to fire salvage rather than thinnings. The sale of thinnings will not be reported in the 2005-06 budget or the 2004-05 annual report as it is no longer one of DSE’s major indicators. Revenue will be reported in the Vic Forests annual report.</td>
</tr>
<tr>
<td>Area of regrowth forest thinned</td>
<td>ha</td>
<td>1800</td>
<td>891</td>
<td>Area of regrowth thinned will continue to be reported in the DSE Annual Report.</td>
</tr>
<tr>
<td><strong>Planning operations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planning certificates issued</td>
<td>number</td>
<td>60000</td>
<td>42621</td>
<td>Approx $1.1 million was expected to be collected in certificates revenue in 2003/04. Actual revenue of $683,056 reflected the reduced number of certificates issued.</td>
</tr>
<tr>
<td><strong>Sustainable place management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transit Cities benchmark pilot completed against agreed budgets and timeframes</td>
<td>Per cent</td>
<td>100</td>
<td>0</td>
<td>This performance measure will be reported in the 2005-06 budget and the DSE 2004-05 annual report. It is intended that the outcome will be publicly available.</td>
</tr>
</tbody>
</table>

**Note:** (a) the department advised that these measures are over the life of the project, and not an annual projection

n/a Not applicable

**Source:** Department of Sustainability and Environment response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.4–9
The Minister for Finance directed the 15 regional water authorities to prepare performance statements for audit and then for inclusion in the authorities’ annual reports. The statements disclose performance targets and indicators required by the Minister for Water, the actual results achieved for the year against the targets and indicators, and explanations for significant variances.

All regional water authorities in 2003-04 prepared performance statements in accordance with these requirements and the Auditor-General issued clear audit opinions on all performance statements.

The Committee noted the initial round of performance statement reporting by regional water authorities.

15.3 Major issues

15.3.1 Bushfire Recovery Program

The Bushfire Recovery Program was established following the 2002-03 wildfires. The fire affected 26 houses and 354 farms. Landholders suffered stock, pasture and fencing losses. Consequences of the fires included a severe reduction in water quality and the devastation of vegetation, including loss of habitats for significant flora and fauna. Also affected were commercial timber stands, recreation and tourism infrastructure assets, cultural sites, and farms adjacent to public land.

The $70.6 million four year program, involving the Department of Sustainability and Environment, the Department of Primary Industries and Parks Victoria, is addressing the impact of fires on the parks and reserves system.

Due to the significance of the program the Committee was interested in ascertaining the activities that were undertaken in 2003-04, the expenditure incurred on the program during 2003-04 and the extent to which predetermined outcomes for the program were achieved during this period.
The Committee found that the program operated 18 approved projects that were supported by 57 individual sub-projects. The department spent $37.4 million on this program during 2003-04 compared to the budget of $45.8 million.

The department informed the Committee that projects were managed in accordance with accepted project management guidelines and reports against milestones were reported to the department on a monthly basis.

The Committee’s examination of performance against the key activities intended for completion during 2003-04 failed to meet its target. These are listed below in exhibit 15.4 under the respective projects.

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737 Department of Sustainability and Environment response to the Committee’s Budget Outcomes questionnaire, p.17
738 ibid., p.16
739 ibid., p.19
### Exhibit 15.4: Bushfire Recovery Program progress at 30 June 2004

<table>
<thead>
<tr>
<th>Project</th>
<th>Key Deliverables</th>
<th>Agency</th>
<th>%</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Soil Erosion Control and Catchment Rehabilitation on Public Land</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rehabilitate creek crossings and control sediment and nutrient inputs</td>
<td>Erosion control and stream crossings works completed by May 2004.</td>
<td>DSE/PV</td>
<td>70%</td>
<td>June 06</td>
</tr>
<tr>
<td><strong>Alpine Bog Recovery</strong></td>
<td>All by June 2004 - Monitoring data on alpine bog recovery collected and analysed.</td>
<td>DSE/PV</td>
<td>50%</td>
<td>June 06</td>
</tr>
<tr>
<td>Advice regarding rehabilitation works provided, including the preparation of a written guide.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sites in which to focus rehabilitation works identified.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indigenous plant material for rehabilitation works propagated and provided.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Water Quality, Yield and River Ecosystem Assessment - Assessment of Bushfire Impact</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report on fate and effect of key contaminants entering Gippsland Lakes and Dartmouth</td>
<td>Report on the impacts on mean annual yield from all burnt catchments by Dec 03</td>
<td>DSE</td>
<td>45%</td>
<td>June 05</td>
</tr>
<tr>
<td><strong>Operate 2 experimental catchments to verify models and provide regular reports</strong></td>
<td>Report on potential altered flood risk in NE by Dec 03</td>
<td>DSE</td>
<td>40%</td>
<td>Jun 07</td>
</tr>
<tr>
<td><strong>Assess and report on potential impacts of fire on flood yield</strong></td>
<td>Report outlining fire impacts on river health and long term recovery by June 04 final by September 06.</td>
<td>DSE</td>
<td>40%</td>
<td>Jun 04</td>
</tr>
<tr>
<td><strong>Regeneration of Fire Killed Immature Alpine Ash</strong></td>
<td>6000 hectares of fire-killed alpine ash stands reseeded:</td>
<td>Vic</td>
<td>90%</td>
<td>Jun 06</td>
</tr>
<tr>
<td>• stage 1 by June 03</td>
<td></td>
<td>Forests</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• stage 2 by June 04</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Exhibit 15.4 – continued

<table>
<thead>
<tr>
<th>Project</th>
<th>Key Deliverables</th>
<th>Agency</th>
<th>%</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Natural Values Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan, implement and monitor pest ANIMAL programs to minimise threats to key conservation values</td>
<td>Undertake predator control programs for threatened species and other vulnerable fauna (using best practice information), undertake, rabbit hare control to protect known flora values by June 2004 across 15000 to 20000 hectares of public land. Work collaboratively with the community to manage deer and horse populations by Jun 2004. Undertake monitoring and assess impact of wild horses and deer by Jun 2004.</td>
<td>DSE/PV</td>
<td>50%</td>
<td>Jun 05</td>
</tr>
<tr>
<td>Support for monitoring of flora and fauna values post fire Big Desert, Murrayville South</td>
<td>Monitor identified key threatened species and undertake actions to reduce risks by Jun 2004.</td>
<td>DSE/PV</td>
<td>90%</td>
<td>Mar 04</td>
</tr>
<tr>
<td><strong>Cultural Value Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engage site monitors to identify new sites, undertake survey and rehabilitate priority sites – Indigenous and European</td>
<td>Undertake archaeological surveys by June 2004</td>
<td>DSE/PV</td>
<td>80%</td>
<td>Dec 04</td>
</tr>
</tbody>
</table>

**Note:** The above exhibit includes the activities undertaken by the Department of Sustainability and Environment, Parks Victoria and VicForests and does not include other agencies such as the Department of Primary Industries and Water Authorities. Sub-projects for the Department of Primary Industries that were not completed by June 2004 related to:

- (a) Undertaking soil conservation/stabilisation works on farmland (50% complete);
- (b) Constructing Wild Dog fences through grants process (45% complete); and
- (c) Providing advice to farmers on restoration of properties to a productive condition (90% complete)

**Source:** Department of Sustainability and Environment response to the Committee’s Budget Outcomes questionnaire, pp.17–19

The Committee recommends that:

**Recommendation 80:** The Department of Sustainability and Environment ensure that the projects identified under the Bushfire Recovery Program are completed within the four year target.
The Committee also noted that the department’s 2003-04 annual report does not include formal performance measures relating to the program’s activities. The Committee considers that annual reporting of a suite of performance measures and actual results is warranted, given the level of funding committed to the Bush Fire Recovery Program, the program’s duration, and the number of organisations involved with the program.

The Committee recommends that:

**Recommendation 81:** The Department of Sustainability and Environment:

(a) develop a performance monitoring and evaluation framework for the Bush Fire Recovery Program to assess the outcomes of the program’s activities; and

(b) report the performance outcomes in its annual report.

### 15.3.2 Victorian Water Trust

The Committee noted that the creation of the Victorian Water Trust was central to the Department of Sustainability and Environment’s objective of establishing a systematic approach to water catchment and to sustain current and future generations.\(^\text{740}\)

The Victorian Water Trust Advisory Council (the Council) was established in July 2003, pursuant to the Water (Victorian Water Trust Advisory Council) Act 2003,\(^\text{741}\) to provide independent advice to the Minister for Water on funding priorities for the trust.\(^\text{742}\) The financial transactions of the advisory council form part of the department’s financial report.\(^\text{743}\) Unlike the advisory council, the Victorian Water Trust does not exist in legislation.\(^\text{744}\) The Trust oversees initiatives to reduce water consumption by Victorians, water re-use works programs, and projects to improve the health of waters and waterways. In not forming part of the Trust Fund, the Victorian Water Trust has a separate appropriation line and its transactions are also included in the financial report of the department.\(^\text{745}\) It was allocated funding of $52.5 million over four years in the 2003-04 budget.\(^\text{746}\)

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\(^{740}\) Budget Paper No. 3, 2003-04 Budget Estimates, p.306

\(^{741}\) Department of Sustainability and Environment response to the Committee’s follow-up questions

\(^{742}\) Department of Sustainability and Environment response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.20

\(^{743}\) Department of Sustainability and Environment response to the Committee’s follow-up questions

\(^{744}\) ibid.

\(^{745}\) ibid.

\(^{746}\) Budget Paper No. 2, 2003-04 Budget Statement, p.250
The department advised the Committee that the Council’s main achievement in 2003-04 was the release of the Victorian Water Trust Investment Strategy in November 2003. The strategy provides a framework for investment decisions for the Victorian Water Trust, establishes detailed governance arrangements and implements a process to oversee the Trust’s funding priorities.\(^{747}\) The oversight process includes:\(^{748}\)

- the assessment of business cases and implementation plans;
- the establishment of performance agreements between the Trust and the project proponents before funding is provided;
- monitoring of milestones and performance measures on a monthly basis;
- the regular provision of financial reports to the Victorian Water Trust Advisory Committee, the department and the Minister for Water; and
- the provision of performance reports to the department and to the Department of Treasury and Finance as part of the quarterly performance reporting process to the Expenditure Review Committee.

Other key outcomes for the Trust in 2003-04 were:\(^{749}\)

- estimated annual savings of 700 megalitres arising from 68,000 home water efficiency rebates;
- the commencement of the Macalister Irrigation Program seeking to return five gigalitres of water to the Thomson and Macalister rivers; and
- the commencement of the healthy rivers project of $1.9 million.

The Trust was allocated $15 million in 2003-04 for outputs and asset investments. All output funding was expended but asset investment spending was limited to $1 million with the residual being carried over into 2004-05.\(^{750}\)

While noting the achievements of the Victorian Water Trust, the Committee observed that the Budget Papers do not include performance measures for the Advisory Council’s activities or departmental activities that support the Trust. The Committee reiterates its view that performance monitoring and reporting should be undertaken for the Trust.\(^{751}\)

\(^{747}\) Department of Sustainability and Environment, 2003-04 Annual Report, p.28

\(^{748}\) Department of Sustainability and Environment response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.26

\(^{749}\) Department of Sustainability and Environment, 2003-04 Annual Report, pp.28–29

\(^{750}\) Department of Sustainability and Environment response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.20

The Committee recommends that:

Recommendation 82: The Department of Sustainability and Environment:

(a) develop a performance monitoring and evaluation framework for the Victorian Water Trust to assess the outcomes of the Trust’s activities; and

(b) report the performance information in the Budget Papers and the department’s annual report.

15.3.3 The Transit Cities program

The 2003-04 budget provided $4.4 million over two years for the Transit Cities program.\textsuperscript{752} Transit Cities is a joint land use and transport initiative to encourage high quality, liveable and sustainable urban environments at 13 locations across Victoria through projects that stimulate growth and investments in these areas.\textsuperscript{753}

The department advised the Committee that $5.8 million, including capital, was expended under the program in 2003-04 against a budget allocation of $5.5 million\textsuperscript{754} (including a capital budget of $1 million).\textsuperscript{755} Additional expenditure of $341,863 was sourced from other areas.\textsuperscript{756}

To ensure funds provided to the participating agencies are appropriately spent, project documentation and scoping documents are prepared and agreed to by the department and the relevant agency before funds are allocated to a project. At the completion of the project, the department receives a copy of the master plan and, in the case of capital works, inspects the works to ensure the development has been delivered in accordance with the original scope.

Key outcomes in 2003-04 were advised to the Committee as:\textsuperscript{757}

- the establishment of governance arrangements for the Dandenong Development Board, the Ringwood Transit City Advisory Committee, the Sydenham Transit City Advisory Committee and a partnership committee at Box Hill;

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\textsuperscript{752} Budget Paper No. 2, 2003-04 Budget Statement, pp.245–249
\textsuperscript{753} Department of Sustainability and Environment, 2003-04 Annual Report, p.45
\textsuperscript{754} Department of Sustainability and Environment response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.22
\textsuperscript{755} Department of Sustainability and Environment response to follow-up questions
\textsuperscript{756} Department of Sustainability and Environment response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.22
\textsuperscript{757} ibid.
the holding of a successful partnership forum with local government;

- the completion of master plans at Broadmeadows, Bendigo, Footscray and Latrobe Valley;

- the implementation of a priority development zone in Footscray;

- the announcement of public realm and public transport improvements (which are now either completed or under construction) at Box Hill, Footscray, Geelong, Warragul, Sydenham and Bendigo; and

- the facilitation of a number of major private sector developments, including the $140 million development of shopping and entertainment facilities at Frankston and the $60 million redevelopment of the former Whitehorse Plaza at Box Hill.

**15.3.4 Renewable Energy Support**

The Sustainable Energy Authority Victoria (SEAV) manages the Renewable Energy Support Fund. This fund is an $8 million initiative over four years from the Victorian Greenhouse Strategy, which is designed to provide up to 20 per cent of capital to support innovative applications of renewable energy technologies.\(^{758}\)

The fund is targeted at medium scale projects larger than households but smaller than major renewable energy projects such as wind and large scale hydro-electric power stations. Seven private sector finance partners are involved with the fund to provide investment for projects that do not have their own sources of capital.\(^{759}\)

The Committee sought advice from the department of funding provided in 2003-04 and arrangements for the assessment, accountability and performance evaluation for projects funded.

The department advised that it received 26 project proposals in 2003-04, requesting a total contribution of $14 million from the $8 million of funding available from the Renewable Energy Support Fund. Projects are initially reviewed for eligibility and consistency with government policy. Eligible projects are assessed against published selection criteria, including the level of innovation, the technical and financial feasibility and the demonstration value in Victoria. Due diligence is carried out on the projects that satisfy the selection criteria, including a review by an independent panel. Following completion of the internal and panel review processes, those projects that are to be supported are recommended to the Minister for Environment.\(^{760}\)

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\(^{758}\) Sustainable Energy Authority Victoria, *2003-04 Annual Report*, p.32

\(^{759}\) ibid.

\(^{760}\) Department of Sustainability and Environment response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.23
The department advised that the budget allocation in 2003-04 was $843,000. Total contribution and support funding paid and committed to projects for 2003-04 amounted to $986,000 including $411,000 in overhead costs. Overhead costs included the external promotion of the Renewable Energy Support Fund, the establishment of the independent review panel and support for some project proponents in developing realistic business cases and due diligence assessments. The department confirmed that costs incurred in 2003-04 were consistent with the initiative’s budget allocation for the first year of operation.\textsuperscript{761}

The department advised that the following accountability measures have been adopted for ensuring that recipients spend project funds appropriately:\textsuperscript{762}

- agreements negotiated with successful project proponents include staged funding that is conditional on the achievement of agreed outcomes over the life of the project. The agreements specify the key project milestones that have to be achieved throughout the project life cycle;
- SEAV continually monitors and validates that project milestones have been achieved; and
- payments from the fund are made to project partners only on their successful completion of each contracted milestone.

Arrangements for performance assessment and evaluation provide for specific outcomes. The success measures typically include:\textsuperscript{763}

- the generation of renewable energy;
- the meeting or exceeding of an estimated internal rate of return on investments in renewable energy; and
- the expansion in Victoria of the market for the renewable energy solution that the project demonstrates.

The Committee noted that SEAV’s 2003-04 annual report does not include formal performance measures relating to the Renewable Energy Support Fund’s activities. The provision of a suite of performance measures, coupled with annual reporting on performance results, would enhance the accountability and transparency of the fund’s activities.

\textsuperscript{761} ibid.
\textsuperscript{762} ibid., p.25
\textsuperscript{763} ibid.
15.3.5 The Snowy Joint Government Enterprise

The Snowy Joint Government Enterprise was established in December 2003. The Committee understands that several documents relate to the governance of the enterprise, including:

- the Constitution of Joint Government Enterprise Limited;
- the Snowy Water Inquiry Outcomes Implementation Deed;
- the Members Agreement; and
- the annual business plan.

The Committee sought copies of these documents from the department. The department advised that it and its predecessor, the Department of Natural Resources and Environment, were heavily involved in both the negotiations on the Snowy Hydro Ltd corporatisation, and the establishment of the Joint Government Enterprise, but that the Department of Treasury and Finance was and remains the lead agency in these matters. The Treasurer is the signatory to the documents and the Victorian Member of the Joint Government Enterprise.764

Further, because both the Commonwealth and NSW Governments are parties to these documents, the release of any documents that are not already on the public record may also require the consent of these parties.765

The Committee will continue to seek access to documents relating to the governance of the Snowy Joint Government Enterprise.

15.3.6 Environment Protection Authority

The annual reporting framework for public sector agencies is set out in the State’s Financial Management Package, which is administered by the Minister for Finance. These arrangements require agencies to prepare an annual report that contains:

- a report of operations; and
- financial statements audited by the Auditor-General.

The Committee review of the annual reporting arrangements for the Environment Protection Authority (EPA Victoria) indicated a variation from these requirements as that agency produces two annual reports:

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764 Department of Sustainability and Environment response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.22–23
765 ibid.
• a compliance report prepared in accordance with the Financial Management Act 1994;\textsuperscript{766} and

• a community and environment report covering significant areas of EPA activities, including the Chairman’s report.\textsuperscript{767}

The Committee noted that neither report alludes to the existence of the other report. The Committee considers that much of the material reported in the community and environment report qualifies as material normally provided in the report of operations required under the Financial Management Act.\textsuperscript{768} The Committee considers that reporting by EPA to Parliament and the community would be best served by the material now covered in both reports being incorporated into a single annual report.

The Committee recommends that:

**Recommendation 83:** The Environment Protection Authority comply with the requirements of the Financial Management Act 1994 for annual reporting, by producing a single annual report containing a report of operations and a financial report.

The Committee noted that the EPA achieved most of its performance targets but did not explain the majority of variances from performance targets or underspending. The Committee considers accountability and transparency are enhanced when variances from performance targets and budgeted costs are provided.

The Committee recommends that:

**Recommendation 84:** The Environment Protection Authority explain in its annual report major variances from performance targets and budgeted costs.

\textsuperscript{766} EPA Victoria 2003-04 Annual Report, Compliance Report

\textsuperscript{767} ibid.

\textsuperscript{768} ibid., Table of Contents, pp.4–5
CHAPTER 16: DEPARTMENT OF TREASURY AND FINANCE

Key Findings of the Committee:

16.1 The 2003-04 budget of the Department of Treasury and Finance was $178.4 million. Actual expenditure for that year was $180 million, $1.6 million or less than 1 per cent more than the budget estimates.

16.2 The Department of Treasury and Finance met 80 per cent of its performance targets in 2003-04.

16.3 Departmental client satisfaction with the revised vehicle fleet leasing arrangements introduced in 2004 was significantly below the target set by the Department of Treasury and Finance.

16.4 At December 2004, about half of the number of Victorian public sector entities had been provided with training organised by the Department of Treasury and Finance in preparation for the adoption of Australian equivalents of the International Financial Reporting Standards.

16.5 At 1 July 2004, substantial work remained for Victorian public sector entities to implement the Australian equivalents of the International Financial Reporting Standards.

16.6 There is no legislative requirement for the Minister for Finance to publicly report on annual certification and reporting outcomes under the Financial Management Compliance Framework.

16.7 At 30 June 2004 the Victorian Managed Insurance Agency’s catastrophe reserve had a deficiency of $23 million against a desired target of $55 million.

16.8 Financial obligations from superseded whole of government vehicle leasing arrangements totalled $239 million, including $24 million for future interest costs.

16.9 Commercial-in-confidence clauses in sponsorship agreements between the Transport Accident Commission and two Australian Football League (AFL) clubs have prevented public scrutiny of these arrangements for 15 years.
16.1 Financial analysis

The Department of Treasury and Finance budget for 2003-04 was $178.4 million. Actual expenditure for the year was $180 million. The budget variation of $1.6 million represented less than 1 per cent of budget (exhibit 16.1.).

Exhibit 16.1: Department of Treasury and Finance output summary 2003-04

<table>
<thead>
<tr>
<th>Output group</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column (2-1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003-04 Budget ($ million)</td>
<td>2003-04 Actual ($ million)</td>
<td>Variation (a) ($ million)</td>
</tr>
<tr>
<td>Strategic Policy Advice</td>
<td>27.1</td>
<td>27.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Financial Management Services</td>
<td>19.9</td>
<td>20.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Risk Management Services</td>
<td>11.1</td>
<td>11.0</td>
<td>-0.1</td>
</tr>
<tr>
<td>Reform Services</td>
<td>1.4</td>
<td>1.7</td>
<td>0.3</td>
</tr>
<tr>
<td>Resource Management Services</td>
<td>44.5</td>
<td>44.8</td>
<td>0.3</td>
</tr>
<tr>
<td>Regulatory Services</td>
<td>13.0</td>
<td>12.4</td>
<td>-0.6</td>
</tr>
<tr>
<td>Revenue Management Services</td>
<td>61.4</td>
<td>62.0</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Net result</strong></td>
<td><strong>178.4</strong></td>
<td><strong>180.0</strong></td>
<td><strong>1.6</strong></td>
</tr>
</tbody>
</table>

Note: (a) A negative variance indicates the actual expenditure on the output group was less than budget.


Outputs valued at $380,000 remained unfinished at 30 June 2004 and consisted mainly of outstanding Gateway reviews of Partnerships Victoria projects which were delayed by external parties yet to confirm future contributions to projects. Funding provided for the completion of these reviews was carried over into 2004-05.

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769 Department of Treasury and Finance, 2003-04 Annual Report, pp.20–37
770 Department of Treasury and Finance response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.2
16.2 Performance information

The department demonstrated its performance in 2003-04 mainly on the basis of its achievement of the performance measures and targets set out in the Budget Papers.\textsuperscript{772}

The Committee noted the department largely achieved targets set for about 80 per cent of its performance measures.\textsuperscript{773} While the department’s annual report explains variations between targets and actual achievements, the Committee sought further information on the more significant variations. Details are outlined at exhibit 16.2 below.

### Exhibit 16.2 Department of Treasury and Finance
selected performance measures 2003-04

<table>
<thead>
<tr>
<th>Output / Performance measure</th>
<th>Unit of measure</th>
<th>2003-04 Target</th>
<th>2003-04 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio performance review</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Output evaluation and pricing reviews</td>
<td>Number</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>Resource management reform</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Documented case studies on MRP principles/practices applied</td>
<td>Number</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Stakeholder satisfaction with Guidance material (intranet site) as per evaluation rating</td>
<td>Percentage</td>
<td>85</td>
<td>79</td>
</tr>
<tr>
<td>Management of motor vehicle leases</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Departmental clients satisfied with fleet financing arrangements</td>
<td>Percentage</td>
<td>75</td>
<td>55</td>
</tr>
<tr>
<td>Performance in fleet financing and management equals or exceeds benchmark standards</td>
<td>Percentage</td>
<td>70</td>
<td>nm-</td>
</tr>
</tbody>
</table>

Note: nm - not measured. The performance rating survey was not conducted in 2003-04

Source: Department of Treasury and Finance Annual Report 2003-04, pp.26, 31, 34

\textsuperscript{772} Department of Treasury and Finance 2003-04 Annual Report, p.16
\textsuperscript{773} ibid.
The department advised the Committee of the following reasons for variations between target and actual results for the above performance measures:

- following the original drafting of the Budget Paper No. 3 target and subsequent publication in the 2003-04 Budget, the government significantly revised its expectations of the Portfolio Performance Review output. In particular, it endorsed a new framework for output reviews (reducing the number to be conducted from 11 to 4), and approved enhanced quarterly asset investment reporting. The reduction in the number of reviews was offset by an increase in the size and complexity of those reviews;

- the non completion of MRP case study principles/practices within the Resource Management Reform output reflected the redirection of resources following the government’s decision on the development of the Departmental Funding Model and the Treasurer’s decision to pursue a comprehensive refinement of the 2004-05 suite of Budget Papers. Both of these major projects used resources from the output, which had not been identified when the 2003-04 performance measures were set. Additionally, resources were also redirected to a significant review, done in conjunction with the Department of Premier and Cabinet, of the Growing Victoria Together framework;

- a review of the content and presentation of the budget and financial management intranet, within the Resource Management Reform output, is proposed as part of the department’s planned development of a manual on key budget and financial reporting policies and processes;

- the low departmental client satisfaction result (within the Management of Motor Vehicle Leases output) reflects the initial impact of the major organisational and business changes resulting from the review of vehicle fleet operations and financing. Since receiving the rating, VicFleet has undergone a significant communication exercise involving regular client forums, the publication of business plans following departmental input, the implementation of communication and client relationship plans, the creation of a customer charter, and a significant re-engineering of new business workflows improving responsiveness;

- the services offered under the Management of Motor Vehicle Leases output are based on best practice principles equalling benchmark standards. Given the short period of time that VicFleet operated in 2003-04, its services were not measured through an independent assessment. Based on internal measurements, however, VicFleet services meet best practice benchmarking practices. A survey will be conducted in 2005.
The department’s annual report indicates that 29 (or 20 per cent) of the 143 budget portfolio output performance targets set for 2003-04 were not met.\(^{775}\)

The Committee examined recent trends in the department’s unmet performance targets (exhibit 16.3).

**Exhibit 16.3**

Department of Treasury and Finance
unmet budget portfolio performance targets
2001-02 – 2003-04

<table>
<thead>
<tr>
<th>Year</th>
<th>Output revenue ($ million)</th>
<th>No of performance targets</th>
<th>No of Unmet performance targets</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>180.4</td>
<td>(a) 143</td>
<td>29</td>
<td>20</td>
</tr>
<tr>
<td>2002-03</td>
<td>181.2</td>
<td>204</td>
<td>35</td>
<td>17</td>
</tr>
<tr>
<td>2001-02</td>
<td>201.2</td>
<td>210</td>
<td>45</td>
<td>21</td>
</tr>
</tbody>
</table>

Note: (a) The reduction in the number of 2003-04 performance measures was due mainly to the transfer of Gaming related outputs to the Department of Justice, the merger of four outputs into two and the discontinuation of inappropriate indicators


Exhibit 16.3 indicates the reduction in the number of performance targets set for the department since 2001-02. The number of performance target numbers fell again in 2004-05, down to 134.\(^{776}\) Despite the reduction in the number of performance measures, the proportion of unmet performance targets for 2003-04 remained higher than in the two preceding years and only five per cent lower than the equivalent rate for 2001-02.

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\(^{775}\) Department of Treasury and Finance, 2003-04 *Annual Report*, p.16


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16.3 **Major issues**

16.3.1 **Adoption of International Financial Reporting Standards**

The Committee previously noted the impending adoption of Australian equivalents to International Financial Reporting Standards (IFRS) from 1 January 2005 and the impact for the financial reporting framework of the Victorian public sector.\(^777\)

(a) **Co-ordinating role of the Department of Treasury and Finance**

The Department of Treasury and Finance is co-ordinating the Victorian public sector’s transition to Australian equivalents\(^778\) and undertook the following steps in 2003-04 to manage this transition:\(^779\)

- established a steering committee to oversee the transition to and implementation of Australian equivalent standards;
- reviewed current Victorian Government accounting policies and the new accounting standards to identify key issues with, and the likely impacts of, the adoption of the Australian equivalents;
- identified potential changes to existing accounting practices of the Victorian public sector that could have a material impact on future financial position and financial performance, particularly regarding the valuation and impairment of assets and the valuation of superannuation liabilities;
- commenced an education and training process for all stakeholders to raise awareness of the changes in reporting requirements and processes; and
- began to reconfigure and test accounting systems and processes to meet the new financial reporting requirements.

The Committee understands that about half of the 600 public sector entities\(^780\) have been provided with training. The Committee considers that all entities have a responsibility to ensure that staff are provided with an appropriate level of training for the implementation of the standards.

The Department of Treasury and Finance advised that some agencies were well advanced in planning for the new financial reporting regime, while others have deferred allocating resources pending the finalisation of standards and/or in anticipation of the Department of Treasury and Finance providing advice and development.

\(^777\) ibid., pp.625–627  
\(^778\) ibid., p.626  
\(^779\) Department of Treasury and Finance response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.10–12  
\(^780\) Victorian Auditor-General’s Office, 2003-04 Annual Report, p.27
support. The Auditor-General reported that substantial work remains for agencies to effectively implement the new accounting standards.

The Committee considers that the department and agencies should give a high priority to ensuring they are adequately prepared for the adoption of the standards in 2005, to avoid delays and the risks of material misstatement in financial reports.

The Committee recommends that:

**Recommendation 85:** The Department of Treasury and Finance give consideration to what other steps need to be taken to ensure the preparedness of agencies to efficiently and effectively implement the Australian equivalents to the International Financial Reporting Standards.

**(b) Progress made in redeveloping certain accounting policies of relevance to the Victorian public sector**

The Committee was advised that the Department of Treasury and Finance reviewed existing Victorian Government accounting policies in the context of the new Australian standards issued by the Australian Accounting Standards Board in June 2004.

At 7 April 2005, the department had issued 12 A-IFRS financial reporting directions, which covered key accounting policy areas such as non current physical assets, impairment of assets, intangible assets and defined benefit superannuation obligations.

The Committee noted that several accounting policy directions for important accounting areas are still outstanding, including contributed capital and financial instruments. The Committee considers that these areas will significantly affect the financial positions and performance of agencies and that financial reporting directions in these areas should be completed as soon as possible.

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781 Department of Treasury and Finance response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.12  
782 Victorian Auditor-General’s Office, *Results of 30 June 2004 financial statement and other audits*, December 2004, p.44  
783 Department of Treasury and Finance response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.12  
785 ibid.
The Committee recommends that:

**Recommendation 86:** The Department of Treasury and Finance issue as soon as possible all financial reporting directions for all outstanding issues with the transition to the Australian equivalents to the International Financial Reporting Standards.

### 16.3.2 Financial management compliance certification

The Committee previously noted the introduction of the Financial Management Compliance Framework from 1 July 2003, which was designed to help the Minister for Finance discharge his responsibility to ensure public resources are managed in a financially responsible manner.  

The framework provides for annual certification and reporting, whereby individual Victorian public sector entities, including departments, provide certification to the relevant Minister, supported by the relevant department, that they have complied with the Standing Directions of the Minister for Finance. Each department also forwards a portfolio summary report to the Minister for Finance through the Department of Treasury and Finance.

The Department of Treasury and Finance advised that:

- the reporting component of the certification process was substantially complete at 31 December 2004;
- nearly all entities submitted certification letters to respective Ministers. All entities will complete certification letters in 2005 except for two per cent that are being monitored by the relevant department for completion; and
- all portfolio summary reports were provided to the Minister of Finance.

The Department of Treasury and Finance further advised that results of the first certification year were positive because the majority of entities had made significant progress towards compliance with the Standing Directions of the Minister for Finance and had devoted resources towards the achievement of compliance over time. Departments indicated where entities were partly compliant or non compliant, and the certification letters detailed the associated rectification plans and timelines.

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787 ibid., p.629
788 Department of Treasury and Finance response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.12–13
789 ibid., p.13
790 ibid.
The Department of Treasury and Finance indicated that it will continue to provide whole of government assistance to entities to move towards best practice financial management compliance over time by:

- holding communication sessions on generic or specific issues;
- continuing to maintain the Financial Management Knowledge Centre website;
- continuing to review and update whole of government guidance;
- advising on and resolving whole of government issues;
- communicating and disseminating information to departments and entities;
- conducting assurance reviews to identify risk areas, implementing rectification plans and offering any further areas of support; and
- investigating strategies that may assist entities to achieve a level of compliance over time.

The Committee acknowledges that the Standing Directions of the Minister for Finance have established modern financial management practices that will take time to be embedded across the whole of the Victorian public sector. The Department of Treasury and Finance in conjunction with departments will need to continue to support agencies over time to meet full compliance with the Financial Management Compliance Framework.

The Department of Treasury and Finance advised there is no legislative requirement for the Minister for Finance to publish a report on the results of the framework’s operation and that the first year’s results are not intended to be published.

The Committee noted the department’s comments but reiterates its previously expressed view that the Financial Management Compliance Framework and good governance within the Victorian public sector would be enhanced by full and comprehensive public reporting on the outcomes of compliance and certification reporting for 2003-04 and beyond.

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791 ibid.
792 ibid.
793 ibid.
16.3.3 Victorian Managed Insurance Authority

The Committee previously noted the deterioration in the financial position of the Victorian Managed Insurance Authority (VMIA) between 2001-02 and 2002-03 which led to a decline in net assets by $47 million by 30 June 2003 mainly as a result of average annual operating losses of about $19 million.795

The Authority had a deficiency in the desired capital position at 30 June 2003 of $68.2 million, based on a shortfall between reported net assets of $34.3 million and reserve requirements of $102.5 million for solvency ($52.5 million) and catastrophe ($50 million) needs.796

The Committee is pleased to note that this deficiency of $68.2 million in the desired capital position was reduced in 2003-04 by $45 million to $23 million at 30 June 2004.797 Allowing for a net increase of $900,000 in reserve requirements, key drivers for the improvement were:798

- additional capital of $18.3 million provided by the government; and
- an operating surplus of $27.8 million for 2003-04 brought about mainly by an improved investment climate.

Given that VMIA’s solvency reserve needs were fully provided at 30 June 2004, the resultant deficiency of $23 million in reserve requirements reflected a shortfall in the revised catastrophe reserve target of $55 million.799

The Department of Treasury and Finance advised that future operating surpluses will fund the catastrophe reserve deficiency.800 Projected net surpluses to be applied to the catastrophe reserve are estimated at $12.2 million for 2004-05 and $17 million for 2005-06.801 The department indicated that full funding would be achieved over the next two years but this would depend on the claims experience, the economic assumptions used in calculating the claims provisions and investment earnings.802 The adoption of the International Financial Reporting Standards is not expected to significantly affect VMIA’s financial projections.803

795 ibid., p.635
796 ibid.
797 Victorian Managed Insurance Authority, 2003-04 Annual Report, pp.26 and 41
798 ibid.
799 ibid., pp.11 and 41
800 Department of Treasury and Finance response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.14
801 ibid.
802 ibid.
803 ibid.
The Committee sought, as a benchmark, details of how VMIA’s capital reserves of $80.4 million\(^{804}\) would compare with an equivalent capital adequacy reserve required under guidelines issued by the Australian Prudential Regulation Authority (APRA).

The Department of Treasury and Finance advised that:\(^{805}\)

- as a state insurance agency, VMIA it is not subject to APRA requirements; and
- if VMIA were subject to APRA requirements, it would require capital of $123.9 million to support its liabilities. With capital of $80.4 million at 30 June 2004, this would leave a theoretical shortfall of $43.5 million.

The Department of Treasury and Finance further advised\(^{806}\) that APRA requirements for private sector insurers are primarily intended to provide claimants and creditors with a reasonable degree of assurance that payments will be made by the insurer as and when they fall due.\(^{807}\) In VMIA’s case, the state guarantees such an assurance under the \textit{Victorian Managed Insurance Authority Act} 1996. While VMIA and the government intend VMIA to maintain sufficient capital reserves and a call on this statutory guarantee is unlikely, the guarantee provides an ultimate safeguard beyond the requirements that APRA imposes on private sector insurers.\(^{808}\)

The Committee noted that APRA requirements do not apply to VMIA (and other public sector insurers) due primarily to guarantees provided under the Act, but considers there may be merit in examining the extent to which APRA guidelines and any other industry related guidance (such as the HIH Royal Commission recommendations) might apply to Victorian public sector insurers, to achieve consistency in the provision of capital adequacy reserves and any related financial insurance practises such as valuation of outstanding claims liabilities covered by the APRA requirements.

The Committee recommends that:

\textbf{Recommendation 87:} The Department of Treasury and Finance develop guidelines for public sector insurers on capital adequacy reserves and any related insurance financial practices, following examination of Australian Prudential Regulation Authority guidelines and related insurance industry guidance.

\(^{804}\) Victorian Managed Insurance Authority, 2003-04 Annual Report, p.26
\(^{805}\) Department of Treasury and Finance response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.15
\(^{806}\) Victorian Managed Insurance Authority, 2003-04 Annual Report, p.26
\(^{807}\) ibid.
\(^{808}\) ibid.
16.3.4 Outstanding vehicle lease financial obligations

In February 2004, Vic Fleet (a unit within the commercial division of the Department of Treasury and Finance) replaced the Commonwealth Bank of Australia (CBA) as the owner and lessor of government vehicles. However, arrangements provided that CBA vehicle leases with departments and agencies at February 2004 would continue until the lease expired. 809

The Committee sought details of outstanding vehicle lease financial obligations to the CBA following the termination of the leases in February. The department advised that the following obligations valued at $239 million have been recognised: 810

- the financial obligation arising from vehicle leasing with CBA that terminated in February 2004 was approximately $185 million, consisting of a principal amount payable of $161 million plus future interest costs of $24 million;
- additionally, a motor vehicle lease deficit provision (the profit and loss adjustment account)811 at 30 June 2004 of $48 million; and
- a contingent liability of $6.3 million, representing a CBA request for payment of a swap interest rate adjustment, subject to verification by the department.

The department has further advised that the last vehicle lease with the CBA is due to be terminated in early 2007 and that lease obligations including the Motor Vehicle Lease Deficit Provision are expected to be fully finalised in 2007-08. 812

The Committee noted that the department has the option to wind up the vehicle lease facility with the CBA earlier than 2007-08. 813 While the Committee acknowledges that some additional costs may arise from early termination of the lease, 814 future interest obligations of $24 million could mean that an earlier wind up of the CBA lease agreement would prove beneficial to the government.

810 Department of Treasury and Finance response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.15
812 Department of Treasury and Finance response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.15–16
813 ibid., p.15
The Committee recommends that:

**Recommendation 88:** The Department of Treasury and Finance review the cost effectiveness of winding up the vehicle lease agreement with the Commonwealth Bank of Australia earlier than 2007-08.

### 16.3.5 Confidentiality issues with arrangements between the Transport Accident Commission and two AFL clubs

In its review of the 2004-05 budget estimates, the Committee determined to clarify the nature of the Transport Accident Commission’s sponsorship arrangements, following advice from the Minister for WorkCover that details of the sponsorship contracts remain commercial-in-confidence, consistent with established Transport Accident Commission practice and given the highly competitive nature of the football sponsorship market.  

The Committee subsequently requested the Department of Treasury and Finance to advise:

- why sponsorship arrangements between the Transport Accident Commission and two AFL clubs are deemed confidential;
- whether the confidentiality of the sponsorship agreements was requested by the Transport Accident Commission or the recipient clubs;
- whether the confidentiality provision relates to the entire contracts or selected parts of the sponsorship agreements; and
- whether there are any exemptions to the confidentiality provisions, who the parties are and whether sponsorships details have been provided to such parties.

The Department of Treasury and Finance advised the Committee that contracts with both clubs have been agreed for the 2005 season. The department reiterated that the Transport Accident Commission’s view that sponsorship contracts should remain commercial in confidence, consistent with the practice of the past 15 years and in view of the highly competitive nature of the football market, and that both the sponsored clubs and the Commission agreed on this view. Confidentiality relates to the entire contract, with no exemptions except where disclosure is required by law.

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815 ibid., pp.644–645
816 Department of Treasury and Finance response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.8
817 ibid., pp.16 and 17
818 ibid.
The Committee continues to stress that expenditure by publicly owned and operated entities should be subject to the same scrutiny as that of other areas of government, and that no barriers should exist to disclosing to Parliament the value of sponsorships. The absence of such information prevents the Committee and the community in assessing the costs and benefits of such sponsorship arrangements and whether opportunities exist to provide greater benefits than those under current sponsorship arrangements.

The Committee recommends that:

**Recommendation 89:** The Department of Treasury and Finance and the Transport Accident Commission ensure that future AFL sponsorship arrangements provide for public disclosure of the costs and benefits of these arrangements.

**Recommendation 90:** The Government advise the Public Accounts and Estimates Committee whether the AFL sponsorship arrangements between the Transport Accident Commission and AFL clubs comply with the government’s guidelines on confidentiality.

The Committee sought details from the Transport Accident Commission to ensure accountability and performance under sponsorship arrangements. The department advised that:

- the two football sponsorships are part of a multi-pronged accident prevention strategy to help activate the ‘Drink, drive, bloody idiot’ (Richmond Football Club) and “Wipe off 5” (Collingwood Football Club) messages;
- sponsorships (and potential sponsorships) are evaluated against a series of criteria including:
  - message exposure;
  - message quality;
  - community activation; and
  - message recognition; and
- sponsorships are also independently evaluated each year by industry specialists.

The Committee intends to revisit this matter at the 2005-06 budget estimates hearings.

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820 Department of Treasury and Finance response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.17
CHAPTER 17: DEPARTMENT FOR VICTORIAN COMMUNITIES

Key Findings of the Committee:

17.1 The Department for Victorian Communities’ budget for 2003-04 was $357.8 million. Actual expenditure was $330.9 million, which was $26.9 million or 7.5 per cent under the budget estimates.

17.2 The under expenditure of $45.8 million by the People, Community Building and Information Services output group and $400,000 by the Supporting Local Government output group was off-set against net over expenditure of $19.3 million by the Sport, Recreation and Commonwealth Games output group.

17.3 The Department for Victorian Communities’ 2003-04 annual report did not include details of specific projects and programs that received carry over funding.

17.4 Contingency funding provided in the budget estimates for the Commonwealth Games output was not required in 2003-04 and was carried forward to 2004-05.

17.5 The department in its 2003-04 annual report did not provide an explanation for all variations of key output costs and performance from the targets.

17.6 Annual reporting on indigenous affairs by the Department for Victorian Communities is based on a two year reporting cycle that does not align with either the financial or calendar year.

17.7 Expenditure on new community and youth employment programs was under budget by $6.5 million.

17.8 Familiarisation difficulties with a new web based grant application system introduced in April 2004 contributed to a lower than targeted number of grant applications being received for funding from the Community Support Fund.

17.9 The Auditor-General has qualified the financial reports of the Melbourne and Olympic Park Trust for the past four consecutive financial years.
Key Findings of the Committee - continued:

17.10 The Department for Victorian Communities met or exceeded 79 per cent of its performance measures in 2003-04.

17.11 The additional costs of redesigning the Commonwealth Games Village, Parkville to reduce overcrowding and improve temporary accommodation for athletes and officials is not yet known.

17.1 Financial analysis

The budget for the Department for Victorian Communities for 2003-04 was $357.8 million. Actual expenditure for the year was $330.9 million (exhibit 17.1), resulting in an under spend of $26.9 million, equivalent to 7.5 per cent of the budget.

Exhibit 17.1: Department for Victorian Communities output group summary 2003-04

<table>
<thead>
<tr>
<th>Output Group</th>
<th>2003-04 Budget ($ million)</th>
<th>2003-04 Actual ($ million)</th>
<th>Variation (a) ($ million)</th>
<th>Variation (a) ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporting local government</td>
<td>33.0</td>
<td>32.6</td>
<td>-0.4</td>
<td>-1.2</td>
</tr>
<tr>
<td>Sport, recreation and commonwealth games</td>
<td>158.2</td>
<td>177.5</td>
<td>19.3</td>
<td>12.2</td>
</tr>
<tr>
<td>People, community building and information services</td>
<td>166.6</td>
<td>120.8</td>
<td>-45.8</td>
<td>-27.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>357.8</strong></td>
<td><strong>330.9</strong></td>
<td><strong>-26.9</strong></td>
<td><strong>-7.5</strong></td>
</tr>
</tbody>
</table>

Note: (a) A negative variation indicates that the expenditure on the output group was less than budget.


The variation of $26.9 million is made up of under spending of $45.8 million by the People, Community Building and Information Services output group and $400,000 by the Supporting Local Government output group. This was off-set against over spending of $19.3 million by the Sport, Recreation and Commonwealth Games output group.

The Department for Victorian Communities attributed the $19.3 million overspending by the Sport, Recreation and Commonwealth Games output group mainly to

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821 Budget Paper No. 3, 2003-04 Budget Estimates, p.397
additional expenditure on the Commonwealth Games output arising from unbudgeted grants of $40 million paid to the Melbourne 2006 Commonwealth Games Corporation, following receipt from the Commonwealth Government of specific games project funding on 29 June 2004. The unbudgeted grant payment was offset by under spending within the Commonwealth Games output in the following areas:

- a transfer under section 30 of the Financial Management Act 1994 of $9.4 million representing Commonwealth Games Village costs for the year to the additions to the capital budget;
- underspending on other expenditure items; and
- carry over of unused contingency funds to 2004-05.

The Committee has concerns about whether contingency funding is the most appropriate method of funding the Commonwealth Games output. The Minister for Commonwealth Games previously advised the Committee that:

> All anticipated costs associated with delivering the Games have been explicitly budgeted for. The $21.8 million Whole of Games contingency allocated in the 2004-05 financial year ensures adequate cashflow coverage in a critical year for the Games from an operational planning point of view. If it is not required in 2004-05 to manage revenue and expense cashflow variations which may arise, the $21.8 million will be carried forward to 2005-06.

In the Committee’s view providing such a large contingency for cash flow purposes can overstate the budget estimate for the Commonwealth Games output because all anticipated costs of delivering the Games have been budgeted for. Further, the Committee considers that contingency funding offers little incentive for the department to develop more robust budgetary practices that assess the cost of the Games and accurately forecast the timing of those payments. Any exceptional or unforeseen costs can be met legitimately from the Treasurer’s Advance.

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822 Department for Victorian Communities response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.4
823 ibid.
824 Department for Victorian Communities, 2003-04 Annual Report, p.100
825 Minister for Commonwealth Games response to the Committee’s 2004-05 Budget Estimates follow-up questions, p.1
The Committee recommends that:

**Recommendation 91:** The Department for Victorian Communities improve its budgetary practices for estimating the Commonwealth Games output costs and forecasting cash flow needs, to reduce the incidence of contingency funding provided in the budget estimates for the Commonwealth Games output.

Regarding the $45.8 million under spend by the People, Community Building and Information Services output group shown in exhibit 17.1, the department advised that this related to the under spending of $35.2 million by the Community Building output and $8.8 million by the Employment Programs output.826

The department advised that the underspending for the Community Building output arose because claims from grant recipients were lower than anticipated. The Committee considers better forecasting of grant claims will lead to more accurate budgeting for the Community Building output. The Committee also considers the department should reassess its methods of estimating grant claims and set performance targets for claim estimates as a basis for monitoring performance and estimating expenditure.

The Committee recommends that:

**Recommendation 92:** The Department for Victorian Communities evaluate practices for estimating grant claims and set performance targets as a means of forecasting accurate budget estimates for the Community Building output.

Exhibit 17.2 contains details provided by the Department for Victorian Communities on under expenditure of $8.8 million for the Employment Programs output.

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826  Department for Victorian Communities response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.5
### Exhibit 17.2: Department for Victorian Communities employment programs output - variations from 2003-04 budget estimates

<table>
<thead>
<tr>
<th>Employment Programs Output</th>
<th>Under-expenditure ($ million)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Jobs Program (CJP)</td>
<td>3.1</td>
<td>In 2003-04, fewer applications were approved because more rigorous assessment procedures had been introduced to improve accountability and governance. Unallocated CJP places were brought forward into the 2004-05 program to ensure the overall four year target for the program will be met.</td>
</tr>
<tr>
<td>Community Regional Industry Skills Program (CRISP)</td>
<td>0.5</td>
<td>CRISP was introduced in 2003-04. There were insufficient applications that met the criteria for funding to allocate all of the 2003-04 CRISP budget. Unallocated funds were brought forward into the 2004-05 program to ensure the overall four year target for the program will be met.</td>
</tr>
<tr>
<td>Jobs for Young People (JYP)</td>
<td>2.4</td>
<td>JYP introduced in 2003-04. During the first year, the JYP application cycle did not correspond with council budgetary cycles. Unallocated places under JYP were brought forward to ensure the overall four year target for the program will be met.</td>
</tr>
<tr>
<td>Youth Employment Scheme (YES)</td>
<td>1.0</td>
<td>Departments participating in YES identified savings in their YES allocation due to attrition rates and recruitment timeframes occurring after the end of the financial year. Unexpended funds will be allocated to increased places in 2004-05.</td>
</tr>
<tr>
<td>Youth Employment Link (YEL)</td>
<td>0.3</td>
<td>In 2003-04 the department identified that YEL required significant redevelopment to improve access to government information for young people. This resulted in the new youthcentral website. Under expenditure occurred because of reduced promotion in 2003-04 of the YEL site until the new site was completed.</td>
</tr>
<tr>
<td>Other</td>
<td>1.5</td>
<td>Under expenditure occurred in discontinued programs with outstanding commitments due to participant attrition and/or program completion (such as the Private Sector Skills Development Program and the Community Business Employment Program).</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8.8</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Department for Victorian Communities response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.6
The Committee noted that under spending for the Community Jobs Program, the Jobs for Young People Program and the Youth Employment Scheme was also associated with under achievement in job, apprenticeship and traineeship completion targets set for each program. The Committee is concerned about under performance in these employment programs. The Community Jobs Program and the Jobs for Young People Program were two new output initiatives provided for in the 2003-04 budget with a total program funding to 2006-07 of $48.8 million.

The department advised that unallocated places for the Community Jobs Program and the Jobs for Young People Program were brought forward into 2004-05 to ensure that the overall four year target for the program will be met, while the unexpended funds for the Youth Employment Scheme will be allocated to increased places in 2004-05.

The Committee noted that each program’s performance targets for job, apprenticeship and traineeship commencements in 2004-05 remain unchanged from the 2003-04 targets. The Committee believes that it would have been reasonable for commencement targets to increase for all employment programs in 2004-05, so the achievement of final targets is not deferred until the programs’ latter years.

The Department for Victorian Communities’ unapplied appropriation in 2003-04 amounted to $66.2 million, consisting of $29.5 million for the provision of outputs and $36.7 million for additions to net assets. Unapplied appropriation arose due to timing differences in grant payments for employment programs, Sport and Recreation Victoria and the Commonwealth Games. The major project the carry over relates to is the Melbourne Sports and Aquatic Centre.

The Committee observed that the department’s 2003-04 annual report did not provide details of projects carried over to 2004-05. The Committee considers accountability for carry over funding is improved where details of key projects and programs are provided in the department’s annual report.

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827 Department for Victorian Communities, 2003-04 Annual Report, p.62
829 Department for Victorian Communities response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.6
830 Budget Paper No. 3, 2004-05 Service Delivery, p.240
831 Department for Victorian Communities, 2003-04 Annual Report, p.100
832 Department for Victorian Communities response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.2
The Committee recommends:

**Recommendation 93:** The annual report of the Department for Victorian Communities include details of specific projects and programs receiving carry over funding from parliamentary appropriations.

The Committee noted that the net results for budget portfolio controlled financial transactions was a deficit of $20.9 million compared to a budgeted deficit of $63.4 million. The lower than expected deficit arose mainly from unbudgeted receipt of special purpose grants of $37.9 million.

Net assets were over budget by nearly $98 million mainly because the department, at the time of preparing the 2003-04 budget, had not received sufficient information from relinquishing departments to accurately reflect equity account balances.

The Committee noted the Auditor-General qualified the financial report of the Melbourne and Olympic Park Trust for the past four consecutive financial years because a liability did not comply with criteria by the Statement of Accounting Concepts SAC 4: Definition and Recognition of the Elements of Financial Statements.

The Committee is concerned that the audit qualification has continued for so long without the Melbourne and Olympic Park Trust rectifying the matter.

The Committee recommends that:

**Recommendation 94:** The Melbourne and Olympic Park Trust recognise liabilities in accordance with accounting concepts issued by the professional accounting bodies in Australia, to ensure an unqualified audit opinion is issued for the 2004-05 financial report.

### 17.2 Performance information

The Department for Victorian Communities demonstrated its performance in 2003-04 mainly on the basis of its achievement of performance measures and targets set out in the 2003-04 Budget Papers.

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834 ibid.
835 ibid., p.169
The Committee noted that the department met or exceeded 83 per cent of its performance measures in 2003-04, which was a significantly high completion rate. Despite this, explanations for variations were not provided in the department’s annual report for variations in some key output costs and performance targets. The Committee considers the accountability and transparency of output performance is enhanced where key variations from the budget estimates and performance targets are disclosed.

The Committee recommends that:

**Recommendation 95:** Output performance reporting by the Department for Victorian Communities include explanations for key variations from output budget and performance targets.

The Committee reviewed the department’s 2003-04 performance outcomes and sought further information on the reasons for the variations. The department provided the following information outlined in exhibit 17.3

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838 For example, refer commencement shortfalls in the Community Jobs Program target, and the underspend for the employment programs, Department for Victorian Communities, 2003-04 Annual Report, p.62
### Exhibit 17.3: Department for Victorian Communities
**output performance measures 2003-04**

<table>
<thead>
<tr>
<th>Output/Measure</th>
<th>Unit of measure</th>
<th>Target 2003-04</th>
<th>Actual 2003-04</th>
<th>Explanations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indigenous Community</strong></td>
<td></td>
<td></td>
<td></td>
<td>The first annual Indigenous Affairs report covered a two year period from Nov 1999 to Oct 2002. As this report already reported on 4 months of the 2002/03 year, it was not meaningful for departments to identify expenditure and outcomes for the remaining 8 months of the year. In addition, no further data to report on progress against any of the headline indicators was available (other than that provided in the first report). Accordingly it is appropriate to provide a 2002-2004 report and bring all subsequent years to full financial year. The 2002-2004 report will be tabled during the Autumn 2005 session of Parliament.</td>
</tr>
<tr>
<td>Annual Aboriginal Affairs report tabled in Parliament</td>
<td>Number</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Youth Programs</strong></td>
<td></td>
<td></td>
<td></td>
<td>Seven workshops were conducted between 18 September 2004 and 2 October 2004 with 374 participants.</td>
</tr>
<tr>
<td>Number of young people attending FreeZA Central intensive workshops</td>
<td>Number</td>
<td>500</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td><strong>Information Services</strong></td>
<td></td>
<td></td>
<td></td>
<td>The revenue is generated from the sale of the Registry of Births, Deaths and Marriages’ discretionary products such as Commemorative Certificates and Registry Marriage Services and is retained by the Registry for investment into core business and development of other discretionary products.</td>
</tr>
<tr>
<td>Discretionary revenue</td>
<td>$000</td>
<td>2,400</td>
<td>3,423</td>
<td></td>
</tr>
<tr>
<td><strong>Information Services</strong></td>
<td></td>
<td></td>
<td></td>
<td>There was a 24% increase in customer demand for Registry of Births Death and Marriages (RBMD) services from late 2003 to June 2004. This increase in demand has principally been driven by changes implemented by other organisations such as the Australian Passports Office and financial institutions who have implemented significantly more stringent proof of identity policies, requiring the presentation of RBDM issued documents.</td>
</tr>
<tr>
<td>Timely provision of certificates – Births, deaths and marriages</td>
<td>Per cent</td>
<td>&gt;85</td>
<td>73</td>
<td></td>
</tr>
</tbody>
</table>
Exhibit 17.3 – continued

<table>
<thead>
<tr>
<th>Output/Measure</th>
<th>Unit of measure</th>
<th>Target 2003-04</th>
<th>Actual 2003-04</th>
<th>Explanations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community building</td>
<td>Number</td>
<td>90</td>
<td>55</td>
<td>Following extensive consultation and community engagement the Victorian Community Support Grant guidelines were released in April 2004. Prior to their release groups were able to apply under existing guidelines. The department provided support during this period through a new website and provision of a freecall telephone service to further assist community groups to prepare applications. While the guidelines and application forms have been streamlined and are simpler for community groups to access and utilise, the department acknowledges that as with any new process it has taken some groups longer to apply while they familiarise themselves with the new approach. This has been acknowledged in the 2004-05 Budget Paper target for this measure which forecasts that there will be an increase in applications in 2004-05 to 200.</td>
</tr>
<tr>
<td>Number of applications received</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sport and recreation</td>
<td>Date</td>
<td>Qtr 3</td>
<td>n/a</td>
<td>Delay due to appointment of internationally accredited architects necessary for design of the velodrome of which there are none in Australia.</td>
</tr>
<tr>
<td>Melbourne and Olympic Park – Training velodrome construction completed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source:  *Department for Victorian Communities response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.7–10*

The Committee considers that the Aboriginal Affairs unit should aim to table an annual report, within the reporting timelines adopted by other public sector agencies, that details financial and service delivery outcomes.
The Committee recommends that:

**Recommendation 96:** The Aboriginal Affairs unit report on Indigenous affairs on an annual basis and highlight financial and service delivery outcomes.

The Committee noted that the April 2004 release of the Victorian Community Support Grant guidelines and associated web-based assistance for the grant application process\(^{839}\) were the reasons given for the short fall in the number of community building applications against the target in 2003-04.

While the department provided support to assist community groups to prepare applications, some groups took longer to apply while they familiarised themselves with the new approach.\(^{840}\) The department is progressively redeveloping its grant programs to make them less confusing and easier to use, but the process is expected to take some time, given the number of grant programs available through the department.\(^{841}\)

While the Department for Victorian Communities has provided for a higher number of applications in 2004-05 in comparison to the 2003-04 target,\(^{842}\) the Committee considers that the problems with the new grants system should be resolved promptly so the technology is not a disincentive to lodge applications.

The Committee recommends that:

**Recommendation 97:** The Department for Victorian Communities ensure that the internet version of the new Victorian Community Support Grant guidelines and application processes are user friendly and interactive.

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839 Department for Victorian Communities, *2003-04 Annual Report*, p.72
840 Department for Victorian Communities response to the Committee’s 2003-04 Budget Outcomes questionnaire, p.8
842 Budget Paper No. 3, *2004-05 Service Delivery*, p.245
17.3 Major issues

17.3.1 Melbourne Sports and Aquatic Centre

The Committee noted that infrastructure provided for the 2006 Commonwealth Games includes the redevelopment of the Melbourne Sports and Aquatic Centre (MSAC).\textsuperscript{843} In September 2003, expenditure estimated to be incurred in 2003-04 was $26.98 million,\textsuperscript{844} but the department advised in May 2004 that expenditure would be $18 million.\textsuperscript{845} In fact, only $7.7 million was expended by 30 June 2004.\textsuperscript{846}

The Committee sought an explanation for the under spending in 2003-04 and details of when MSAC would be completed. The Department for Victorian Communities advised that:\textsuperscript{847}

- underspending in 2003-04 was a result of the project start being delayed to allow for an extended community consultation process and construction works being re-sequenced by the builder; and
- the May 2004 estimate of $18 million was based on a building program that did not reflect the construction re-sequencing by the builder.

The department also advised that MSAC is still scheduled for completion by the December quarter 2005.\textsuperscript{848} A number of measures in the building contract ensure that progress is maintained and the project is delivered on time for the Commonwealth Games. The Committee noted that Budget Information Paper No. 1 for 2004-05 indicates that MSAC will be completed in 2004-05 within the original estimate of $50 million.\textsuperscript{849}

17.3.2 Victorian Electronic Records Strategy

The Committee noted that 2003-04 expenditure on the Victorian Electronic Records Strategy (VERS) repository was estimated in September 2003 to be $5.3 million.\textsuperscript{850} In fact, only $1.3 million was expended by 30 June 2004.\textsuperscript{851}

\textsuperscript{843} Department for Victorian Communities, 2003-04 Annual Report, p.76
\textsuperscript{844} Budget Information Paper No. 1, 2003-04 Public Sector Asset Investment Program, p.60
\textsuperscript{845} Department for Victorian Communities response to the Committee’s 2004-05 Budget Estimates questionnaire, p.18
\textsuperscript{846} Budget Information Paper No. 1, 2004-05 Public Sector Asset Investment Program, p.65
\textsuperscript{847} Department for Victorian Communities response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.15–16
\textsuperscript{848} ibid., p.16
\textsuperscript{849} Budget Information Paper No. 1, 2004-05 Public Sector Asset Investment Program, p.65
\textsuperscript{850} ibid., p.60
\textsuperscript{851} ibid., p.65
The Department for Victorian Communities advised that:  

- work on site for the repository was delayed because NGV occupied the site for longer than planned, because of delays in the redevelopment at NGV’s St Kilda Road site;
- the completion date for the strategy is June 2005; and
- the project remains on track. A review of the project’s governance and operation is being conducted to ensure project management supports a timely commissioning of the repository.

### 17.3.3 Redesign of the Commonwealth Games Village

The Committee was advised by the department that:

- the government's net contribution to the Village is more than $50 million and total cash outflows in the period 2002-06 exceeds $150 million, some of which will be offset by revenue from housing sales in the post games 2006-12 period; and
- the Victorian Government’s capital contribution towards the construction of Social Housing in the 2006 Commonwealth Games Village at Parkville is set at $35.1 million and payments to 30 June 2004 totalled $703,000.

The Minister for the Commonwealth Games announced in February 2005 that the village had been redesigned to reduce overcrowding and improve the quality of accommodation for the 6000 athletes and officials to be housed for the Games. Under the redesign proposal, the number of athletes and officials per property unit within the village will fall from 33 to 26. The following are key features of the redesign:

- 500 athletes and officials will be housed at the former Royal Park Psychiatric Hospital, part of the village’s heritage precinct;
- housing of athletes and officials on the former hospital site will bring forward construction of permanent housing on this site;

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852 Department for Victorian Communities response to the Committee’s 2003-04 Budget Outcomes questionnaire, pp.16–17
853 Department for Victorian Communities response to follow-up questions
854 R. Millar and Peter Ker, Games Village promise goes with encroachment on to Royal Park, The Age newspaper, 5 February 2005, p.1
855 Department for Victorian Communities, 2003-04 Annual Report, p.38
856 R. Millar and Peter Ker, Games Village promise goes with encroachment on to Royal Park, The Age newspaper, 5 February 2005, pp.1-2
857 ibid., p.2
858 R. Millar and Peter Ker, Back to the drawing board at the Games Village, The Age newspaper, 1 February 2005
• temporary accommodation facilities will be upgraded to provide fewer but more spacious units;

• because the redesign proposal reduces open space within the village, 7 hectares of parkland at Royal Park will be incorporated into the village; and

• parkland at Royal Park incorporated into the village will not be built on but will be used by athletes as recreation space.

Estimates of the cost of the village redesign are unavailable. The Committee intends to examine the cost implications for the project during the 2005-2006 budget estimates hearing.

The Public Accounts and Estimates Committee adopted this report at its meeting on 4 April 2005 at Parliament House, Melbourne.

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859 R. Millar and Peter Ker, Games Village promise goes with encroachment on to Royal Park, The Age newspaper, 5 February 2005, p.2
APPENDIX 1: ACRONYMS AND ABBREVIATIONS

ACE  Adult and Community Education
ATC  Australian Tourism Commission
CBA  Commonwealth Bank of Australia
CMA  Catchment Management Authority
CLERP9 Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004
CORE Correctional Enterprises
CPSU Community and Public Sector Union
CRISP Community Regional Industry Skills Program
DOHA Department of Health and Ageing
EBA Enterprise Bargaining Agreement
EFT Equivalent Full Time
EO Executive Officer
EO1 Executive Officer 1
EO2 Executive Officer 2
EO3 Executive Officer 3
EOI Expression of Interest
ERC Expenditure Review Committee
FreeZA Youth development program in a drug and alcohol free environment
GSP Gross State Product
GVIR Growing Victoria Infrastructure Reserve
HARP Hospital Admission Risk Program
HDMS Hospital Demand Management Strategy
IFRS International Financial Reporting Standards
JYP Jobs for Young People
MAFRI Marine and Freshwater Resources Institute
MAMS Master Advertising Media Services
MHACS Metropolitan Health and Aged Care Services
MIP Managed Individual Pathways
MSAC Melbourne Sports and Aquatic Centre
NGV National Gallery of Victoria
OH&S Occupational Health and Safety
Parlynet Parliament of Victoria communication network
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERIN</td>
<td>Penalty Enforcement by Registration of Infringement Notice</td>
</tr>
<tr>
<td>QDC</td>
<td>Electronic data collection process</td>
</tr>
<tr>
<td>RMIT</td>
<td>Royal Melbourne Institute of Technology University</td>
</tr>
<tr>
<td>SARS</td>
<td>Severe Acute Respiratory Syndrome</td>
</tr>
<tr>
<td>SAU</td>
<td>State Administration Unit</td>
</tr>
<tr>
<td>STI</td>
<td>Science, Technology and Innovation</td>
</tr>
<tr>
<td>TEI</td>
<td>Total Estimated Investment</td>
</tr>
<tr>
<td>VAGO</td>
<td>Victorian Auditor-General’s Office</td>
</tr>
<tr>
<td>VCAA</td>
<td>Victorian Curriculum and Assessment Authority</td>
</tr>
<tr>
<td>VCAL</td>
<td>Victorian Certificate of Applied Learning</td>
</tr>
<tr>
<td>VCAT</td>
<td>Victorian Civil and Administrative Tribunal</td>
</tr>
<tr>
<td>VERS</td>
<td>Victorian Electronic Records Strategy</td>
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<tr>
<td>VGSO</td>
<td>Victorian Government Solicitor’s Office</td>
</tr>
<tr>
<td>VICNISS</td>
<td>Victorian Nosocomial Infection Surveillance System</td>
</tr>
<tr>
<td>VicRoads</td>
<td>Roads Corporation</td>
</tr>
<tr>
<td>VMIA</td>
<td>Victorian Managed Insurance Agency</td>
</tr>
<tr>
<td>VPS</td>
<td>Victorian Public Service</td>
</tr>
<tr>
<td>VPS 2</td>
<td>Victorian Public Service officer band 2</td>
</tr>
<tr>
<td>VPS 3</td>
<td>Victorian Public Service officer band 3</td>
</tr>
<tr>
<td>VPS 4</td>
<td>Victorian Public Service officer band 4</td>
</tr>
<tr>
<td>VPS 5</td>
<td>Victorian Public Service officer band 5</td>
</tr>
<tr>
<td>VQC</td>
<td>Victorian Quality Council</td>
</tr>
<tr>
<td>YEL</td>
<td>Youth Employment Link</td>
</tr>
</tbody>
</table>
APPENDIX 2: RESPONSES RECEIVED TO THE COMMITTEE’S QUESTIONNAIRE

- Parliamentary Departments
- Victorian Auditor-General’s Office

- Department of Education and Training
- Department of Human Services
- Department of Infrastructure
- Department of Innovation, Industry and Regional Development
- Department of Justice
- Department of Premier and Cabinet
- Department of Primary Industries
- Department of Sustainability and Environment
- Department of Treasury and Finance
- Department for Victorian Communities
APPENDIX 3: PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE 2003-04 BUDGET OUTCOMES QUESTIONNAIRE

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

2003-04 BUDGET OUTCOMES QUESTIONNAIRE

GENERIC QUESTIONS

1. Parliamentary appropriations

<table>
<thead>
<tr>
<th>Treasurer’s/(section 35) Advances received (a)</th>
<th>Payments (a) 2003-04 ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: (a) Source: Financial Report for the State of Victoria, 2003-04, p<<>>

1.1 (a) For each advance, please advise why the requirement for the advance was not originally recognised in the budget estimates for 2003-04?

(b) Please advise how the provision of additional funding from the Treasurer’s/Section 35 advance impacted on any adjustment to the performance targets set for the relevant outputs receiving the additional funding.

2. Financial information

2.1 The Department’s Summary of compliance with annual parliamentary and special appropriations identified a total variation of $xxx.x million between total parliamentary authority and appropriations applied, which consisted primarily of $xxx.x million for the provision of outputs and $xxx.x million for additions to net assets.

(a) Please identify the projects/programs and the related outputs to which the unapplied output funding at the end of 2003-04 relates, in the following format. (Note: only include programs/projects where the unapplied output appropriation relating to that particular program/project exceeds a third of the total unapplied output appropriation).
### Unapplied output appropriation

<table>
<thead>
<tr>
<th>Reason for under application in 2003-04 and plan for any approved carry over</th>
<th>2004-05 approved carryover ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

*Source: to be inserted*

(b) Please advise the impact of the unapplied parliamentary appropriation on any adjustment to the performance targets initially set for the relevant output.

#### 2.2 Financial performance

(a) Please provide explanations for the following variations between budget to actual for budget portfolio output costs.

<table>
<thead>
<tr>
<th>Output details</th>
<th>2003-04 Budget (a) $ million</th>
<th>2003-04 Actual (b) $ million</th>
<th>Variation $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note: (a) Budget Paper No. 3, 2003-04, pp.xx  
(b) 2003-04 Annual Report, pp.xx*

(b) In relation to the following variations between budget to actual for total output costs explained by way of note in the annual report, please provide additional information as requested in the following table:

<table>
<thead>
<tr>
<th>Output details</th>
<th>2003-04 Variation between budget and actual $ million</th>
<th>Variation %</th>
<th>Explanation in note</th>
<th>Additional information required</th>
<th>Information provided by the Department</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(c) Please provide details of funds in excess of 20 per cent or more of each output group’s budget that were transferred from one output group to another in 2003-04. For each output group, please provide information on:

(i) the amount transferred; and

(ii) the reason for the transfer.
3. Performance information

Notwithstanding that the Committee has reviewed the information contained at pp. xx–xx of the annual report that provides explanations for the variations between targets and actual achievement for 2003-04, the Committee would like further information on the reasons for the variations for the following measures:

<table>
<thead>
<tr>
<th>Output/Measure</th>
<th>Unit of measure</th>
<th>Target 2003-04</th>
<th>Actual 2003-04</th>
<th>Further information required</th>
</tr>
</thead>
</table>

Source: Department of xx, annual report 2003-04

4. Staffing matters

4.1 Executive Officers

This section relates to executive officer performance bonus payments made in respect of the 2003-04 performance assessment period. Please note that assessment and payment covering this period usually occurs after 30 June 2004.

(a) Please complete the following table showing number of executive staff and total value of bonuses:

<table>
<thead>
<tr>
<th>Level</th>
<th>Number of staff</th>
<th>Total value of bonuses paid ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not awarded bonus payment</td>
<td>Awarded bonus payment</td>
</tr>
<tr>
<td>EO1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(b) In the following table, please show the actual range of bonuses paid (expressed as a percentage of remuneration).
Report on the 2003-2004 Budget Outcomes

(c) The above format is based on the Executive Employment Handbook. If the Department adopted another approach for awarding bonuses, please provide details.

4.2 Non-executive Officers

This section relates to non-executive officer performance bonus payments made in respect of the 2003-04 performance assessment period (which finished on 30 September 2004 for some departments). Please note that assessment and payment covering this period usually occurs some weeks after the assessment period.

Please complete the following table showing number of non-executive staff and total value of bonuses:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Number of staff</th>
<th>Total value of bonuses paid ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not awarded bonus payment</td>
<td>Awarded bonus payment</td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. WorkCover premiums

Please advise:

(a) the total WorkCover premiums paid by the Department for the financial year 2003-04;
(b) whether the premiums have increased or decreased compared with 2002-03 and quantify the percentage change; and

(c) the key drivers that contributed to the increase or decrease in premiums paid in 2003-04.

6. **Occupational Health and Safety and WorkCover – Performance indicators**

Please provide the following information:

(a) the key performance indicators applied by the Department to monitor the effectiveness of its performance and that of its agencies in providing a safe and healthy workplace for its workers and contractors.

(b) a summary of how the Department and its agencies performed against these indicators for 2003-04 compared to 2002-03; and

(c) a summary of how the Department and its agencies performed against the following targets established by the Department of Treasury and Finance for the government’s Budget Sector Occupational Health and Safety Improvement Strategy for 2003-04 compared to the target (i.e. a 20 per cent reduction on 2000-01 baseline data over a three year period):

   (i) the number of reported standard claims;

   (ii) the claims frequency rate;

   (iii) the average cost of claims; and

   (iv) claims cost ratio.

7. **Gateway initiative**

In relation to the Department’s two largest asset investment projects, please outline the progress of these asset investment initiatives during 2003-04 against the following project milestones:

(a) project cost; and

(b) agreed timelines.

8. **Trust Fund account details**

This section refers to the trust fund accounts within the Public Account.

(a) Was a review of the Department’s trust fund accounts undertaken in 2003-04; if so, what was the outcome of the review?
(b) If a review was not undertaken, please provide explanations for why each trust fund account is retained.

(c) Please provide details of, and the reasons for, the creation of any new trust fund account(s) in 2003-04.

(d) Please provide details of, and the reasons for, the closure of any trust fund account(s) in 2003-04, what the final balances were and how the balances were disposed of.

(e) Please provide details of the balances for all trust funds, using the following format.

<table>
<thead>
<tr>
<th>Trust Fund account</th>
<th>Closing funds $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;Trust account name&gt;</td>
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</tr>
<tr>
<td>&lt;Trust account name&gt;</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 3: PAEC 2003-04 Budget Outcomes questionnaire

Contact details

Department: ......................................................................................................................

Contact Officer: ................................................................................................................

Position ............................................................................................................................

Contact Numbers:  
  Telephone:..............................................................................................................

  Fax:.........................................................................................................................

  E-mail:.....................................................................................................................

The completed questionnaire must be returned by no later than Friday, 17 December 2004.

Please return the response (including an electronic version) to the questionnaire to:

Executive Officer
Public Accounts and Estimates Committee
Level 8, 35 Spring Street
MELBOURNE VIC 3000

Telephone:  (03) 9651 3551
Fax:      (03) 9651 3552
Email:    paec@parliament.vic.gov.au
## APPENDIX 4: SCHEDULE OF DEPARTMENTAL RESPONSES TO REQUESTS FOR SUPPLEMENTARY INFORMATION

<table>
<thead>
<tr>
<th>Information requested from Department</th>
<th>Date Requested</th>
<th>Date information received</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Department of Education and Training</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basis for calculating the percentage of EOs paid a performance bonus</td>
<td>14/01/2005</td>
<td>3/02/2005</td>
</tr>
<tr>
<td>Quantification of the number of EOs not eligible to receive a performance bonus</td>
<td>27/01/2005</td>
<td>3/02/2005</td>
</tr>
<tr>
<td>Determining whether those ineligible for a performance bonus were included in the original figures</td>
<td>4/02/2005</td>
<td>4/02/2005</td>
</tr>
<tr>
<td>Workforce EFT staff numbers</td>
<td>22/02/2005</td>
<td>28/02/2005</td>
</tr>
<tr>
<td><strong>Department of Human Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EFT figures per EO category</td>
<td>13/01/2005</td>
<td>21/01/2005</td>
</tr>
<tr>
<td>Kew Residential Services Redevelopment and Royal Women’s Hospital Relocation Gateway projects - performance against budget and timelines</td>
<td>25/01/2005</td>
<td>2/03/2005</td>
</tr>
<tr>
<td>Quantification of the number of EOs not eligible to receive a performance bonus</td>
<td>27/01/2005</td>
<td>1/03/2005</td>
</tr>
<tr>
<td>OH&amp;S performance for 2003-04 compared to 2000-01 baseline data</td>
<td>11/02/2005</td>
<td>31/03/2005</td>
</tr>
<tr>
<td>Comparison of OH&amp;S performance to internal indicators - completion of information</td>
<td>11/02/2005</td>
<td>1/03/2005</td>
</tr>
<tr>
<td>Confirmation of the number of patients staying in emergency departments for more than 12 hours while awaiting a hospital bed and emergency admission</td>
<td>17/02/2005</td>
<td>21/02/2005</td>
</tr>
<tr>
<td>Workforce EFT staff numbers</td>
<td>21/02/2005</td>
<td>24/02/2005</td>
</tr>
<tr>
<td><strong>Department of Infrastructure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timing of when establishment costs for the Southern Eastern Integrated Transport Authority were incurred</td>
<td>5/01/2005</td>
<td>21/01/2005</td>
</tr>
<tr>
<td>Rosetta and Channel Deepening Gateway Projects - performance against budget and timelines</td>
<td>25/01/2005</td>
<td>23/02/2005</td>
</tr>
<tr>
<td>Quantification of the number of EOs not eligible to receive a performance bonus</td>
<td>28/01/2005</td>
<td>17/02/2005</td>
</tr>
<tr>
<td>Confirmation of movement in the number of OH&amp;S claims and claims frequency rate</td>
<td>11/02/2005</td>
<td>15/02/2005</td>
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</table>
## Report on the 2003-2004 Budget Outcomes

### Department of Innovation, Industry and Regional Development

<table>
<thead>
<tr>
<th>Description</th>
<th>Start Date</th>
<th>End Date</th>
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<tbody>
<tr>
<td>Definition of US/PCT Patents</td>
<td>10/01/2005</td>
<td>31/01/2005</td>
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<tr>
<td>STI Flexible Grant funding</td>
<td>11/01/2005</td>
<td>31/01/2005</td>
</tr>
<tr>
<td>Australian Synchrotron (Gateway) Project - reasons for budget variance and performance details against timelines</td>
<td>25/01/2005</td>
<td>24/02/2005</td>
</tr>
<tr>
<td>Quantification of the number of EOs not eligible to receive a performance bonus</td>
<td>27/01/2005</td>
<td>2/02/2005</td>
</tr>
<tr>
<td>OH&amp;S performance for 2003-04 compared to 2000-01 baseline data</td>
<td>14/02/2005</td>
<td>24/02/2005</td>
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</tbody>
</table>

### Department of Justice

<table>
<thead>
<tr>
<th>Description</th>
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<th>End Date</th>
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<tbody>
<tr>
<td>Quantification of the number of EOs not eligible to receive a performance bonus</td>
<td>10/02/2005</td>
<td>15/02/2005</td>
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<tr>
<td>OH&amp;S Claims Cost ratio information</td>
<td>10/02/2005</td>
<td>15/02/2005</td>
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<tr>
<td>Confirmation of whether ineligible EOs were included in figures</td>
<td>17/02/2005</td>
<td>17/02/2005</td>
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<tr>
<td>Completion details for new correctional facilities</td>
<td>10/02/2005</td>
<td>17/02/2005</td>
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### Department of Premier and Cabinet

<table>
<thead>
<tr>
<th>Description</th>
<th>Start Date</th>
<th>End Date</th>
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</thead>
<tbody>
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<td>Data Centre Consolidation (Gateway) project - performance against budget and timelines</td>
<td>25/01/2005</td>
<td>11/03/2005</td>
</tr>
<tr>
<td>Quantification of the number of EOs not eligible to receive a performance bonus</td>
<td>28/01/2005</td>
<td>11/03/2005</td>
</tr>
<tr>
<td>OH&amp;S indicators 2003-04 compared to 2002-03</td>
<td>11/02/2005</td>
<td>11/03/2005</td>
</tr>
<tr>
<td>Workforce EFT staff numbers</td>
<td>22/02/2005</td>
<td>11/03/2005</td>
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</tbody>
</table>

### Department of Primary Industries

<table>
<thead>
<tr>
<th>Description</th>
<th>Start Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantification of the number of EOs not eligible to receive a performance bonus</td>
<td>28/01/2005</td>
<td>3/02/2005</td>
</tr>
</tbody>
</table>

### Department of Sustainability and Environment

<table>
<thead>
<tr>
<th>Description</th>
<th>Start Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wimmera Mallee Pipeline Gateway Project - expenditure compared to budget and progress against timelines</td>
<td>25/01/2005</td>
<td>25/02/2005</td>
</tr>
<tr>
<td>Quantification of the number of EOs not eligible to receive a performance bonus</td>
<td>28/01/2005</td>
<td>24/02/2005</td>
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<tr>
<td>Output details requested for the Environment Protection output group</td>
<td>7/02/2005</td>
<td>8/02/2005</td>
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<tr>
<td>Department of Treasury and Finance</td>
<td></td>
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<tr>
<td>-------------------------------------------------------------</td>
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</tr>
<tr>
<td>Details of the Guidance material intranet site</td>
<td>24/12/2005 13/01/2005</td>
<td></td>
</tr>
<tr>
<td>Clarification of the CBA contingent liability amount</td>
<td>7/01/2005 14/01/2005</td>
<td></td>
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<tr>
<td>Details of outcomes arising from the certification process under the FMP framework</td>
<td>7/01/2005 19/01/2005</td>
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<td>Quantification of the number of EOs not eligible to receive a performance bonus</td>
<td>28/01/2005 24/02/2005</td>
<td></td>
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<tr>
<td>OH&amp;S performance for 2003-04 compared to 2000-01 baseline data</td>
<td>11/02/2005 24/02/2005</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Department for Victorian Communities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gateway Projects - budget for the National Ice Sports Centre and progress against timelines for this project as well as the Commonwealth Games Athletes Village</td>
<td>25/01/2005 9/02/2005</td>
</tr>
<tr>
<td>Quantification of the number of EOs not eligible to receive a performance bonus</td>
<td>28/01/2005 9/02/2005</td>
</tr>
<tr>
<td>Commonwealth Games Athletes Village - clarification of timelines specified in the contract</td>
<td>24/02/2005 24/02/2005</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Parliamentary Departments</th>
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</thead>
<tbody>
<tr>
<td>Reasons for the carry over of output appropriation funding</td>
<td>13/01/2005 20/01/2005</td>
</tr>
<tr>
<td>Rationale for Parliamentary EOs not receiving a performance bonus</td>
<td>19/01/2005 31/01/2005</td>
</tr>
<tr>
<td>OH&amp;S performance for 2003-04 compared to 2000-01 baseline data</td>
<td>11/02/2005 24/02/2005</td>
</tr>
<tr>
<td>Clarification of bad WorkCover claim period in 2001-02</td>
<td>24/02/2005 25/02/2005</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VicRoads</th>
<th></th>
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<tr>
<td>Quantification of the number of EOs not eligible to receive a performance bonus</td>
<td>28/01/2005 15/02/2005</td>
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<tr>
<td>Explanation of the OH&amp;S incident rate</td>
<td>11/02/2005 15/02/2005</td>
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<tr>
<td>Workforce EFT staff numbers</td>
<td>21/02/2005 23/02/2005</td>
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<thead>
<tr>
<th>Victorian Auditor-General’s Office</th>
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<tbody>
<tr>
<td>Quantification of the number of EOs not eligible to receive a performance bonus</td>
<td>28/01/2005 3/02/2005</td>
</tr>
<tr>
<td>Correction required to various details contained in the table - Performance Audits</td>
<td>31/01/2005 3/02/2005</td>
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<tr>
<th>Victoria Police</th>
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<tbody>
<tr>
<td>Confirmation of Claims Cost Rate - error in annual report</td>
<td>28/02/2005 3/03/2005</td>
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</tbody>
</table>
APPENDIX 5: GOVERNMENT RESPONSE TO PAEC REPORT NO. 56 ON THE 2002-2003 BUDGET OUTCOMES

Pursuant to Section 36 of the Parliamentary Committees Act 2003, this paper provides a response to the recommendations contained in the Public Accounts and Estimates Committee’s (PAEC) 56th Report.

Guide for Readers:

Following is the explanation of the format of this paper.

<table>
<thead>
<tr>
<th>1</th>
<th>Chapter number and topic</th>
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<tbody>
<tr>
<td>2</td>
<td>Responsibility</td>
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<tr>
<td>PAEC Recommendation</td>
<td>Response</td>
</tr>
<tr>
<td>PAEC Recommendation</td>
<td>Response</td>
</tr>
<tr>
<td>Row 1: Indicates the number and topic of the response to the PAEC recommendations.</td>
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<tr>
<td>Row 2: Indicates the Department with primary responsibility for responding to the recommendation as outlined in the PAEC Report.</td>
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<tr>
<td>Column 1: Contains the PAEC’s recommendations as published in its 56th Report.</td>
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</tr>
<tr>
<td>Column 2: Indicates the Government’s response to each recommendation (Accept, Accept in part/principle, Under Review or Reject).</td>
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<tr>
<td>Column 3: Indicates those actions relevant to the implementation of the recommendation that have been taken to date.</td>
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<tr>
<td>Column 4: Indicates the additional actions planned that are relevant to implementation of the recommendation, together with an explanation of the Government’s position concerning the recommendation.</td>
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INTRODUCTION AND RESPONSES TO PREVIOUS BUDGET OUTCOMES REPORT

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<thead>
<tr>
<th>PAEC Recommendation</th>
<th>Response</th>
<th>Action Taken to Date</th>
<th>Further Action Planned</th>
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<tr>
<td>Recommendation 1: (page 76)</td>
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</table>

- The Department of Treasury and Finance amend the document Integrated Management Cycle to include details of the key dates that departmental responses to the PAEC Budget estimates questionnaire and the PAEC Budget Outcomes questionnaire are required. Accept in part

- The Integrated Management Cycle (IMC) provides details on a number of annual processes including planning, resource allocation, service delivery and accountability. In providing this information the IMC includes indicative timeframes for the provision of information by the stakeholders involved in any particular process, but does not provide specific dates. As such, the Department of Treasury and Finance (DTF) agrees to the amendment of the IMC to provide an indicative timeframe for the provision of departmental responses to the Public Accounts and Estimates Committee (PAEC) survey within the “PAEC” section under Accountability within the IMC. DTF is considering the preparation of a “Budget Manual”, which will combine existing policy and guidelines provided to departments and agencies involved in the preparation, monitoring and reporting of the State Budget. The proposed manual will be supplemented by regular Budget Bulletins that will provide specific dates for the provision of information. In addition, DTF proposes to include the PAEC key dates in the relevant Budget Bulletins.
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<tr>
<th>Recommendation 2: (page 83)</th>
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| The effectiveness of the Problem Gambling Communication Strategy be discussed in the annual report of the Department of Human Services by providing:  
   (a) details of actual performance against performance targets; | Accept in part | The Department of Human Services (DHS) is undertaking an evaluation of the Problem Gambling Communication Strategy to assess its effectiveness with respect to community awareness of problem gambling issues and behaviours. Each Phase of the strategy includes tracking research, which provides a range of data for evaluation. To date, the first two reports (Evaluations of Phases 1 & 2 of the Communication Strategy) are in the final stages of completion. Information and performance data from these reports will be included in the Department’s annual report as appropriate, having regard to the very broad scope of reporting which the DHS annual report encompasses.  
   Comprehensive commentary on the Communication Strategy will be provided in the summary evaluation document when phases 3 and 4 of the Strategy have also been evaluated. | Evaluations of phases 3 & 4 of the Communication Strategy will also be undertaken. At the completion of Phase 4, DHS intends to undertake a summary evaluation of the overall Communications Strategy. |
| (b) an explanation for any variations; | Accept in part | Refer to recommendation 2(a). | Refer to recommendation 2(a). |
| (c) a comprehensive commentary on the overall performance of the strategy; and | Accept in part | Refer to recommendation 2(a). | Refer to recommendation 2(a). |
| (d) key objectives and targets for the following year. | Accept in part | Refer to recommendation 2(a). | Refer to recommendation 2(a). |

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<tr>
<th>Recommendation 3: (page 85)</th>
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<tbody>
<tr>
<td>The Department of Innovation, Industry and Regional Development ensure its annual report includes all information required by Part 9 of the Directions issued by the Minister for Finance on annual reporting requirements.</td>
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<tr>
<th>Recommendation 4: (page 86)</th>
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<tr>
<td>Consumer Affairs Victoria review its current evaluation methodology to determine the effectiveness of its consumer awareness publications.</td>
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</table>
## BUDGET OVERVIEW

<table>
<thead>
<tr>
<th>PAEC Recommendation</th>
<th>Response</th>
<th>Action Taken to Date</th>
<th>Further Action Planned</th>
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<tr>
<td><strong>Recommendation 5:</strong> (page 102)</td>
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<tr>
<td>The explanations for the variations between Budget and actual revenue contained in the Annual Financial Report for the State of Victoria for the category – sales of goods and services, and other revenue – be presented under the respective classifications.</td>
<td>Accept</td>
<td>Commentary on variations between budget and actual revenue on sales of goods and services and other revenue are included in the Financial Report for the State of Victoria (pg 12, Chapter 1 2002-03 Financial Report).</td>
<td>No further action will be taken on this recommendation.</td>
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<tr>
<td><strong>Recommendation 6:</strong> (page 102)</td>
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<td>The Budget financial statements include a note disclosure for the category – other revenue – which discloses the key components.</td>
<td>Reject</td>
<td>The concept of materiality, as discussed under the Australian Accounting Standards, requires note disclosures where additional information would assist the user in understanding the nature and impact of the transactions, which would be deemed material. ‘Other Revenue’ is approximately 2.9 per cent of total revenue, mainly comprising of miscellaneous non operating revenue (Budget Paper No. 4, Statement of Finances). An additional note disclosure would not be required under the standards or offer further information to the user.</td>
<td>No further action will be taken on this recommendation.</td>
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<td><strong>Recommendation 7:</strong> (page 107)</td>
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<td>The Department of Treasury and Finance develop a process for reporting progress of major cross agency and whole of government initiatives by Departments.</td>
<td>Under Review</td>
<td>The Department of Treasury and Finance (DTF) is seeking to continuously improve its financial and non-financial reporting frameworks and processes. Changes to the 2004-05 Budget Papers, in particular Budget Paper No. 3, Service Delivery, were aimed at strengthening the links between the Government’s high level outcomes and the outputs to be delivered by departments.</td>
<td>As part of this continuous improvement process DTF will look at measures and processes to improve the reporting of cross-agency and whole of government initiatives, especially in the context of further linkages with Growing Victoria Together.</td>
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<tr>
<td><strong>Recommendation 8:</strong> (page 112)</td>
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<tr>
<td>The Department of Treasury and Finance prepare an annual economic activity report on the State of Victoria which reports on the accuracy of the Budget economic projections.</td>
<td>Reject</td>
<td>The Annual Financial Report does not report on the accuracy of the Budget economic projections. In part, this reflects timing issues: economic growth and population outcomes are not available until five and six months respectively after the end of the financial year. The Department of Treasury and Finance (DTF) always publishes actual economic outcomes for the preceding financial year in the Budget Update and the Budget, which enables forecast accuracy to be determined. The Budget also provides detailed commentary on the State’s economic performance. The ‘Statement of Risks’ chapter enables the impact of economic variations on the operating surplus to be assessed.</td>
<td>DTF reviews its forecast accuracy internally, as part of an ongoing process of continuous improvement.</td>
</tr>
</tbody>
</table>
### Recommendation 9: (page 113)

The Department of Treasury and Finance include in the Growing Victoria Together progress report, the Government’s priorities, strategies and initiatives to achieve the Growing Victoria Together vision and identify the outcomes.

**Accept in part**

The Department of Treasury and Finance (DTF) has revised the structure of the 2004-05 Budget Papers to put Government in a better position to demonstrate the linkage between the Government’s priorities, strategies and initiatives and the Growing Victoria Together vision and outcomes. The purpose of the progress report as framed, however, is to report on progress towards the measures as articulated within Growing Victoria Together.

Further ongoing work will be conducted by DTF and the Department of Premier and Cabinet to improve the quality of the information contained within the budget papers concerning Growing Victoria Together.

### Recommendation 10: (page 114)

The Department of Treasury and Finance report on the progress of projects funded through the Growing Victoria Infrastructure Reserve. The report includes:

(a) the status of each project at the end of each financial year;

(b) for each project, a comparison of Budget and actual capital expenditure for the financial year;

(c) project time frames and reasons for changes.

**Reject**

Information on the Government’s capital asset investment programs is available in Budget Information Paper No. 1 Public Sector Asset Investment Program.

No further action will be taken on this recommendation.

### Recommendation 10: (page 114) continued

(b) for each project, a comparison of Budget and actual capital expenditure for the financial year;

Reject Refer to recommendation 10(a).

Refer to recommendation 10(a).

(c) project time frames and reasons for changes.

Reject Refer to recommendation 10(a).

Refer to recommendation 10(a).

### Recommendation 11: (page 116)

The Government amend the reporting requirements of Section 4.2, paragraph (k) of the Standing Directions of the Minister for Finance to require that Departments must disclose the budgeted and actual cost of each output, inclusive of any new responsibilities, when reporting on performance in their annual reports.

**Accept**

Standing Directions of the Minister for Finance currently require departments to include a comparison of budgeted and actual performance against output targets. This should include comparison against output cost targets as published within the annual budget papers.

Consideration will be given to further clarifying this requirement in the next update of the standing directions.

### Recommendation 12: (page 118)

The Government amend the reporting requirements of Section 4.2, paragraph (l) of the Standing Directions of the Minister for Finance in order to:

(a) specify whether the estimated or adjusted Budget should be used by Departments in the Budget portfolio outcomes statements; and

(b) require Departments to provide commentaries for significant variations from Budget to actual results in the Budget portfolio outcomes statements.

**Accept**

The Standing Directions of the Minister for Finance (section 4.2, paragraph (l)) and Financial Reporting Direction (FRD) 8 Consistency of Budget and Departmental Reporting clearly indicates that the original budget, as published in Budget Paper No. 3 Budget Estimates, is to be used by departments in their Budget Portfolio Outcome Statements.

Given the restructuring of the 2004-05 Budget Papers, FRD 8 and Standing Direction 4.2 will be revised to update the references to specific budget papers. As part of this revision, references to the use of the original budget will be made clearer.

Commentary on significant variations from budget to actual results in the Budget Portfolio Outcomes Statements should form part of this disclosure. However, these explanations on individual initiatives are not specifically required.

No further action will be taken on this recommendation.
**Recommendation 13: (page 128)**

| The Office of Public Employment conduct or arrange for the Victorian WorkCover Authority to undertake, an evaluation of departmental strategies to promote early return to work following stress related claims to ensure that the strategies are sustainable over the long term. | Accept | The Victorian WorkCover Authority (VWA) shares the Public Accounts and Estimates Committee’s commitment to early return to work for all injured employers, including those with stress claims. Return to work rates for workers with stress claims are substantially worse than the average of the scheme, and is being addressed. In March 2004, the VWA initiated a project with the Departments of Education, Human Services and Victoria Police and their WorkCover agents (CGU, QBE and WGB), to improve the return to work rates of workers with stress claims. These three agencies account for two-thirds of public sector stress claims. | No further action will be taken on this recommendation. |

As part of this process VWA will seek to improve return to work outcomes by:

- working with employers to ensure their strategies promote early return to work following stress related claims;
- providing greater VWA and agent support for existing initiatives underway in departments that have been negotiated with stakeholders;
- funding additional agent doctor (health management specialist) contact with treating practitioners;
- overcoming any scheme policy impediments to early rehabilitation;
- developing best practice claims management protocols for stress claims; and
- upskilling agent staff in managing stress claims.

The focus for 2004-05 will be on stress claims in these three departments. However, VWA’s aim is to apply the lessons learnt here to other Victorian departments and employers in the future.

It is important that improvements in return to work are sustained over the longer term, and a key step in this regard is addressing the underlying issues that cause stress. Under the *Accident Compensation Act 1985*, large employers must establish and maintain a risk management program which outlines the steps the employer will take after an injury has occurred in their workplace to, so far as is practicable, reduce the risk of subsequent injury of that kind.

As part of the project, the VWA will be working with departments to ensure they have risk management programs and that these are implemented. This will be informed by a stress prevention pilot in two government departments, which will help identify effective approaches to reducing stress in public sector organisations.
**Recommendation 14: (page 129)**

<table>
<thead>
<tr>
<th>Accept</th>
<th>No further action will be taken on this recommendation.</th>
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<tbody>
<tr>
<td>The Office of Public Employment or WorkCover conduct further research into the factors contributing to stress related workers compensation claims in the Victorian Public Sector.</td>
<td>The Victorian WorkCover Authority (VWA) agrees with the need for further research into work related stress. In addition to the actions detailed in the response to recommendation 13, VWA has taken the following action: A Senior Public Sector Occupational Health and Safety Roundtable was convened by VWA at the direction of Minister for Workcover in August 2003. This group comprises union heads, and Departmental Secretaries or their nominees from the Department of Human Service, the Department of Education and Training, Victoria Police, the Department of Treasury and Finance and the Department of Premier and Cabinet. Stress was raised as a high priority at the first meeting of the Roundtable in August 2003. After reviewing best international practice in reducing risk of work related stress, the Roundtable agreed in December 2003 to work collaboratively on a Stress Prevention Pilot in two government departments. At its meeting in March 2004, the Roundtable agreed on a draft design for the pilot. It is anticipated that the pilot will inform future strategies for WorkSafe Victoria, employers, unions and agents aimed at reducing the growth in incidence and cost of work related stress in the public sector. WorkSafe, in consultation with employer and union stakeholders, are progressing design and implementation of the pilot. An expert researcher in work related stress has been engaged to advise WorkSafe and stakeholders in the design, development and evaluation of the pilot. The pilot will be evaluated and results reported back to the Roundtable in early 2005.</td>
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</table>

**Recommendation 15: (page 132)**

<table>
<thead>
<tr>
<th>Accept in part</th>
<th>Departments will continue to be required to apply the central criteria and report on application of the criteria. For Agencies outside the Victorian Public Service, the Government Sector Executive Remuneration Panel, chaired by the Commissioner for Public Employment, will consider the suitability of public service executive bonus policy to Non-Department Public Entities. Recommendations will be made to the Premier in the near future for implementation.</th>
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<tbody>
<tr>
<td>The Department of Premier and Cabinet conduct a review of the application of executive officer performance bonuses in the Victorian Public Sector with a view to ensuring that the eligibility for bonuses is consistently applied across the public sector.</td>
<td>Within the Victorian Public Service common criteria for the payment of bonuses to executives are set centrally and applied at the Department level. Departments are required to report each year to the Department of Premier and Cabinet on bonuses paid to verify that the central criteria are applied.</td>
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</table>
## Appendix 5: Government response to PAEC Report no. 56 on the 2002-2003 Budget Outcomes

*Recommendation 16: (page 133)*

<table>
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<tr>
<th>The Department of Premier and Cabinet issue additional directions that: (a) reinforce the application of performance bonus policy as set out in the <em>Executive Employment Handbook</em>; and</th>
<th>Reject</th>
<th>Consideration of current practice indicates additional directions are not warranted.</th>
<th>No further action will be taken on this recommendation.</th>
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</thead>
<tbody>
<tr>
<td>(b) where Departments vary the performance assessment ratings for their senior executives, the criteria applied should be disclosed in departmental annual reports.</td>
<td>Reject</td>
<td>Refer to recommendation 16(a).</td>
<td>Refer to recommendation 16(a).</td>
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</tbody>
</table>
## PARLIAMENTARY DEPARTMENTS

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<tr>
<th>PAEC Recommendation</th>
<th>Response</th>
<th>Action Taken to Date</th>
<th>Further Action Planned</th>
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<tr>
<td><strong>Recommendation 17:</strong> (page 144)</td>
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<td>The Parliamentary Departments ensure the key targets identified in their business and corporate plans are able to be measured and provide meaningful information on performance.</td>
<td>Accept</td>
<td>The Parliamentary Departments are of the view that this currently occurs, but will be reviewing measures in the next twelve months.</td>
<td>Performance targets to be reviewed.</td>
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<td><strong>Recommendation 18:</strong> (page 145)</td>
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<td>The Parliamentary Departments provide detailed information of achievements against targets in their annual reports in a format consistent with the key performance measures recorded in the Budget Papers.</td>
<td>Accept</td>
<td>No action has yet been taken on this recommendation.</td>
<td>Appropriate information is to be included in the annual reports of the Parliamentary Departments.</td>
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<tr>
<td><strong>Recommendation 19:</strong> (page 149)</td>
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<tr>
<td>The Presiding Officers urgently review and rectify the fundamental weaknesses in structure, management and risk strategies identified by the Auditor-General in his report on Parliament’s information technology upgrade.</td>
<td>Accept</td>
<td>Throughout 2003-04 the Parliament has been working through the issue identified by the Auditor-General and implementing solutions.</td>
<td>Parliament will continue to work on the issues identified by the Auditor-General.</td>
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<td><strong>Recommendation 20:</strong> (page 150)</td>
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<td>The Parliamentary Departments investigate the use and application of benchmarking to develop performance measures and targets in order to enhance service delivery across the various output groups.</td>
<td>Accept</td>
<td>Parliament has advised the Public Accounts and Estimates Committee that it believes its performance measures set the standard for other Australian parliaments. Australian parliaments have adopted and are using the Victorian Parliament’s performance measures as benchmarks for their own performance.</td>
<td>Parliament of Victoria will continue to review and enhance its performance measures in 2004-05.</td>
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<tr>
<td><strong>Recommendation 21:</strong> (page 151)</td>
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<td>Action be taken by the Presiding Officers to resolve the use of the basement area at 157 Spring Street.</td>
<td>Accept</td>
<td>The basement at 157 Spring Street has been converted into a storage space since publication of the Public Accounts and Estimates Committee report.</td>
<td>No further action will be taken on this recommendation.</td>
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<tr>
<td>PAEC Recommendation</td>
<td>Response</td>
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<td>Further Action Planned</td>
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<td><strong>Recommendation 22:</strong> (page 160)</td>
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<td>As part of the Victorian Auditor-General’s commitment to continuous improvement, the Office review and expand the nature and detail of the performance information in its annual report to clearly indicate whether outcomes were achieved.</td>
<td>Accept in principle</td>
<td>The Auditor-General has informed the Public Accounts and Estimates Committee (PAEC) that the audit legislation requires that he advise Parliament in his annual report on the implementation of his annual plan. His Office therefore uses the output targets agreed with the Department of Treasury and Finance under the budgetary process as the principal means of reporting on performance in the annual report. These output targets are supplemented by performance information outlining the extent to which the Office has achieved other corporate targets.</td>
<td>The Auditor-General has indicated to the PAEC he will give consideration to further expanding performance data in the light of its comments. His Office’s new corporate plan is outcome-focused and includes a number of indicators by which it is intended to measure and report on performance at the outcome level.</td>
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<td><strong>Recommendation 23:</strong> (page 161)</td>
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<td>Where national benchmarks for the performance of Audit Offices are agreed upon by the Australasian Council of Auditors-General, those benchmarks be included in the annual report of the Victorian Auditor-General.</td>
<td>Accept in principle</td>
<td>The Auditor-General has indicated to the Public Accounts and Estimates Committee (PAEC) that some differences between jurisdictions impact on comparability of data generated from the Council’s annual benchmarking exercise. This is the principal reason why most audit offices have to date utilised such data for internal purposes only.</td>
<td>The Auditor-General advised the PAEC that, in recent years, two interstate audit offices have published selected benchmarking data in their annual reports and, with the approval of other offices, have compared this data with the average across all offices. This approach has the advantage of expanding reported performance information while preserving the anonymity of individual offices. The Auditor-General further outlined it was his intention to take similar action and include certain benchmarking information from the Council’s exercise in his Office’s 2003-04 annual report.</td>
</tr>
</tbody>
</table>
**Recommendation 24:** In view of the significant level of additional funding that was required to maintain education and training services and enrolment growth during 2002-03, the Department of Education and Training review its Budget development and management framework for schools to ensure a more accurate forecast of its Budget estimates.

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<tr>
<td>Recommendation 24:</td>
<td>Accept in principle</td>
<td>The Auditor-General’s report on Budget Development and Management within Departments tabled in May 2004 states that ‘the Department has progressively improved its practices’. The Report concluded that the Department had appropriate processes to develop its internal budget and that overall, the budget practices are now substantially in line with better practices. The Department’s Executive has established a Strategic and Financial Planning Executive Committee to provide co-ordination, monitoring and review of strategic planning and financial performance of the Department.</td>
<td>DET will continue to review its internal budget processes with a view to assessing the efficiency and effectiveness of these processes.</td>
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**Recommendation 25:** The Department of Education and Training undertake a systematic assessment of factors contributing to increasing levels of stress related claims, and the adequacy of programs to assist in managing and mitigating the incidence of stress.

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<tr>
<td>Recommendation 25:</td>
<td>Accept in principle</td>
<td>The Department of Education and Training (DET) uses a validated staff opinion survey as part of its school accountability framework to assist principals in monitoring stress, morale and the factors contributing to increasing levels of stress related claims. This survey tool also assists at the systemic level in monitoring the adequacy of programs to assist in managing and mitigating the impacts of stress. DET has reviewed the factors contributing to stress claims to understand the trend of increased stress claims from 2001-02 to 2002-03. The major contributing factors to increased stress claims were: • perceived workload issues; • complaints, investigations and unsatisfactory performance procedures; • conflict between principals and staff; • conflict with colleagues; and • conflict with students. In 2003, a Principal Workload Study was conducted to examine the impact of workload on the health and wellbeing of principals. The final report of this study will guide a strategy to enhance principal wellbeing. An external consultant has reviewed the Department’s approach to conflict management and developed recommendations for improving working relationships within DET. DET has convened a Safety and Security in Schools Advisory Committee of Departmental and external stakeholders to recommend strategies to reduce the risk of occupational violence for staff in schools. The recommendations of the Public Accounts and Estimates Committee have been endorsed by the Department for implementation.</td>
<td>Further actions proposed include the following: DET will consider the outcomes of the Principal Workload Study to inform projects to be implemented through the Blueprint for Government Schools flagship strategies; DET will work with the Victorian WorkCover Authority, Department of Human Services and relevant unions to conduct an Occupational Stress Prevention Pilot; a Conflict Prevention and Management Project will be undertaken to promote supportive workplace practices; an Intensive Case Management Review will be conducted in 2004 to identify action required to improve the management of high cost WorkCover claims; and DET will extend and promote the employee support program which offers staff access to psychological counselling.</td>
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### Recommendation 26: (page 175)

| Financial information relating to each departmental trust fund be summarised in the annual report of the Department of Education and Training. | Reject | The disclosures included in the annual report are outlined in the *Model Financial Report for Victorian Government Departments*. The disclosure requirements contained in the *Model* are developed in consultation with the Auditor-General, and are prepared in accordance with the requirements of the *Financial Management Act 1994*, Australian Accounting Standards, Statements of Accounting Concepts and other pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group Consensus Views. | No further action will be taken on this recommendation. |

### Recommendation 27: (page 176)

| The Department of Education and Training review the adequacy of school maintenance budgets in meeting both the immediate and longer term school maintenance requirements. | Accept in principle | Since elected to office, the Bracks Government has invested more than $1 billion in schools, enabling 25 new schools to be built, and the learning environments of more than 350 schools to be substantially enhanced. The level of maintenance funding complements capital investment, and the mix of funding is continually reviewed to ensure it represents an effective approach to creating and maintaining high quality learning environments. In the 2004-05 Budget, the Government provided additional funding for school maintenance to help ensure high quality learning environments that promote student health, safety and wellbeing and improved academic outcomes. The 2004-05 Budget funding provided $10 million in 2003-04 and $50 million in 2004-05, bringing total school maintenance funding for 2004-05 to $84 million. On 20 May 2004, the Minister for Education Services announced that the $10 million allocated in 2003-04 will be directed to upgrading toilets and associated facilities in schools across Victoria. | The Department of Education and Training will implement the 2004-05 Budget commitments in respect of maintenance funding. A review of maintenance funding, accountability and system arrangements is being undertaken. This work is being developed in conjunction with the implementation of the *Blueprint for Government Schools* and the introduction in 2005 of a new resource allocation mechanism for government schools. The new arrangements will be communicated to schools later in 2004. |
### Recommendation 28: (page 177)

The Department of Education and Training give priority to addressing the delays in implementing projects funded from the Growing Victoria Infrastructure Reserve.

| Accept in principle | All school based projects funded from the Growing Victoria Infrastructure Reserve, with the exception of the Maryborough Education Precinct and the Strathmore Secondary College Space Science Education Centre, are now completed or close to completion.  
All Technical And Further Education (TAFE) Institute projects have now been completed or are under construction.  
The Strathmore Secondary College project has experienced delays but will proceed this year.  
The Maryborough Precinct Project is a complex project involving the merging of two secondary college campuses, two primary schools and a special school. The project also has a TAFE component. The site selection process was lengthy and the site finally selected has a number of features which have required remediation works. However design and costings have been finalised and Stage 1 has been tendered. Tenders have now closed and a tender assessment is currently underway. | The progress of the outstanding projects will continue to be monitored. |

### Recommendation 29: (page 183)

Parent satisfaction surveys be undertaken by the Department of Education and Training on a more timely basis in order that:

(a) survey results can be utilised for performance improvement purposes; and

| Accept in principle | An initiative of the Blueprint for Government Schools was the improvement of parent, staff and student surveys to enable more consistent data to be provided to schools to assist in identifying opportunities for school improvement and planning. Changes to the parent survey process for 2004 include: increasing the number of parents to be surveyed to ensure data collected for each school has a 90 per cent confidence level; streamlining of the survey process to reduce school workload and improve the timeliness of survey data and results; and improvements to the survey questionnaire. | The Department of Education and Training will consider the survey findings as part of ongoing school improvement and planning processes. |

(b) the annual report of the Department contain details of the outcomes of the survey undertaken for the most recent calendar year.

| Accept in principle | As indicated above survey results will be available on a more timely basis. This will enable the annual report of the Department of Education and Training (DET) to contain details of the outcomes of the survey undertaken for the most recent calendar year. | The inclusion of survey outcomes will be included in DET’s annual report. |
### Appendix 5: Government response to PAEC Report no. 56 on the 2002-2003 Budget Outcomes

<table>
<thead>
<tr>
<th>Recommendation 30: (page 184)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Performance information contained in the annual report of the Department of Education and Training be supplemented by including national benchmarking information in the key areas of literacy, numeracy, student retention rates and cost of service delivery.</strong></td>
</tr>
<tr>
<td>DET will continue to contribute to national publications which provide performance information and inter-jurisdictional comparisons.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Recommendation 31: (page 186)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Department of Education and Training examine the underlying reasons for declining trends in reading proficiency levels for year 3 students against national benchmarks, and for prep and year 1 students when compared to outcomes for 2001-02.</strong></td>
</tr>
<tr>
<td>The Department of Education and Training will continue to undertake analysis of literacy program data for performance reporting and to support program development.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Recommendation 32: (page 187)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>To strengthen accountability arrangements for the funding provided to schools to maintain the average P-2 class sizes at the target level of 21, the Department of Education and Training include in its 2003-04 annual report information on the number of additional teachers appointed by schools to assist with this initiative.</strong></td>
</tr>
<tr>
<td>No further action will be taken on this recommendation.</td>
</tr>
</tbody>
</table>
• **Recommendation 33**: (page 189)

**The retention and participation rates of middle year (5-9) students be disclosed in the annual report of the Department of Education and Training.**

**Under review**

A new output structure was introduced for The Department of Education and Training (DET) in 2004-05. Under the Middle Years output the Department reports on:

- the average rate of student attendance in Years 7 – 10; and
- the average rate of student attendance at Year 5 and at Year 6.

DET believes that these measures would be an adequate proxy for student participation. DET is currently undertaking a review of all departmental performance measures to align them with the new output structure introduced in 2004-05.

**DET will consider the recommendation for the establishment of a specific measure relating to student retention in the context of the current review of performance measures.**

---

• **Recommendation 34**: (page 190)

**The Department of Education and Training re-evaluate the basis for the low completion rate target of the Victorian Certificate of Applied Learning in 2003-04, with a view to developing strategies that improve pass rates and employment prospects for students.**

**Reject**

The Victorian Certificate of Applied Learning (VCAL) was specifically developed to expand pathways for young people from school education into apprenticeships, traineeships, employment and further education and training.

There are two quantitative effectiveness measures that should be used when considering the success of the VCAL:

- the successful completion of VCAL programs planned for finalisation over a calendar year (*the completion rate*); and
- the proportion of students who make successful transitions into the pathway of their choice (*the pathway rate*).

A survey of VCAL providers conducted in March 2003 indicated that 90 per cent of VCAL students have the next step of their pathway in place in 2004. 60 per cent will continue their VCAL studies or take up other education and training pathways whilst 30 per cent will take up employment related pathways.

Departmental data indicates that, of the students who planned to complete their VCAL program in 2003, 56 per cent successfully completed and received a VCAL certificate. This analysis does not include those students who planned to undertake their VCAL program over a period greater than 12 months. Further, some students may have left school before completing their VCAL program because they were offered the opportunity to take up apprenticeships, traineeships or employment.

VCAL continues to receive strong support from students, parents, teachers and employers and this data indicates clearly that VCAL is achieving successful pathway outcomes for students.

**The Department of Education and Training will continue to monitor certificate completion rates for VCAL as well as the destinations of students into education/training, apprenticeships, traineeships and employment.**
### Appendix 5: Government response to PAEC Report no. 56 on the 2002-2003 Budget Outcomes

<table>
<thead>
<tr>
<th>Recommendation 35: (page 192)</th>
<th>Under review</th>
<th>DET will consider the recommendation on attendance and retention rates in the context of discussions with the Commonwealth and the current review of performance measures.</th>
</tr>
</thead>
<tbody>
<tr>
<td>To assess the effectiveness of education initiatives and programs developed for Koori students, performance indicators be published in the annual report of the Department of Education and Training to separately identify attendance and retention rates of students at secondary and higher school levels.</td>
<td>The Department of Education and Training (DET) reports on a range of measures relating to Koori education in accordance with State and Commonwealth agreements and performance measures contained in the Budget Papers. This information is made public through reports such as: - the Council of Australian Governments’ report on Overcoming Indigenous Disadvantage; - the annual National Report to Parliament on Indigenous Education and Training (Commonwealth); and - the National Schools Statistics Collection published by the Australian Bureau of Statistics. A review of Indigenous reporting arrangements with the Commonwealth is currently underway. DET is also currently undertaking a review of all departmental performance measures to align them with the new output structure introduced in 2004-05.</td>
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<table>
<thead>
<tr>
<th>Recommendation 36: (page 195)</th>
<th>Accept in principle</th>
<th>Ongoing monitoring is continuing as part of the quality management process.</th>
</tr>
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<tbody>
<tr>
<td>The Department of Education and Training investigate the underlying factors contributing to declining levels of satisfaction expressed by TAFE graduates with the quality of training provided by TAFE institutes.</td>
<td>Student satisfaction is established through a question in the national Student Outcome Survey conducted by the National Centre for Vocational Education Research. Satisfaction is determined by the percentage of responses that rate 8 or more out of a 10 point scale. The rate of satisfaction has fluctuated from year to year. Since 1999 the satisfaction rating has been 60.9 per cent, 62.8 per cent, 63.9 per cent and 60.8 per cent in 2002. Higher rates in 2000 and 2001 were associated with a decrease in the “neither satisfied nor dissatisfied” rate - reflecting students who responded in the range 4-7 of the ten point scale. The decline in the satisfaction rating between 2001 and 2002 has been raised with Technical And Further Education Institution Quality Managers, who are undertaking ongoing monitoring of satisfaction as part of quality management processes. Preliminary work has been completed on developing a Victorian survey product to more consistently monitor student satisfaction and perceptions at the institute level and enable analysis of student responses.</td>
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### Recommendation 37: (page 196)

<table>
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<tr>
<th>The Department of Education and Training: (a)</th>
<th>Accept in principle</th>
<th>Implementation of the recommendations of the review of university governance is underway.</th>
<th>A report summarising the status of key recommendations for the review of university governance will be included in the Department of Education and Training’s annual report.</th>
</tr>
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</table>

| (b) Consider the application of some of the key recommendations of the university governance review to other State educational providers including the Victorian education and training sector. | Accept in principle | The review of Technical And Further Education (TAFE) governance was informed by the earlier review of university governance. The TAFE review is now complete and the recommendations are being implemented. | No further action will be taken on this recommendation. |

### Recommendation 38: (page 197)

| The Department of Education and Training: (a) | Accept in principle | An implementation plan has been developed and best practice documentation is being drafted in consultation with Technical and Further Education (TAFE) Institute Councils. | Continued implementation of the recommendations involving the development of:

- examples of best practice governance;
- a governance charter; and
- risk management framework for subsidiary companies. The Department of Education and Training will continue to audit the governance processes, procedures, documentation and effectiveness of all TAFE institutes. |

<p>| (b) Incorporate in its 2003-04 annual report the status of all recommendations from the review of TAFE governance. | Accept in principle | No action has yet been taken on this recommendation. | A report summarising the status of key recommendations for the review of TAFE governance will be included in the Department’s annual report. |</p>
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<tr>
<th>PAEC Recommendation</th>
<th>Response</th>
<th>Action Taken to Date</th>
<th>Further Action Planned</th>
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<tr>
<td><strong>Recommendation 39</strong>: (page 203)</td>
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<tr>
<td>The Budget Papers and the annual report of the</td>
<td>Accept</td>
<td>No action has yet been taken on this recommendation.</td>
<td>The Government's contribution to the housing asset program will be separately disclosed in the Department's annual report (Note 4 in the financial statements).</td>
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<td>Department of Human Services provide adequate disclosure of the Government’s contribution to the housing asset program.</td>
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<td><strong>Recommendation 40</strong>: (page 210)</td>
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<td>Financial information relating to each departmental trust fund be summarised in the annual report of the Department of Human Services.</td>
<td>Reject</td>
<td>The disclosures included in the annual report are outlined in the Model Financial Report for Victorian Government Departments. The disclosure requirements contained in the Model are developed in consultation with the Auditor-General, and are prepared in accordance with the requirements of the Financial Management Act 1994, Australian Accounting Standards, Statements of Accounting Concepts and other pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group Consensus Views.</td>
<td>No further action to be taken on this recommendation.</td>
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<td><strong>Recommendation 41</strong>: (page 223)</td>
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<td>The Department of Human Services include in the Budget Papers and in its annual report performance information on the level of tenant satisfaction at the Victorian level, as well as performance information relative to the national benchmark, for the Long Term Housing Assistance Output.</td>
<td>Reject</td>
<td>The performance measures in the Housing Assistance Output table have been selected to provide a good overview of the key areas of capital expenditure and assistance to households. They do not attempt to provide a comprehensive coverage of all possible performance measures. Within the context of the volume of reporting in Budget Papers, one performance measure in relation to the survey is considered appropriate. The inclusion of an indicator relating to the national average is an appropriate performance measure for Victoria. Levels of tenant satisfaction with public housing are subject to a wide range of influences, including Commonwealth income security policy and the state of the labour market. It is therefore appropriate to measure movements in tenant satisfaction in Victoria in relation to the broader national trend.</td>
<td>No further action to be taken on this recommendation.</td>
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<td>Recommendation 42: (page 225)</td>
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<tr>
<td><strong>The Department of Human Services review existing data collection arrangements to ensure actual and targeted performance information for all outputs is included in its annual report.</strong></td>
<td><strong>Accept in part</strong> The great majority of services provided by the Department of Human Services (DHS) are delivered through external service providers. These providers range from large metropolitan hospitals to small non-government organisations managed by volunteer staff. Data about service performance is reported to DHS from these 2600 (approx) service providers using a range of media including paper based reporting. In the circumstances data is often lagged by one to three months. Every effort is made to present reliable, actual data wherever possible. Where data returns are delayed DHS may submit estimates of service performance and later adjust these to reflect actual performance. Adjustments to reflect actual performance appear in the Department’s annual report or the output statements published in the following year’s budget statement. DHS is working on a number of areas to streamline and improve data collection arrangements to ensure greater accuracy and timeliness of service performance data from service providers. These include streamlining data collections and transmission processes and introducing new systems to collect the data at the source and extract and transfer reporting data directly from the systems to reduce the need for service providers to produce specific reports to meet departmental accountability requirements.</td>
<td><strong>DHS will continue to work with service providers to ensure that performance information reported in the annual report is accurate and reflects actual rather than estimated service delivery performance as far as possible.</strong></td>
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<tr>
<th><strong>Recommendation 43: (page 230)</strong></th>
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<tr>
<td><strong>The Department of Human Services:</strong></td>
<td><strong>Accept in part</strong> A number of key Hospital Demand Management Strategies are subject to external evaluations, including the review of Short Stay Observations Units, Rehabilitation in the Home and the Hospital Admission Risk Program. A process is in place to review all Hospital Demand Management funded initiatives in conjunction with Health Services to determine the impact of the initiatives on managing hospital demand and prioritise projects that require ongoing funding.</td>
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<tr>
<td>(a) <strong>continue to report annually on the effectiveness of projects implemented under the hospital demand management strategy at each metropolitan health service; and</strong></td>
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<tr>
<td>(b) <strong>undertake more formal evaluations of the projects funded under the strategy.</strong></td>
<td><strong>Refer to recommendation 43(a).</strong></td>
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<tr>
<th><strong>Recommendation 44: (page 239)</strong></th>
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<tr>
<td><strong>The Department of Treasury and Finance amend the Model Financial Report for Victorian Government Departments to require each Department contributing to a jointly funded consultancy over the value of $100,000 to disclose in their annual reports both the total value of the consultancy and the Departments’ contribution to the total value of the consultancy.</strong></td>
<td><strong>Under review</strong> Consultancy disclosure in annual reports is currently under review.</td>
</tr>
</tbody>
</table>
Appendix 5: Government response to PAEC Report no. 56 on the 2002-2003 Budget Outcomes

• **Recommendation 45:** (page 240)

| The Standing Directions of the Minister for Finance relating to the disclosure of consultancies valued at more than $100,000 be amended to specify that the $100,000 threshold for disclosure is inclusive of GST. | Under review | Consultancy disclosure in annual reports is currently under review. | Currently under review. |

• **Recommendation 46:** (page 242)

| The Department of Human Services monitor the cost pressures facing its contract providers to deliver services in accordance with their service agreements. | Accept in part | The Department of Human Services (DHS) undertakes program price reviews in the context of the annual budget processes of Government. DHS has also introduced three year service agreements and annual standardised indexation for all Non-Government agencies. As part of the move to three year funding, a uniform Price Index has been introduced from 2003 to provide one simple annual adjustment to the price paid to cover normal annual cost increases. This replaces the previous complex process of multiple retrospective adjustments for wages movements and Consumer Price Index. The index is supported by Non-Government agencies peak organisations. In delivering cost pressure safeguards for agencies, the index provides full coverage for safety net wage adjustments and will allow individual agencies to negotiate enterprise agreements within the scope of the index. The indexation rate has been reviewed for 2004-05 and adjusted to reflect the Australian Industrial Relation Commission safety net wage increase. Adjustment will also be made to the base price of certain services to ensure full compensation for additional costs arising from the safety net increase. DHS has also streamlined funding processes and has modified corporate systems to centralise the processing of wage related increases. | DHS will continue to monitor and review the price index and program prices as part of the service agreement process. A guaranteed funding increase will be paid to Non Government Agencies from the first of July each year. The indexation arrangement provides safeguards for exceptional circumstances such as arbitrated enterprise outcomes, award restructuring and legislative or Government Policy change. |

• **Recommendation 47:** (page 247)

| The Department of Human Services include more informative outcome based performance measures for mental health services in its annual report and as part of the Budget Papers. | Accept in part | Mental Health Branch is undertaking a project to develop new key performance indicators for mental health services. Performance indicators developed as an outcome of this project are consistent with recently developed national key performance indicators for mental health services. These indicators are being tested in 2004-05 in agencies' service agreements. However, the intention of the testing period is to give agencies an opportunity to address possible data collection and reporting problems. | The testing year will give agencies an opportunity to address known data problems to ensure that indicators are accepted as having statistical validity before full implementation. It is proposed that a subset of the new indicators suitable for public reporting will be implemented as new performance measures in 2005-06 subject to successful piloting. |
### DEPARTMENT OF INFRASTRUCTURE

<table>
<thead>
<tr>
<th>PAEC Recommendation</th>
<th>Response</th>
<th>Action Taken to Date</th>
<th>Further Action Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Recommendation 48: (page 260)</td>
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<td></td>
<td>No further action to be taken on this recommendation.</td>
</tr>
</tbody>
</table>

The Department of Infrastructure provide additional information in its annual report on the operations of the Public Transport Fund and the Better Roads Trust Account, including revenue sources and the projects/expenses to which funds are allocated.

Reject

The objective of the Public Transport Fund (PTF) is to receive and hold all monies relating to Public Transport and then to pay for the provision of Public Transport services from the Trust Fund. Revenues and expenses associated with the Trust Fund are reflected in the Department of Infrastructure’s (DOI) Operating Statement and the balance of the PTF is shown in the Balance Sheet. Similarly, for the Better Roads Victoria Trust Fund (BRV), revenue is shown in the Operating Statement and the expenses are shown as payments to VicRoads.

The disclosures included in the annual report are outlined in the *Model Financial Report for Victorian Government Departments*. The disclosure requirements contained in the *Model* are developed in consultation with the Auditor-General, and are prepared in accordance with the requirements of the *Financial Management Act 1994*, Australian Accounting Standards, Statements of Accounting Concepts and other pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group Consensus Views.

• Recommendation 49: (page 270)

The Department of Infrastructure:

(a) as a matter of urgency, complete the audit of the condition of Victoria’s rail infrastructure in order to quantify the State’s potential financial liability for necessary safety works and publicly release the details of the costs involved in any rectification work;

Accept in part

The Public Transport Division regularly monitors the condition of Victoria’s rail infrastructure. In addition to this, an independent review of the condition of the Metropolitan Rail Network is currently being conducted by an international rail engineering consultant, Scott Wilson Railways Ltd. This review will examine the current approach adopted by the Public Transport Division and the Metropolitan operator in managing the asset.

In general terms, as far as the metropolitan train and tram networks are concerned, each franchisee is responsible for performance and monitoring of all rail infrastructure. The financial burden for any rail infrastructure works is monitored by the State, and the Operators are reimbursed for direct costs only associated with the performance of the maintenance works. The total liability to the State is capped over the term of the franchise.

In relation to Non-Metropolitan infrastructure, performance, monitoring and the financial costs associated with any rail infrastructure maintenance work is the responsibility of Freight Australia.

Pending the outcome of review.
**Recommendation 49: (page 270) continued**

<table>
<thead>
<tr>
<th>Due to an unacceptable number of derailments on the non-metropolitan network and uncertainty regarding the condition of the associated infrastructure, a safety inquiry into the physical condition of the track and sleepers and other infrastructure safety issues was commenced in August 2004. The inquiry is examining the passenger and freight lines currently managed by Freight Australia Limited (FAL) and the Australian Rail Track Corporation and not withstanding the sale of FAL to Pacific National (PN) announced in August, this enquiry is continuing with the cooperation of PN. The inquiry is being conducted for the Independent Rail Safety Regulator by Booz Allen Hamilton who are utilising internationally respected experts in rail track condition and maintenance. As well as conducting physical inspections of the infrastructure, the inquiry will determine the adequacy of the safety management systems in ensuring ongoing safety of the Victorian non-metropolitan rail network. The inquiry will be completed by the end of December 2004, but make publicly available any significant safety issues that are identified as investigations proceed.</th>
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<tbody>
<tr>
<td><strong>(b)</strong> seek clarification, as a matter of urgency, on the State’s potential liability for any incidents arising from rail infrastructure failures where failures of rail infrastructure maintenance, which was previously the responsibility of a franchisee, was a contributing factor; and</td>
</tr>
<tr>
<td>Accept in part</td>
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<tr>
<td>No further action to be taken on this recommendation.</td>
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<tr>
<td><strong>(c)</strong> once the results of the audit are known, a strategy plan be developed as soon as possible to address priority areas and projects.</td>
</tr>
<tr>
<td>Accept in part</td>
</tr>
<tr>
<td>Awaiting outcome of review.</td>
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</tbody>
</table>

**Recommendation 50: (page 272)**

<table>
<thead>
<tr>
<th>The Department of Infrastructure undertake an independent survey to annually assess the progress made towards meeting the target of 20 per cent of travel in Melbourne by 2020 is taken on public transport.</th>
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<tr>
<td>Accept</td>
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<tr>
<td>Means of assessment to be selected and implemented.</td>
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</tbody>
</table>
- **Recommendation 51: (page 275)**

| The Department of Infrastructure ensure there is an effective framework in place to monitor and evaluate the effects of the financial changes to the Multi-Purpose Taxi Program in conjunction with the ongoing accessibility of the program to eligible participants. | Accept | New technology installed in taxis transmits accurate, timely and reliable financial and management information on the Multi-Purpose Taxi Program (MPTP) to the Victorian Taxi Direction (VTD). Data (financial and trip data) generated from the above system is analysed by staff dedicated to the MPTP, and trip patterns, cost trends etc. are assessed. An independent MPTP panel comprising the Department of Infrastructure, VTD, the Department of Human Services, Disability Group and medical representation meets fortnightly to assess the financial and accessibility impacts of the MPTP. Impacts of the ‘capping’ arrangements, means testing, acceptance and rejection rates for applicants are assessed by the panel to monitor the social and financial outcomes expected by the Government and to advise if policy changes are needed if outcomes are not being achieved. | No further action to be taken on this recommendation. |
### DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT

<table>
<thead>
<tr>
<th>PAEC Recommendation</th>
<th>Response</th>
<th>Action Taken to Date</th>
<th>Further Action Planned</th>
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</thead>
<tbody>
<tr>
<td>• Recommendation 52: (page 284)</td>
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<tr>
<td>To enhance the accountability and transparency of financial disclosures and to ensure compliance with the requirements of the Financial Management Act 1994, the Department of Innovation, Industry and Regional Development disclose in its annual report variations between Budget and actual outcomes together with explanations for major variations.</td>
<td>Accept</td>
<td>The Department of Innovation, Industry and Regional Development will publish Budget Portfolio Outcomes Statements as part of the 2003-04 annual report in recognition of the requirement under the Minister for Finance’s Financial Reporting Directions Number 8, Consistency of Budget and Departmental Report.</td>
<td>No further action to be taken on this recommendation.</td>
</tr>
<tr>
<td>• Recommendation 53: (page 286)</td>
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<tr>
<td>The Department of Innovation, Industry and Regional Development urgently review the adequacy of its budgeting framework and project planning to remedy the continuing trend in underspending of its available appropriation authority.</td>
<td>Reject</td>
<td>The background to the Department of Innovation, Industry and Regional Development’s (DIIRD) “underspend” has previously been highlighted in various Auditor-General and Public Accounts and Estimates Committee reports. DIIRD is improving the monitoring of such activity but continues to hold the view expressed in previous reports that there are sound business reasons for these “underspends.”</td>
<td>DIIRD will continue to liaise with the Department of Treasury and Finance and other agencies in relation to the continuing business need to carry forward program funding from year to year.</td>
</tr>
<tr>
<td>• Recommendation 54: (page 287)</td>
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</table>
| The Department of Innovation, Industry and Regional Development:  
(a) include in its annual report, information on the progress of Regional Infrastructure Development Projects against established milestones; and | Reject | While the Department of Innovation, Industry and Regional Development (DIIRD), through Regional Development Victoria (RDV), is the funding agency for Regional infrastructure Development Fund (RIDF) projects, the projects are managed and delivered by applicants, including Councils, Statutory Authorities and Community Groups. RDV monitors all projects against agreed milestones and provides assistance to applicants where possible. However, DIIRD does not intend to report in its annual report results over which it has limited direct control. RDV has completed and released a document titled Regional Infrastructure Development Fund: Regional Revival, Shared Growth. The document includes a number of case studies of RIDF projects and highlights a number of preliminary outcomes of each project. The document also summarises the key outcomes of an inception evaluation of the RIDF. | No further action to be taken on this recommendation. |
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### Recommendation 55: (page 290)

<table>
<thead>
<tr>
<th>Description</th>
<th>Accept/Deny</th>
<th>Action</th>
<th>Action Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Department of Innovation, Industry and Regional Development include in its 2003-04 annual report:</td>
<td>Accept</td>
<td>Action has been taken to include this information in the 2003-04 Department of Innovation, Industry and Regional Development’s annual report.</td>
<td>No further action to be taken on this recommendation.</td>
</tr>
<tr>
<td>(a) a summary of the key components of the TV and Film Studio project that have been completed;</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>(b) details of the works that are scheduled for completion in future periods;</td>
<td>Accept</td>
<td>Refer to recommendation 55(a).</td>
<td>Refer to recommendation 55(a).</td>
</tr>
<tr>
<td>(c) actual and budget project costs; and</td>
<td>Reject</td>
<td>This information is currently available through the Public Accounts and Estimates Committee budget estimates reports.</td>
<td>No further action to be taken on this recommendation.</td>
</tr>
<tr>
<td>(d) details of any key changes or amendments in the project arrangements.</td>
<td>Reject</td>
<td>Notification of key changes or amendments to the project arrangements would be shown on the Government contract publishing system to the extent required by Victorian Government Purchasing Board guidelines.</td>
<td>No further action to be taken on this recommendation.</td>
</tr>
</tbody>
</table>

### Recommendation 56: (page 292)

<table>
<thead>
<tr>
<th>Description</th>
<th>Accept/Deny</th>
<th>Action</th>
<th>Action Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Department of Innovation, Industry and Regional Development include in its annual report, the status of its key asset investment initiatives detailing the level of committed funding, actual costs incurred to date, estimated total project costs and the progress of projects against established milestones.</td>
<td>Reject</td>
<td>This information is currently reported to the Department of Treasury and Finance on a quarterly basis and published as part of the Budget Information Paper No.1, Public Sector Asset Investment Program and the Budget Papers. In addition, progress updates on the Department’s key asset investment, the Australian Synchrotron, are widely reported via the website (<a href="http://www.synchrotron.com.au">www.synchrotron.com.au</a>.).</td>
<td>No further action to be taken on this recommendation.</td>
</tr>
</tbody>
</table>

### Recommendation 57: (page 295)

<table>
<thead>
<tr>
<th>Description</th>
<th>Accept/Deny</th>
<th>Action</th>
<th>Action Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>To provide a more effective means of evaluating the performance of the Department of Innovation, Industry and Regional Development, performance indicators should clearly demonstrate the extent to which key outcomes or results have been achieved.</td>
<td>Accept</td>
<td>The Department of Innovation, Industry and Regional Development undertakes an ongoing review of departmental outputs and performance measures to better reflect the achievement of key targets and outcomes of significant projects.</td>
<td>No further action to be taken on this recommendation.</td>
</tr>
</tbody>
</table>

### Recommendation 58: (page 295)

<table>
<thead>
<tr>
<th>Description</th>
<th>Accept/Deny</th>
<th>Action</th>
<th>Action Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>To enhance the quality and usefulness of performance information disclosures, the Department of Innovation, Industry and Regional Development include in future annual reports actual to Budget cost outcomes for each output within the Output Groups and provide explanations for material variations in actual to target performance outcomes.</td>
<td>Reject</td>
<td>The Department of Innovation, Industry and Regional Development (DIIRD) follows best practice reporting as determined by the Department of Treasury and Finance (DTF) Model Financial Report for Victorian Government Departments. This information is currently published for Output Groups as opposed to individual output performance in the Department’s annual report. Further information can be found in DIIRD’s annual report (Note 2 in the financial statements).</td>
<td>The Department intends to comply with DTF’s Model Financial Report Victorian Government Departments.</td>
</tr>
</tbody>
</table>
**Appendix 5: Government response to PAEC Report no. 56 on the 2002-2003 Budget Outcomes**

| Recommendation 59: (page 297) | To enhance the quality of performance measures and targets and to facilitate comparisons of performance with organisations involved in the delivery of similar outputs or services, the Department of Innovation, Industry and Regional Development continue to research the availability and applicability of benchmarked data in developing its performance measures and targets. | Accept | In April 2004, the Department of Innovation, Industry and Regional Development (DIIRD) released a benchmarking study undertaken by IBM-Plant Location International (IBM-PLI) on investment attraction. *Benchmarking Victoria* highlighted competitive strengths in a number of sectors and found that Melbourne is a world-class competitor in a diverse range of key innovation sectors, including biotechnology, automotive, aerospace, dairy processing, financial services, service centres and information and communication technology. External consultants Allen Consulting Group were recently engaged by the Office of Science and Technology to assess the return on the Government’s investment delivered by the Science, Technology and Innovation (STI) Initiative. Economic impact modelling conducted in this study forecast that the STI Initiative will have a positive impact on Victorian living standards over the period to 2014. | DIIRD will continue to research the availability and applicability of benchmarked data in developing its performance measures and targets where appropriate. |

| Recommendation 60: (page 298) | More specific outcomes based performance measures and targets be developed and published in respect of the synchrotron project. A greater correlation with project costs should also be achieved in developing performance measures and targets. | Accept in principle | Revised performance measures and targets have been included in 2004-05 Budget Paper No. 3, *Service Delivery*. | No further action to be taken on this recommendation. |

| Recommendation 61: (page 299) | Performance measures in relation to the implementation of the Biotechnology Strategic Development Plan be developed to more clearly reflect the extent to which the key objectives of the plan are being achieved. | Accept | The 2002-03 Department of Innovation, Industry and Regional Development annual report provides an overview of the major achievements relating to the Biotechnology Strategic Development Plan (BSDP). The BSDP has been reviewed and updated. The 2004 BSDP was launched by the Premier in June 2004 at BIO2004 in San Francisco. Copies of the 2004 BSDP are available on request, at [www.biotechnology.vic.gov.au](http://www.biotechnology.vic.gov.au) | No further action to be taken on this recommendation. |

| Recommendation 62: (page 301) | The Department of Innovation, Industry and Regional Development include in its annual report additional information on the total funding provided for Science Technology and Innovation and expenditure commitments to date. | Reject | Funding provided for Science Technology and Innovation is currently shown as an output in the 2004-05 Budget Paper No. 3, *Service Delivery* and commitments in relation to that funding are included as part of the Department of Innovation, Industry and Regional Development’s annual report (Note 18 in the financial statements). | No further action to be taken on this recommendation. |

| Recommendation 63: (page 304) | The Department of Innovation, Industry and Regional Development quantify and publish in its 2003-04 annual report, the benefits to Victoria from hosting the Australian Tourism Exchange. | Accept | Action has been taken to include information regarding benefits to Victoria from hosting the Australian Tourism Exchange in the 2003-04 annual report. | No further action to be taken on this recommendation. |
**Recommendation 64: (page 305)**

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Action</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>To enhance the level of transparency and accountability of payments under the Operation Recovery Program, disclosure of key outcomes be included in the 2003-04 annual report of Tourism Victoria.</td>
<td>Reject</td>
<td>Operation Recovery Program was completed before 1 July 2003. Therefore, disclosure of key outcomes from the program falls outside the scope of the 2003-04 Tourism Victoria annual report.</td>
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<tr>
<td></td>
<td></td>
<td>No further action to be taken on this recommendation.</td>
</tr>
<tr>
<td>PAEC Recommendation</td>
<td>Response</td>
<td>Action Taken to Date</td>
</tr>
<tr>
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</tbody>
</table>
| Recommendation 65: (page 316) | Accept | The Department of Justice has undertaken the following to improve the timelines of the asset projects:  
• Assessment of project timeline performance carried out: Analysis of principle causes and potential corrective action established;  
• Planning and land acquisition of major projects approved ahead of construction approval for following year;  
• Land acquisition planning and acquisition processes strengthened and streamlined; and  
• Monthly report prepared comparing project performance against baseline milestones, with corrective action identified where necessary. | Further action planned includes:  
• Implementation and rollout of the Government Infrastructure Management System, which has as an important component, a project management module;  
• Development and upgrading of project planning and construction process guidelines to be completed (stage 1) in 2004-05;  
• Alignment and training of Departmental project staff in business case preparation and submission;  
• Project review processes to be upgraded and aligned with the Gateway Review Process;  
• Land acquisition process streamlining to be continued and strengthened;  
• Standardisation of project phasings and reporting to be implemented;  
• Project timelines to be benchmarked, where possible; and  
• Out of Budget session approvals for project components to be sought in order to keep project momentum. | |
| Recommendation 66: (page 320) | Accept in part | The Consumer Affairs Victoria (CAV) annual report contains details on trust fund income and expenditures, and lists grants made from trust funds. | No further action will be taken on this recommendation. |
| Recommendation 67: (page 321) | Accept | Budgeted and Actual costs for all outputs will be included in the Report of Operations in the Department of Justice’s future annual reports, commencing with the 2003-04 annual report. | No further action will be taken on this recommendation. |
### Recommendation 68: (page 337)

<table>
<thead>
<tr>
<th>The Department of Justice and Victoria Police: (a) arrange for an expert evaluation of the accuracy and frequency of testing needed for the operation of speed cameras in Victoria; and</th>
<th>Accept</th>
<th>The Department of Justice (DOJ) has arranged for an independent testing authority to conduct testing on the Western Ring Road and the Citylink/Monash Freeway. Analysis of the data obtained from 1.5M speed comparisons on the Western Ring Road and the 1.4M speed comparisons on the Citylink/Monash Freeway system, was used to enhance the generic Test and Acceptance Plans for all Fixed Digital Speed Cameras (FDSC) systems to be commissioned in Victoria. Commissioning of new systems will include laboratory and site based type testing and each site will undergo site specific acceptance testing.</th>
<th>Request for tenders for both testing and maintenance will be released in November with the view to signing contracts in February 2005. Until these contracts are signed, DOJ will ensure that testing is provided by the authority that tested the Western Ring Road and Citylink/Monash Freeway fixed digital speed camera systems. Maintenance will be provided through interim short-term agreements with maintenance suppliers and the various camera providers as required.</th>
</tr>
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<tbody>
<tr>
<td>In addition DOJ has issued Expression of Interest (EOI) for the provision of Independent Testing, type, site acceptance and routine (every 3 months) as well as EOI for routine maintenance. Both EOI's closed on 30 June 2004.</td>
<td>Under review</td>
<td>Initial legal advice given to the Public Accounts and Estimates Committee (PAEC) provided that, in accordance with the provisions of the Freedom of Information Act 1982, details of the private prisons' contracts have been designated 'commercial-in-confidence'. Similarly, relevant provisions of the Corrections Act 1986 provide that contractor information of a &quot;financial nature&quot;, in relation to contracts entered into under section 8B(1) or 9(1), is defined as &quot;confidential information&quot;. On this basis there is certain contractual detail, relating to private prisons, of a commercial nature that is unable to be released. It should be noted that in response to a recent Freedom of Information request, where contractual information of a financial nature was sought, both incumbent private prison contractors declined to release the information.</td>
<td>Further legal advice has been sought by the Department.</td>
</tr>
<tr>
<td>(b) if cameras are found to be defective, the potential impact on bonuses paid in the past to the operator should be examined.</td>
<td>Reject</td>
<td>The bonuses that have been paid are in relation to the operation of the mobile speed camera fleet owned and operated by Tenix Solutions Pty. Ltd. If these cameras are not operated properly or found to be faulty, a penalty regime exists that will be applied. The FDSC that were found to be faulty on the Western Ring Road were owned and operated by the State. All planned additional cameras will also be owned and operated by the State. The only exception to this are the Citylink Tunnel speed cameras which are also owned by Tenix, however, there is no bonus regime attached to the operation of these cameras.</td>
<td>No action is required by the Department, due to current nature of the penalty regime which already appropriately addresses the issue raised.</td>
</tr>
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### Recommendation 69: (page 339)

| Decision makers should recognise that commercial–in-confidence provisions reduce the scrutiny available to the Parliament and the community over Government decision making and use of public funds, and that their use as a tool in managing the Government’s relationship with service providers should be avoided; | Under review | Initial legal advice given to the Public Accounts and Estimates Committee (PAEC) provided that, in accordance with the provisions of the Freedom of Information Act 1982, details of the private prisons’ contracts have been designated ‘commercial-in-confidence’.

Similarly, relevant provisions of the Corrections Act 1986 provide that contractor information of a “financial nature”, in relation to contracts entered into under section 8B(1) or 9(1), is defined as “confidential information”.

On this basis there is certain contractual detail, relating to private prisons, of a commercial nature that is unable to be released.

It should be noted that in response to a recent Freedom of Information request, where contractual information of a financial nature was sought, both incumbent private prison contractors declined to release the information. | Further legal advice has been sought by the Department. |
### Appendix 5: Government response to PAEC Report no. 56 on the 2002-2003 Budget Outcomes

- **Recommendation 69: (page 339) continued**

<table>
<thead>
<tr>
<th>Recommendation 69(a)</th>
<th>Recommendation 69(b)</th>
<th>Recommendation 69(c)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(b)</strong> That when considering the withholding of information on the grounds of confidentiality, Government observe the general principle that information should be made public unless there is a justifiable reason not to do so; and unless the Department of Justice can demonstrate to the Minister for Corrections that disclosure of the tender price and terms and conditions would interfere with the proper and efficient performance of Government to such an extent as to outweigh the benefits of public disclosure, the</td>
<td>Under review</td>
<td>Refer to recommendation 69(a).</td>
</tr>
</tbody>
</table>

- **(c)** Department should insert a standard provision in the service contract for privately operated prisons requiring the contractor to keep and provide all necessary information to allow for parliamentary scrutiny of the contract. | Under review | The recommendation is being considered in the context of the legal advice for Recommendations 69(a) and (b). | Further legal advice has been sought by the Department. |

- **Recommendation 70: (page 342)**

<p>| Victoria Police adopt more stringent monitoring and editing arrangements to ensure the accuracy of information presented in its annual report to the Parliament. | Accept | Victoria Police will ensure statutory and reporting requirements as set out in the <em>Model Financial Report for Victorian Government Departments</em> are reviewed and are fully applied to the preparation of its annual report to the Parliament. A specialist consultant has also been engaged to assist this process for the 2003-04 year and will review all the requirements and the available data. The consultant will work with Victoria Police managers to ensure the accuracy and completeness of information presented to Parliament in the Victoria Police annual report. | Victoria Police policy and processes for the production of its annual report to Parliament will be comprehensively reviewed and documented, based on the work undertaken for the 2003-04 year. |</p>
<table>
<thead>
<tr>
<th>Recommendation 71: (page 356)</th>
<th>PAEC Recommendation</th>
<th>Response</th>
<th>Action Taken to Date</th>
<th>Further Action Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>The annual report of the Department of Premier and Cabinet include disclosures of all: (a) new departmental trust accounts and their purposes;</td>
<td>Reject</td>
<td>The disclosures included in the annual report are outlined in the Model Financial Report for Victorian Government Departments. The disclosure requirements contained in the Model are developed in consultation with the Auditor-General, and are prepared in accordance with the requirements of the Financial Management Act 1994, Australian Accounting Standards, Statements of Accounting Concepts and other pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group Consensus Views.</td>
<td>No further action will be taken on this recommendation.</td>
<td></td>
</tr>
<tr>
<td>Recommendation 71: (page 356) continued</td>
<td>(b) departmental trust accounts that were closed during the year; and</td>
<td>Reject</td>
<td>Refer to recommendation 71(a).</td>
<td>Refer to recommendation 71(a).</td>
</tr>
<tr>
<td></td>
<td>(c) transactions and balances of departmental trust accounts.</td>
<td>Reject</td>
<td>Refer to recommendation 71(a).</td>
<td>Refer to recommendation 71(a).</td>
</tr>
<tr>
<td>Recommendation 72: (page 357)</td>
<td>The Department of Premier and Cabinet conduct regular assessments of the operations of all departmental trust accounts to ensure they remain relevant and appropriate in the context of the current financial management and accountability framework.</td>
<td>Reject</td>
<td>The disclosures included in the annual report are outlined in the Model Financial Report for Victorian Government Departments. The disclosure requirements contained in the Model are developed in consultation with the Auditor-General, and are prepared in accordance with the requirements of the Financial Management Act 1994, Australian Accounting Standards, Statements of Accounting Concepts and other pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group Consensus Views.</td>
<td>No further action will be taken on this recommendation.</td>
</tr>
<tr>
<td>Recommendation 73: (page 359)</td>
<td>The Department of Premier and Cabinet include in its annual report explanations for performance targets that were not met for the arts agencies.</td>
<td>Accept</td>
<td>The Department of Premier and Cabinet (DPC) reports its performance measures in accordance with the output management framework guidelines, and discusses all relevant and appropriate information in the budget papers and the annual report.</td>
<td>DPC will monitor progress of performance targets for arts agencies and report explanations for any variances, where appropriate.</td>
</tr>
<tr>
<td>Recommendation 74: (page 364)</td>
<td>The Department of Premier and Cabinet actively monitor progress of the Yarra Precinct Arts Integration Project against established timeframes.</td>
<td>Accept</td>
<td>The Department of Premier and Cabinet through Arts Victoria have been monitoring the progress of the project through attendance at key client and consultant meetings and through active contribution to monthly Project Control Group meetings.</td>
<td>The forecast completion date for the project is 2007, the same as the original completion date.</td>
</tr>
<tr>
<td>Recommendation 75: (page 365)</td>
<td>The Department of Premier and Cabinet review the adequacy of funding provided to the Office of the Ombudsman, in the context of its additional responsibilities.</td>
<td>Accept</td>
<td>Adequacy of funding provided to the Office of the Ombudsman, in the context of its additional responsibilities, is currently being reviewed.</td>
<td>This process is underway.</td>
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</table>
### DEPARTMENT OF PRIMARY INDUSTRIES

<table>
<thead>
<tr>
<th>PAEC Recommendation</th>
<th>Response</th>
<th>Action Taken to Date</th>
<th>Further Action Planned</th>
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</thead>
<tbody>
<tr>
<td><strong>Recommendation 76:</strong> (page 379)</td>
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<tr>
<td>The Department of Primary Industries assess the impact of delays in the implementation of capital works in terms of future cost implications, the achievement of key performance targets and measures and the delivery of services and outputs.</td>
<td>Accept</td>
<td>Delays in capital works primarily occurred Marine and Freshwater Resources Institute (MAFRI) project. This project has been delayed by approximately six weeks (since the estimate provided in the 2002-03 budget outcomes questionnaire) as a result of bad weather and state-wide industrial relations dispute (between the electrical unions and Powercor). Despite these delays, total costs have been contained to within the revised budget of $20 million and the existing MAFRI site has remained fully operational. For those projects funded through the Growing Victoria Infrastructure Reserve (GVIR), all projects are completed, except Ellinbank and Advanced Scientific Computing (both due to be completed by December 2004). There have been no cost or service delivery implications as a result of the delays in GVIR projects.</td>
<td>Key learnings as to the nature and causes of the delays in the implementation of capital works projects will be adopted for future projects.</td>
</tr>
<tr>
<td><strong>Recommendation 77:</strong> (page 379)</td>
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<tr>
<td>Contract management frameworks be reviewed by the Department of Primary Industries to address delays in the planning and design phases of a number of Growing Victoria Infrastructure Reserve projects.</td>
<td>Accept</td>
<td>After a review of the ITS contract management frameworks, a two-tier structure to contract management has been adopted. This two-tier structure refers to the considerations that will determine the procurement methodology adopted. The first consideration is an assessment of the complexity of the project in question. The second is an analysis of the market place from which likely producers of goods and services are expected to be sourced. By undertaking a more detailed analysis of the market place and an assessment of likely producers, it is expected that risks would be mitigated in relation to an external factor involving service providers. In addition, further resources have been allocated to the planning and design phase of project development to mitigate the issues causing major delays.</td>
<td>The two-tier approach to contract management will be adopted for all future major capital works projects.</td>
</tr>
</tbody>
</table>
**Recommendation 78: (page 382)**

| An upward revision to performance targets be undertaken where established targets have been consistently exceeded by the Department of Primary Industries. | Accept in principle | The Department of Primary Industries (DPI) reviews performance targets annually and they are revised where appropriate to reflect new circumstances and changes in expectations. A number of performance targets have already been increased including:  
*Extension groups used to promote sustainable farming systems* increased from 1,000 groups in 2003-04 to 1,200 groups in 2004-05 (Agriculture - Sustainable Agriculture and Food Sector Development);  
*Technical publications international and peer review journals that promote productivity and sustainable farming systems* increased from 300 publications in 2003-04 to 320 publications in 2004-05 (Agriculture - Sustainable Agriculture and Food Sector Development);  
*Number of extension contacts with stakeholder groups* increased from 165 contacts in 2003-04 to 200 contacts in 2004-05 (Fisheries - Industry and Community Compliance Services); and  
*Targeted industry information packages released* increased from 15 packages in 2002-03 to 18 packages in 2003-04 (Minerals and Petroleum Industry Development and Information). | DPI will continue to review performance targets each year and revise the targets as appropriate. |

**Recommendation 79: (page 383)**

| To enhance disclosures of performance information in the annual report of the Department of Primary Industries:  
(a) actual outcomes be more clearly defined (e.g. 92 per cent instead of >90 per cent); | Accept in part | Performance measures reported in the annual report are those agreed to by the Government each year as part of the budget development process. Performance targets are generally specified as over a certain percentage as it is often difficult to forecast a future outcome with greater accuracy due to inherent variables. Where more accurate measurement systems are possible a precise performance target is used. An example of this is:  
*Project milestone reports completed on time* was greater than 90 per cent in 2003-04, but was revised to be 92 per cent in 2004-05 (Agriculture - Sustainable Agriculture and Food Sector Development). | Where possible, the Department of Primary Industries (DPI) will report more clearly specified performance measure actual outcomes in its next annual report (2003-04). DPI will also continue to review, and more clearly specify, performance targets as appropriate. |
### Recommendation 79: (page 383) continued

<table>
<thead>
<tr>
<th><strong>(b)</strong> quantitative performance measures be further supplemented by effectiveness measures that demonstrate the achievement of program or service objectives; and</th>
<th>Accept in principle</th>
<th>DPI is committed to continually improving the way it demonstrates its contribution to the achievement of Government priorities. The Department has improved the reporting of performance information in its annual report with specific key performance information published for each output. This is based on the State budget papers, which outlines quality, quantity, timeliness and cost measures. Further analysis of performance measures and DPI’s effectiveness in achieving its service objectives is also included in the narrative discussion relating to each output in the annual report. In some cases there is a direct link between performance measures and the effectiveness of Departmental activities. For example, the level of Compliance with marine park legislation and regulations (Fisheries - Industry and Community Compliance Services) illustrates the value of DPI’s service delivery regarding compliance.</th>
<th>DPI is in the process of developing a performance information system that recognises that performance measures are useful when they are clear, understandable, reliable, economical and related to a standard. However, where these criteria cannot be met, DPI is investigating existing and emerging models for improving the measurement and evaluation of performance. When evaluation findings and new performance and effectiveness measures are available they will be incorporated in the annual report.</th>
</tr>
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</table>
| **(c)** performance measures and targets be published for research activities undertaken by research institutes. | Accept | Four of the agriculture output group’s existing performance measures relate to research activities undertaken by DPI:  
- Research, development and extension projects in progress that promote productivity and sustainable farming systems (Agriculture - Sustainable Agriculture and Food Sector Development);  
- Technical publications in international and peer review journals that promote productivity and sustainable farming systems (Agriculture - Sustainable Agriculture and Food Sector Development);  
- Proportion of technical papers submitted to international and peer review journals that are accepted for publication (Agriculture - Sustainable Agriculture and Food Sector Development); and  
- Extension groups used to promote sustainable farming systems (Agriculture - Sustainable Agriculture and Food Sector Development).  
The targets and actual outcomes for these measures are reported in the annual report. In addition, specific performance information was published in DPI’s 2002-03 annual report regarding DPI’s science and innovation activities, including key performance and future directions. | DPI will continue to report targets and actual outcomes for performance measures relating to research activities undertaken by the Department’s research centres (based on information in the budget papers) in its annual report. DPI also plans to explain in its 2003-04 annual report how the activities undertaken by the research institutes contribute to the Department’s output groups and performance measures. |

### Recommendation 80: (page 384)

| The Department of Primary Industries incorporate benchmarked data where available and relevant in developing performance measures and targets to better measure the efficiency and effectiveness of output delivery and departmental performance. | Accept in principle | The Department of Primary Industries (DPI) recognises the importance of benchmarking data and has used this information in developing performance measures and targets when and where possible. However, the development of benchmarks against other States and Territories in natural resource management can be inconsistent and difficult to apply, mainly due to geological, climatic and legislative differences. | DPI will continue to review the availability and applicability of appropriate benchmarked data that can be incorporated into both existing and new performance measures and targets. |
### Recommendation 81: (page 385)

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Accept in principle</th>
<th>DPI will consider this recommendation during preparation of the DPI 2003-04 annual report to determine suitability of inclusion in the context of the overall report.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The disclosure of information on key outcomes achieved under the drought assistance package payments be included in the annual report of the Department of Primary Industries.</td>
<td>The Department of Primary Industries (DPI) records key outcomes achieved under the drought assistance package payments. The best methods of reporting and communicating this information will be considered to determine whether the information should be included in DPI’s next annual report.</td>
<td></td>
</tr>
</tbody>
</table>

### Recommendation 82: (page 387)

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Accept in part</th>
<th>DPI will examine how the Department can more clearly report performance measures and targets associated with major asset and output initiatives in its annual report.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosures in the annual report of the Department of Primary Industries on major initiatives be strengthened to include:</td>
<td>For a number of Department of Primary Industries’ (DPI) major asset and output initiatives, key performance measures and targets are provided for within the existing output statements, and are therefore reported on in the annual report. For example, assets and outputs performance measures associated with the marine parks and aquaculture initiatives are included in the Industry and community compliance services output and the Aquaculture and fishing industry development output, respectively. In addition, further information on performance measures and targets regarding asset and output initiatives are included in the discussion in the annual report.</td>
<td></td>
</tr>
<tr>
<td>(a) key performance measures and targets associated with major asset and output initiatives;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) progress against established milestones and targets; and</td>
<td>DPI has attempted to report progress against established milestones and targets in its annual report by outlining future directions for the coming year and then reporting on those at the end of the year. However, there are concerns that the annual report may end up containing excessive extraneous material if all milestones and targets are included.</td>
<td>DPI will examine how the Department can more clearly report established milestones and targets associated with major initiatives in its annual report.</td>
</tr>
<tr>
<td>(c) actual and budgeted financial outcomes and explanations for any material variances.</td>
<td>Commentary on significant variations from budget to actual results are included in the budget portfolio outcomes statements and financial statements. However, these explanations on individual initiatives are not specifically required.</td>
<td>DPI will examine how the Department can more clearly report actual and budgeted financial outcomes and explanations for material variances associated with major initiatives in its annual report.</td>
</tr>
</tbody>
</table>
### DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

<table>
<thead>
<tr>
<th>PAEC Recommendation</th>
<th>Response</th>
<th>Action Taken to Date</th>
<th>Further Action Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Recommendation 83: (page 400)</td>
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<td></td>
</tr>
<tr>
<td>The Department of Sustainability and Environment more clearly identify in its annual report the key factors that have contributed to material variances in actual to budget financial outcomes.</td>
<td>Accept</td>
<td>High level variance explanations are generally not easily attributable to one or two specific reasons. However, key reasons will be clearly disclosed and fully explained.</td>
<td>No further action has been planned on this recommendation.</td>
</tr>
<tr>
<td>• Recommendation 84: (page 401)</td>
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</tr>
<tr>
<td>The Department of Sustainability and Environment: (a) review its asset recording procedures to ensure compliance with the Department’s capitalisation thresholds is achieved at all times; and</td>
<td>Accept</td>
<td>The Department of Sustainability and Environment (DSE) is currently reviewing all Corporate Policies and procedures, and this includes the Fixed Asset Management policy. Increased communication of the requirements of this policy throughout the Department has commenced, and a more dedicated quality assurance process has been applied, to ensure the capitalisation threshold is consistently achieved in future. In addition, DSE has appointed a Director for project assets and risk to further enhance skills in this area.</td>
<td>No further action will be taken on this recommendation.</td>
</tr>
<tr>
<td>• Recommendation 84: (page 401) continued</td>
<td>(b) review the arrangements for the security of assets, given that assets were deleted from the Fixed Asset Register, following a stock take.</td>
<td>Accept</td>
<td>DSE has recently undertaken a review of the existing asset management arrangements, and a strategy developed to establish a strategic framework for the coordinated development of asset management with DSE as a high priority. This strategy will commence shortly and key asset management goals are expected to be fully achieved by 2007-08. Continual improvement year-on-year at business operational levels in the context of the strategic asset management framework will continue beyond these goals, to ensure increased control and security over departmental assets.</td>
</tr>
<tr>
<td>• Recommendation 85: (page 402)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial information relating to each departmental trust fund be summarised in the annual report of the Department of Sustainability and Environment.</td>
<td>Reject</td>
<td>The disclosures included in the annual report are outlined in the Model Financial Report for Victorian Government Departments. The disclosure requirements contained in the Model are developed in consultation with the Auditor-General, and are prepared in accordance with the requirements of the Financial Management Act 1994, Australian Accounting Standards, Statements of Accounting Concepts and other pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group Consensus Views.</td>
<td>No further action will be taken on this recommendation.</td>
</tr>
<tr>
<td>• Recommendation 86: (page 406)</td>
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</tr>
<tr>
<td>The Department of Sustainability and Environment identify and address the reasons for delays in the implementation of asset investment projects and assess the potential cost and funding implications to which the Department may be exposed as a consequence.</td>
<td>Accept in part</td>
<td>The Department of Sustainability and Environment (DSE) is currently reviewing its project planning processes to account for factors that impact on the Department and the consequential implications.</td>
<td>DSE to implement any actions arising from the review.</td>
</tr>
</tbody>
</table>
### Recommendation 87: (page 413)

<table>
<thead>
<tr>
<th>Accept</th>
<th>Preliminary work commenced to investigate data source.</th>
<th>Benchmarking information will be incorporated, where sensible comparisons can be made and relevant information is available from other jurisdictions to enable benchmarking standards to be developed.</th>
</tr>
</thead>
</table>

**Benchmarking techniques be more widely applied by the Department of Sustainability and Environment in developing performance measures and targets and to evaluate departmental performance in the delivery of programs, services and outputs.**

### Recommendation 88: (page 415)

<table>
<thead>
<tr>
<th>Accept</th>
<th>No action has yet been taken on this recommendation.</th>
<th>The effectiveness of the voluntary licence reduction program, workers assistance program and contractors assistance program in meeting their key objectives will be discussed in the 2003-04 annual report.</th>
</tr>
</thead>
</table>

**The effectiveness of the voluntary licence reduction program, workers assistance program and contractors assistance program in meeting their key objectives be discussed in the annual report of the Department of Sustainability and Environment.**

### Recommendation 89: (page 415)

<table>
<thead>
<tr>
<th>Accept</th>
<th>As part of the 2003-04 budgetary process, funding requirements were reviewed and additional funding of $8.9 million allocated to the program in the 2003-04 financial year. In addition, the allocation of the Implementation Program’s budget of $80 million to various program elements was reviewed and $6 million was redirected to assist in funding the increased expenditure on the industry adjustment programs. This was necessitated by the increased and early takeup of the voluntary licence reduction offer and the consequential increases in number of workers and contractors affected.</th>
<th>No further action will be taken on this recommendation.</th>
</tr>
</thead>
</table>

**The Department of Sustainability and Environment review its funding requirements under the Sustainable Forestry Program in view of the higher than expected level of licences that were surrendered in some forest management areas.**

### Recommendation 90: (page 416)

<table>
<thead>
<tr>
<th>Accept</th>
<th>The Department of Sustainability and Environment will consider the most effective means of conveying, as part of the progress report, information on implementation costs and the extent to which targets/outcomes have been achieved. This will likely to include a combination of information provided directly in the Progress report, as well as cross-referencing of annual reports of departments and agencies responsible for the implementation of Victorian Greenhouse Strategy actions.</th>
<th>No further action will be taken on this recommendation.</th>
</tr>
</thead>
</table>

**In addition to the disclosure of activities undertaken under the Victorian Greenhouse Strategy, the progress report include details of the costs incurred in implementing projects and the extent to which established targets and outcomes have been achieved.**

### Recommendation 91: (page 417)

<table>
<thead>
<tr>
<th>Accept</th>
<th>The Department of Sustainability and Environment has prepared business cases for three options for the future management and operation of the Seal Rocks Sea Life Centre which is currently under consideration.</th>
<th>Once decisions have been made action will be taken to implement the recommendation.</th>
</tr>
</thead>
</table>

**Urgent action be taken by the Department of Sustainability and Environment to resolve the future management and operation of the Seal Rocks Sea Life Centre.**
### Appendix 5: Government response to PAEC Report no. 56 on the 2002-2003 Budget Outcomes

#### Recommendation 92: (page 418)

<table>
<thead>
<tr>
<th>The Department of Sustainability and Environment:</th>
<th>Accept</th>
<th>The key outcomes for projects funded under the National Action Plan for Salinity and Water Quality are reported to Ministerial Council as part of this programs annual reporting requirements under the Bilateral Agreement. The level of detail required to report against this aspect is such that the Ministerial Council report provides a more comprehensive reporting mechanism than the Department of Sustainability and Environment (DSE) annual report.</th>
<th>Summary information will be included in the DSE annual report in future.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) summarise in its annual report the key outcomes of projects funded under the National Action Plan for Salinity and Water Quality;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) establish performance measures and targets to evaluate the effectiveness of salinity and water quality programs in reducing, preventing or stabilising salinity levels and improving water quality; and</td>
<td>Accept in part</td>
<td>The outcomes to be achieved by projects funded under the National Action Plan (NAP) for Salinity and Water Quality funding were developed around regional priorities in consultation with local communities and other stakeholders. These outcomes were aligned with regional plans and investor criteria to ensure that they met the desired NAP outcomes of improved water quality, the prevention of increased salinity and the conservation of biodiversity. Annual milestones and performance measures have been established for each project to ensure that progress against the agreed outcomes could be monitored during the year.</td>
<td>Performance measures already exist to reflect NAP outcomes.</td>
</tr>
</tbody>
</table>

#### Recommendation 92: (page 418) continued

| (c) publish in its annual report salinity and water quality performance measures and targets. | Accept in part | Refer to recommendation 92(a). | Refer to recommendation 92(a). |

#### Recommendation 93: (page 419)

To enhance accountability and transparency of information in relation to the delivery of outputs, actual performance outcomes against performance targets be disclosed in the annual report of either the Department of Sustainability and Environment or the Environment Protection Authority Victoria.

| Accept | The Environment Protection Authority will include in its annual report the actual performance outcomes against annual performance management targets. | No further action will be taken on this recommendation. |

#### Recommendation 94: (page 420)

Disclosures within the annual report of the Environment Protection Authority Victoria be strengthened to include progress on key projects and outcomes under the Stormwater Action Program.

<p>| Accept | The Environment Protection Authority will include in its annual report progress on key projects and outcomes under the Stormwater Action Program. | No further action will be taken on this recommendation. |</p>
<table>
<thead>
<tr>
<th>PAEC Recommendation</th>
<th>Response</th>
<th>Action Taken to Date</th>
<th>Further Action Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 95:</strong> (page 435)</td>
<td></td>
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</tr>
<tr>
<td>The financial report of the Department of Treasury and Finance include additional disclosures of: (a) new departmental trust accounts and their purpose;</td>
<td>Reject</td>
<td>The disclosures included in the annual report are outlined in the Model Financial Report for Victorian Government Departments. The disclosure requirements contained in the Model are developed in consultation with the Auditor-General, and are prepared in accordance with the requirements of the Financial Management Act 1994, Australian Accounting Standards, Statements of Accounting Concepts and other pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group Consensus Views.</td>
<td>No further action will be taken on this recommendation.</td>
</tr>
<tr>
<td>(b) departmental trust accounts that were closed during the year; and</td>
<td>Reject</td>
<td>Refer to recommendation 95(a).</td>
<td>Refer to recommendation 95(a).</td>
</tr>
<tr>
<td>(c) transactions and balances of departmental trust accounts.</td>
<td>Reject</td>
<td>Refer to recommendation 95(a).</td>
<td>Refer to recommendation 95(a).</td>
</tr>
<tr>
<td><strong>Recommendation 96:</strong> (page 435)</td>
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</tr>
<tr>
<td>The financial report of the State of Victoria include additional disclosures of: (a) new trust accounts and their purpose; and</td>
<td>Reject</td>
<td>Refer to recommendation 95(a).</td>
<td>Refer to recommendation 95(a).</td>
</tr>
<tr>
<td>(b) trust accounts that were closed during the year.</td>
<td>Reject</td>
<td>Refer to recommendation 95(a).</td>
<td>Refer to recommendation 95(a).</td>
</tr>
<tr>
<td><strong>Recommendation 97:</strong> (page 436)</td>
<td></td>
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</tr>
<tr>
<td>The Department of Treasury and Finance in its role as central agency, conduct regular assessments of the operations of all Departments' trust accounts to ensure they remain relevant and appropriate in the context of the current financial management and accountability framework.</td>
<td>Accept</td>
<td>The Department of Treasury and Finance on a monthly basis as part of the financial analysis and review of data provided by agencies feeding into the public ledger, monitor the operation and continually assesses the relevance and appropriateness of existing trust funds.</td>
<td>No further action will be taken on this recommendation.</td>
</tr>
<tr>
<td><strong>Recommendation 98:</strong> (page 441)</td>
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</tr>
<tr>
<td>The Department of Treasury and Finance continue to monitor client satisfaction levels with its office accommodation services.</td>
<td>Accept</td>
<td>The Department of Treasury and Finance (DTF) conducts two client/customer satisfaction surveys per year, via Jones Lang LaSalle the contracted Property Management service provider.</td>
<td>DTF will continue with the client/customer satisfaction surveys.</td>
</tr>
<tr>
<td><strong>Recommendation 99:</strong> (page 443)</td>
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</tr>
<tr>
<td>The Essential Services Commission in reporting on the cost of the Regulatory Services Output Group identify separately the overhead cost that was charged by the Department of Treasury and Finance.</td>
<td>Reject</td>
<td>The Essential Services Commission will report the full amount of Output revenue earned from Government in its annual report. This amount will be consistent with the revenue amount reported in the Department of Treasury and Finance annual report, avoiding the need to dissect amounts by expenditure type in DTF's annual report.</td>
<td>No further action will be taken on this recommendation.</td>
</tr>
</tbody>
</table>
### DEPARTMENT FOR VICTORIAN COMMUNITIES

<table>
<thead>
<tr>
<th>PAEC Recommendation</th>
<th>Response</th>
<th>Action Taken to Date</th>
<th>Further Action Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 100:</strong> (page 456)</td>
<td>The Department for Victorian Communities include in its annual report consolidated information on the disbursement of funds by licensed clubs to community organisations and activities.</td>
<td>Accept in principle</td>
<td>The disbursement of funds by licensed clubs is the responsibility of the Minister for Gaming (the Department of Justice). The <strong>Gambling Regulation Act 2003</strong> requires licensed clubs and hotel gaming venues to lodge a Community Benefit Statement with the Victorian Commission for Gambling Regulation. In turn, the Commission is required to publish each statement on the internet. Under the Act, licensed clubs must contribute a portion of their gaming revenue to community purposes or pay a higher tax rate. Community Benefit Statements provide the public with information on community contributions made by clubs and hotels from their gaming revenue. The Act requires clubs and hotels to provide such Statements for the 2003-04 financial year onwards. Statements for the previous financial year were lodged with the Commission by 30 September this year. Community Benefit Statements contribute to the Government's commitment to increased transparency in gaming, as well as improved outcomes for local communities.</td>
</tr>
<tr>
<td><strong>Recommendation 101:</strong> (page 461)</td>
<td>The Department for Victorian Communities review performance information contained in the Budget Papers and its annual report to ensure that performance measures are costed and timelines and targets are achievable.</td>
<td>Accept in principle</td>
<td>All performance measures and targets will be reviewed annually to ensure relevance of measures and targets each year.</td>
</tr>
<tr>
<td><strong>Recommendation 102:</strong> (page 462)</td>
<td>The Department for Victorian Communities take action to ensure that all municipal councils lodge their annual reports within the statutory timeframe.</td>
<td>Accept</td>
<td>The Minister for Local Government wrote to all councils and regional library corporations in mid-July 2003 reminding them of their obligations under the <strong>Local Government Act 1989</strong> to submit a copy of their annual report to their Minister within 3 months of the end of the 2002-03 financial year, that is 30 September 2003. Local Government Victoria has also introduced a number of initiatives aimed at assisting councils and regional libraries to improve their timeliness in preparing annual reports: • issuing guidelines for annual reports to assist with the preparation of financial reports which comply with the Auditor-General’s requirements; and, • provision of advice regarding the appropriate accounting treatment of non-current assets aimed at reducing the number of audit qualifications of financial statements.</td>
</tr>
</tbody>
</table>
### Recommendation 103: (page 463)

The Department for Victorian Communities:
- **(a)** resolve the outstanding issues that are delaying the building of facilities for the Commonwealth Games 2006; and
- **(b)** ensure that performance information on the progress of all projects is made available to the Parliament and the public at regular intervals.

**Accept**
- Commonwealth Games construction projects have been designed, tendered or contracted as appropriate, in accordance with the planned timelines that will ensure that these facilities will be completed in time for the Games.
- All constructions projects are monitored regularly and report to the Commonwealth Games Cabinet Subcommittee. They are all progressing satisfactorily against the planned timelines.
- Following review, the 2003-04 performance indicators have been substantially revised to match the Games planning milestones for 2004-05. The updated performance indicators will continue to be reported to Parliament in the Budget Papers and the Department for Victorian Communities annual report.
- Games performance indicators will be reviewed annually to ensure that they continue to reflect Games planning milestones.

### Recommendation 104: (page 465)

The Department for Victorian Communities undertake an evaluation of its project management capabilities and strategies.

**Accept**
- Projects@DVC has been developed by the Business Systems and Projects group within Corporate and Organisational Development for Department for Victorian Communities (DVC) staff to use when managing and communicating projects. The establishment of Projects@DVC highlights the Department’s commitment to developing project management capabilities across the Department and providing a consistent methodology, templates and tools to assist project managers in delivering projects. Included also is a service to help project managers scope, plan and implement a project, provide resources to facilitate project planning sessions and assist the Department to manage and deliver DVC projects.
- Projects@DVC aims to promote project information sharing across DVC. The Department’s intranet site will be further developed to provide information sharing across DVC. This action will further build up knowledge base of projects across Divisions and include best practice examples for internal use.

### Recommendation 105: (page 470)

That the Department for Victorian Communities:
- **(a)** evaluate all employment programs it administers with a view to determining the key indicators of success directly linked to the programs;

**Accept**
- The success of the Government’s employment programs is measured against targets set for each program. The targets for all employment programs are identified in the Budget Papers with performance outcomes reported in the department’s annual report. Targets include:
  - the number of people assisted into employment;
  - the percentage of people retained in employment, education or training after 3 months;
  - the number of services provided; and
  - client satisfaction.
- The Department also evaluates individual programs as appropriate to inform future program directions and to ensure that these programs are being adequately targeted to disadvantaged groups.
- The Department for Victorian Communities will continue to measure the performance of its Employment Programs using targets agreed with the Department of Treasury and Finance, and will evaluate programs as appropriate.
An evaluation of the Overseas Qualified Professionals Program (OQPP) was completed in late 2003. The evaluation has informed the development of the Request for Tender for OQPP services for 2004-07.

An internal evaluation of the Youth Employment Scheme is being currently conducted to gauge the program performance and inform enhancements to the program.

The Community Jobs Program (2000-03) and the Youth Employment Link were both subject to an independent evaluation in 2001-02.

It is too early to formally evaluate the Jobs for Victoria programs that commenced late in 2003 or early in 2004. However, on-going program monitoring against output targets is built into these programs, including the Jobs for Young People program, revised Community Jobs Program and Community Regional Industry Skills Program. Formal evaluations will be conducted as appropriate.

(b) include in its annual report an analysis of the value and benefits that are being derived from the employment programs; and

<table>
<thead>
<tr>
<th>Accept</th>
<th>The 2002-03 DVC annual report reported on performance against targets for Employment Programs.</th>
<th>DVC will continue to report on the performance of Employment Programs against targets.</th>
</tr>
</thead>
</table>

(c) undertake a review to determine whether there is any duplication or overlapping of employment programs offered by other government agencies and organisations.

<table>
<thead>
<tr>
<th>Reject</th>
<th>The Employment Programs Division of DVC actively seeks to foster an effective working relationship with the Commonwealth Department of Employment and Workplace Relations (DEWR) to ensure that labour market programs are complementary, that duplication is avoided and that service delivery is maximised at the local level. In May 2003, DVC entered into a Memorandum of Understanding (MOU) agreement with the DEWR. The intent of the MOU agreement is to open up and promote better communication channels between the Commonwealth and the State.</th>
<th>Further liaison with DEWR to continue.</th>
</tr>
</thead>
</table>

The MOU agreement creates the foundation for DEWR and DVC to work co-operatively by sharing labour market intelligence with a focus on program and service synergies and well as sharing information on:
- the needs of particular target groups and local labour markets across Victoria;
- gaps in service delivery within Victoria and strategies to address these gaps; and
- best practice employment services and programs.
| Recommendation 106: (page 473) |
|--------------------------------|---------------------------------|--------------------------------|--------------------------------|
| **The Department of Treasury**<br>and Finance, as a matter of urgency, develop a standardised format for performance reporting in annual reports, together with guidance materials for Departments and Agencies. | **Reject** | **The Department of Treasury and Finance (DTF) provides high level content guidelines for departments related to the reporting of non-financial performance information in annual reports. This is provided through various publications such as the *Model Financial Report for Victorian Government Departments*, Financial Reporting Directions, Budget and Financial Management Guides, and through the *Standing Directions of the Minister for Finance*. Presentation of non-financial performance information is left to individual departments.**<br>At a whole of Government level output performance information is provided through the annual Budget Papers with comparative information for the two previous years in a standardised content and form. | **DTF will continue to work with all departments to improve non-financial performance information and reporting focussing on the continued integration of Growing Victoria Together.** |