121\textsuperscript{st} Report to Parliament

Review of the Auditor-General’s Reports 2009-2011

September 2014
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Parliament of Victoria  
Public Accounts and Estimates Committee

**Review of the Auditor-General’s Reports 2009-2011**

**ISBN:** 978 0 9924578 4 6 (Print version)  
978 0 9924578 5 3 (PDF version)
CONTENTS

Duties of the Committee .............................................. xi
Acronyms and Terms .................................................. xiii
Chair’s Foreword ....................................................... xv
Findings and Recommendations ................................. xvii

CHAPTER 1

Background to the Inquiry ........................................... 1
1.1 Introduction ....................................................... 1
1.2 The Public Accounts and Estimates Committee’s role in conducting follow-up inquiries ................. 1
1.3 Performance audit reports selected for this Inquiry .... 2
1.4 Summary of the objectives and scope of the selected audit reports ........................................ 2
   1.4.1 The Effectiveness of Student Wellbeing Programs and Services (February 2010) ................. 2
   1.4.2 Literacy and Numeracy Achievement (February 2009) ..................................................... 3
   1.4.3 Maintaining the Integrity and Confidentiality of Personal Information (November 2009) .......... 3
   1.4.4 Management of the Community Support Fund (November 2009) ...................................... 4
   1.4.5 Security of Infrastructure Control Systems for Water and Transport (October 2010) .............. 5
   1.4.6 Taking Action on Problem Gambling (July 2010) ................................................................. 5
   1.4.7 Towards a ‘smart grid’ – the roll-out of Advanced Metering Infrastructure (November 2009) .......... 6
   1.4.8 Use of Development Contributions by Local Government (December 2009) ........................... 6
1.5 The Committee’s approach to the follow-up Inquiry ............................................................... 7
1.6 The Inquiry process .................................................. 8
1.7 Cost ........................................................................ 8
1.8 Outline of this report ............................................... 8

CHAPTER 2

Key Observations from the Inquiry .................................. 9
2.1 Introduction .......................................................... 9
2.2 The portfolio responses to the Auditor-General’s reports .......................................................... 9
2.3 Implementation of the Auditor-General’s recommendations ..................................................... 10
   2.3.1 Agencies internal monitoring and follow-up processes ......................................................... 11
   2.3.2 Monitoring and follow-up by lead agencies ......................................................................... 13
   2.3.3 External review and follow-up ............................................................................................ 14
2.4 Monitoring and oversight ........................................... 15
2.5 Measuring effectiveness and performance ....................... 17
CHAPTER 3

The Effectiveness of Student Wellbeing Programs and Services

3.1 Introduction .............................................................. 19
3.2 Audit findings and recommendations .................................. 20
3.3 Funding for student wellbeing programs and services ............... 21
3.4 Departmental policy framework for student wellbeing programs
  and services .......................................................... 22
  3.4.1 Clearly defined health and wellbeing outcomes and
        integrated service delivery .................................. 22
  3.4.2 Department response to the audit recommendation .......... 23
  3.4.3 Actions implemented to date ................................ 23
  3.4.4 Committee findings and recommendations .................. 26
3.5 Measuring performance and driving continuous improvement ....... 28
  3.5.1 Audit findings and recommendations ........................ 28
3.6 Measuring student wellbeing: data collection systems and results .. 29
  3.6.1 Student wellbeing data collection methods and systems
        – audit findings ................................................ 29
  3.6.2 Student wellbeing results and outcomes – audit findings .... 31
  3.6.3 Department response to the audit recommendation ......... 32
  3.6.4 Actions implemented to date ................................ 32
  3.6.5 Committee findings and recommendations .................. 36
3.7 Student wellbeing outcomes – setting targets and benchmarks ....... 40
  3.7.1 Actions implemented to date ................................ 40
  3.7.2 Committee findings and recommendations .................. 42
3.8 Measuring student wellbeing programs and services – audit
  findings .............................................................. 43
  3.8.1 Department response to the audit recommendation .......... 44
  3.8.2 Actions implemented to date ................................ 44
  3.8.3 Committee findings and recommendations .................. 46
3.9 Committee’s overall assessment of the progress made in
  implementing the audit recommendations .......................... 47

CHAPTER 4

Literacy and Numeracy Achievement ........................................ 49

4.1 Introduction .............................................................. 49
4.2 Auditor-General’s report findings and recommendations .......... 50
4.3 Recent developments .................................................. 51
  4.3.1 Recent developments in education policy .................... 51
  4.3.2 Recent funding initiatives .................................... 51
4.4 Ways to improve literacy and numeracy achievement – audit
  findings and recommendations ...................................... 52
  4.4.1 A stronger focus on numeracy ................................. 54
  4.4.2 Department response to the audit recommendation ......... 54
  4.4.3 Actions implemented to date ................................ 55
  4.4.4 Committee findings and recommendations .................. 59
4.5 Addressing the performance gap between high and low
  socio-economic schools ............................................. 63
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.5.1</td>
<td>Department response to the audit recommendation</td>
<td>64</td>
</tr>
<tr>
<td>4.5.2</td>
<td>Actions implemented to date</td>
<td>64</td>
</tr>
<tr>
<td>4.5.3</td>
<td>Committee findings and recommendations</td>
<td>67</td>
</tr>
<tr>
<td>4.6</td>
<td>Addressing issues of declining achievement in non-metropolitan regions and sharing good practice from low-SES metropolitan regions</td>
<td>69</td>
</tr>
<tr>
<td>4.6.1</td>
<td>Department response to the audit recommendation</td>
<td>69</td>
</tr>
<tr>
<td>4.6.2</td>
<td>Actions implemented to date</td>
<td>70</td>
</tr>
<tr>
<td>4.6.3</td>
<td>Committee findings and recommendations</td>
<td>72</td>
</tr>
<tr>
<td>4.7</td>
<td>Early intervention and ongoing support for students in need</td>
<td>74</td>
</tr>
<tr>
<td>4.7.1</td>
<td>Department response to the audit recommendation</td>
<td>74</td>
</tr>
<tr>
<td>4.7.2</td>
<td>Actions implemented to date</td>
<td>75</td>
</tr>
<tr>
<td>4.7.3</td>
<td>Committee findings and recommendations</td>
<td>78</td>
</tr>
<tr>
<td>4.8</td>
<td>Continuous improvement</td>
<td>80</td>
</tr>
<tr>
<td>4.9</td>
<td>An evidence-based continuous improvement approach</td>
<td>80</td>
</tr>
<tr>
<td>4.9.1</td>
<td>Setting challenging long-term achievement targets – audit findings</td>
<td>81</td>
</tr>
<tr>
<td>4.9.2</td>
<td>Department response to the audit recommendation</td>
<td>81</td>
</tr>
<tr>
<td>4.9.3</td>
<td>Actions implemented to date</td>
<td>82</td>
</tr>
<tr>
<td>4.9.4</td>
<td>Committee findings and recommendations</td>
<td>83</td>
</tr>
<tr>
<td>4.9.5</td>
<td>Evaluating interventions – audit findings</td>
<td>85</td>
</tr>
<tr>
<td>4.9.6</td>
<td>Department response to the audit recommendation</td>
<td>86</td>
</tr>
<tr>
<td>4.9.7</td>
<td>Actions implemented to date</td>
<td>86</td>
</tr>
<tr>
<td>4.9.8</td>
<td>Committee findings and recommendations</td>
<td>90</td>
</tr>
<tr>
<td>4.10</td>
<td>Student literacy and numeracy achievement data</td>
<td>91</td>
</tr>
<tr>
<td>4.10.1</td>
<td>Introduction of a unique student identifier – audit findings</td>
<td>92</td>
</tr>
<tr>
<td>4.10.2</td>
<td>Department response to the audit recommendation</td>
<td>92</td>
</tr>
<tr>
<td>4.10.3</td>
<td>Actions implemented to date</td>
<td>92</td>
</tr>
<tr>
<td>4.10.4</td>
<td>Committee findings and recommendations</td>
<td>93</td>
</tr>
<tr>
<td>4.10.5</td>
<td>Assessing the literacy and numeracy skills of students starting school – audit findings</td>
<td>94</td>
</tr>
<tr>
<td>4.10.6</td>
<td>Department response to the audit recommendation</td>
<td>94</td>
</tr>
<tr>
<td>4.10.7</td>
<td>Actions implemented to date</td>
<td>94</td>
</tr>
<tr>
<td>4.10.8</td>
<td>Committee findings and recommendations</td>
<td>94</td>
</tr>
<tr>
<td>4.10.9</td>
<td>Student assessment methods and systems – audit findings</td>
<td>95</td>
</tr>
<tr>
<td>4.10.10</td>
<td>Department response to the audit recommendation</td>
<td>96</td>
</tr>
<tr>
<td>4.10.11</td>
<td>Actions implemented to date</td>
<td>97</td>
</tr>
<tr>
<td>4.10.12</td>
<td>Committee findings and recommendations</td>
<td>98</td>
</tr>
<tr>
<td>4.11</td>
<td>Committee’s overall assessment of the progress made in implementing the audit recommendations</td>
<td>99</td>
</tr>
</tbody>
</table>

CHAPTER 5 Maintaining the Integrity and Confidentiality of Personal Information

5.1 Introduction | 101 |
5.2 Audit findings and recommendations | 102 |
5.3 Recent developments | 102 |
<table>
<thead>
<tr>
<th>5.4 Central agency governance</th>
<th>103</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.4.1 Role clarity on information security</td>
<td>103</td>
</tr>
<tr>
<td>5.4.2 Information security policy, standards and guidance</td>
<td>106</td>
</tr>
<tr>
<td>5.4.3 Application of information security policies</td>
<td>109</td>
</tr>
<tr>
<td>5.4.4 Oversight of information security</td>
<td>110</td>
</tr>
<tr>
<td>5.4.5 Communicating emerging risks</td>
<td>112</td>
</tr>
<tr>
<td>5.5 Departmental governance</td>
<td>114</td>
</tr>
<tr>
<td>5.5.1 Department response to the audit recommendation</td>
<td>114</td>
</tr>
<tr>
<td>5.5.2 Actions implemented to date</td>
<td>114</td>
</tr>
<tr>
<td>5.5.3 Committee findings and recommendations</td>
<td>116</td>
</tr>
<tr>
<td>5.6 Departmental information security practices</td>
<td>116</td>
</tr>
<tr>
<td>5.6.1 Risk management</td>
<td>117</td>
</tr>
<tr>
<td>5.6.2 Staff training</td>
<td>119</td>
</tr>
<tr>
<td>5.6.3 Monitoring staff compliance</td>
<td>121</td>
</tr>
<tr>
<td>5.6.4 Information inventory</td>
<td>122</td>
</tr>
<tr>
<td>5.6.5 ICT security</td>
<td>123</td>
</tr>
<tr>
<td>5.6.6 Monitoring access and changes to personal information</td>
<td>124</td>
</tr>
<tr>
<td>5.6.7 Third party service providers</td>
<td>125</td>
</tr>
<tr>
<td>5.7 Committee’s overall assessment of the progress made in implementing the audit recommendations</td>
<td>128</td>
</tr>
</tbody>
</table>

**CHAPTER 6**

Management of the Community Support Fund | 131

6.1 Introduction | 131

6.2 Audit findings and recommendations | 131

6.3 Management of the Community Support Fund | 132

6.3.1 Objectives and guidelines | 132

6.3.2 Policy framework | 135

6.3.3 Key performance indicators | 136

6.3.4 Reporting requirements | 138

6.3.5 Cash balance of the Fund | 139

6.3.6 Monitoring and evaluation framework | 141

6.4 Agency management of grant programs | 143

6.4.1 Departures from guidelines | 144

6.4.2 Retention amounts and funding ratios | 145

6.4.3 Acquittal processes | 146

6.4.4 Procedures for precluding applicants from grants | 148

6.4.5 The oversight role played by the Department of Treasury and Finance | 149

6.5 Committee’s overall assessment of the progress made in implementing the audit recommendations | 150

**CHAPTER 7**

Security of Infrastructure Control Systems for Water and Transport | 153

7.1 Introduction | 153

7.2 Roles and responsibilities for the water and transport sectors | 153

7.2.1 The water sector | 153
7.2.2 The transport sector ........................................ 154
7.3 Audit findings and recommendations ....................... 154
7.4 Operator security ............................................. 155
  7.4.1 Department response to the audit recommendation ...... 155
  7.4.2 Actions implemented to date ........................... 156
  7.4.3 Proposed future actions .................................. 158
  7.4.4 Committee findings and recommendations ............. 159
7.5 Agency oversight ............................................ 159
  7.5.1 The water sector ....................................... 160
  7.5.2 The transport sector .................................... 163
7.6 Committee’s overall assessment of the progress made in implementing the audit recommendations ..... 165

CHAPTER 8
Taking Action on Problem Gambling .................................. 167
8.1 Introduction .................................................. 167
  8.1.1 Recent developments ................................... 168
8.2 Audit findings and recommendations ....................... 168
8.3 Basis for the Strategy ........................................ 169
  8.3.1 Department response to the audit recommendation ...... 170
  8.3.2 Actions implemented to date ........................... 170
  8.3.3 Committee findings and recommendations ............. 174
8.4 Strategy implementation ...................................... 175
8.5 Applications for new EGM venues and additional EGMs ..... 176
  8.5.1 Department response to the audit recommendation ...... 176
  8.5.2 Actions implemented to date ........................... 177
  8.5.3 Committee findings and recommendations ............. 177
8.6 Assessing net detriment ...................................... 178
  8.6.1 Department response to the audit recommendation ...... 178
  8.6.2 Actions implemented to date ........................... 179
  8.6.3 Committee findings and recommendations ............. 179
8.7 Responsible Gambling Codes of Conduct and Self-Exclusion Programs .................................. 180
  8.7.1 Department response to the audit recommendation ...... 180
  8.7.2 Actions implemented to date ........................... 181
  8.7.3 Committee findings and recommendations ............. 183
8.8 Responsible gambling compliance audits - communicating compliance results to venue operators ............. 183
  8.8.1 Department response to the audit recommendation ...... 184
  8.8.2 Actions implemented to date ........................... 184
  8.8.3 Committee conclusion .................................. 185
8.9 Responsible gambling training ................................ 186
  8.9.1 Department response to the audit recommendation ...... 187
  8.9.2 Actions implemented to date ........................... 187
  8.9.3 Committee findings and recommendations ............. 188
### 8.10 Assessing the effectiveness of the Strategy

- **8.10.1** The Department’s performance management system .......................... 189
- **8.10.2** Department response to the audit recommendation ..................... 191
- **8.10.3** Actions implemented to date .......................................................... 191
- **8.10.4** Committee findings and recommendations ................................. 193

### 8.11 Committee’s overall assessment of the progress made in implementing the audit recommendations ....................... 194

### 9.1 Introduction ...................................................................................... 197

### 9.2 Audit findings and recommendations .............................................. 197

### 9.3 Public submissions to the Inquiry .................................................. 198

### 9.4 Governance structure ................................................................. 198

- **9.4.1** Department response to the audit recommendation .......... 199
- **9.4.2** Actions implemented to date ......................................................... 199
- **9.4.3** Committee findings and recommendations .......................... 200

### 9.5 Stakeholder engagement .............................................................. 201

- **9.5.1** Department response to the audit recommendation .......... 201
- **9.5.2** Actions implemented to date ......................................................... 201
- **9.5.3** Committee findings and recommendations .......................... 202

### 9.6 Regulator engagement ................................................................. 203

- **9.6.1** Department response to the audit recommendation .......... 203
- **9.6.2** Actions implemented to date ......................................................... 203
- **9.6.3** Committee findings and recommendations .......................... 204

### 9.7 Program review ............................................................................ 204

- **9.7.1** Department response to the audit recommendation .......... 204
- **9.7.2** Actions implemented to date ......................................................... 205
- **9.7.3** Committee findings and recommendations .......................... 206

### 9.8 Cost-benefit analysis ................................................................. 207

- **9.8.1** Department response to the audit recommendation .......... 207
- **9.8.2** Actions implemented to date ......................................................... 207
- **9.8.3** Committee findings and recommendations .......................... 208

### 9.9 Technology risks ......................................................................... 209

- **9.9.1** Department response to the audit recommendation .......... 209
- **9.9.2** Actions implemented to date ......................................................... 209
- **9.9.3** Committee findings and recommendations .......................... 210

### 9.10 Risk management ..................................................................... 210

- **9.10.1** Department response to the audit recommendation .......... 211
- **9.10.2** Actions implemented to date ......................................................... 211
- **9.10.3** Committee findings and recommendations .......................... 211

### 9.11 Committee’s overall assessment of the progress made in implementing the audit recommendations ................... 212
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 seven members of Parliament drawn from both Houses of Parliament.

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;
- 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; and
- any proposal, matter or thing that is relevant to its functions and has been referred to the Committee by resolution of the Council or the Assembly or by order of the Governor in Council published in the Government Gazette.

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.
<table>
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<tr>
<th>ACRONYMS AND TERMS</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMI project</td>
<td>Advanced Metering Infrastructure project, a partnership between the Victorian Government and electricity distributors to install smart meters in all Victorian homes and small businesses</td>
</tr>
<tr>
<td>AusVELS</td>
<td>The Prep to Year 10 Victorian curriculum</td>
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<tr>
<td>CSF</td>
<td>Community Support Fund, a statutory trust fund which is funded from a proportion of gambling revenues and used to benefit the purposes set out in the trust</td>
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<td>DCP</td>
<td>Development Contributions Plan, can be used to raise levies for a range of State and Local Government provided infrastructure including roads, public transport, storm water and urban run-off management systems, open space and community facilities</td>
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<tr>
<td>DEECD</td>
<td>Department of Education and Early Childhood Development</td>
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<td>DEPI</td>
<td>Department of Environment and Primary Industries</td>
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<td>DOT</td>
<td>(Former) Department of Transport</td>
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<td>DPC</td>
<td>Department of Premier and Cabinet</td>
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<td>DPCD</td>
<td>(Former) Department of Planning and Community Development</td>
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<td>DSDBI</td>
<td>Department of State Development, Business and Innovation</td>
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<td>(Former) Department of Sustainability and Environment</td>
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<td>DTF</td>
<td>Department of Treasury and Finance</td>
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<tr>
<td>DTPLI</td>
<td>Department of Transport, Planning and Local Infrastructure</td>
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<td>GAIC</td>
<td>Growth Areas Infrastructure Contribution, a charge designed to contribute to the funding of essential State infrastructure in Melbourne’s growth areas.</td>
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<td>ICT</td>
<td>Information and Communications Technology</td>
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<tr>
<td>Infrastructure Control Systems</td>
<td>Computer-based systems which are used to operate and control essential services</td>
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<td>KPI</td>
<td>Key performance indicator</td>
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<tr>
<td>LGA</td>
<td>Local Government Area</td>
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<tr>
<td>LGV</td>
<td>Local Government Victoria</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
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<tr>
<td>MOU</td>
<td>Memorandum of understanding</td>
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<td>MPA</td>
<td>Metropolitan Planning Authority</td>
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<td>NAPLAN</td>
<td>National Assessment Program – Literacy and Numeracy</td>
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<td>PTV</td>
<td>Public Transport Victoria</td>
</tr>
<tr>
<td>Responsible Gambling Strategy (the Strategy)</td>
<td>A five year strategy running from 2006-7 to 2010-11 which was directed at the promotion of responsible gambling in Victoria</td>
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<tr>
<td>RGMAC</td>
<td>Responsible Gambling Ministerial Advisory Council</td>
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<td>The Foundation</td>
<td>Victorian Responsible Gambling Foundation</td>
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<tr>
<td>Smart meter</td>
<td>A digital electricity meter</td>
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<tr>
<td>VCGLR</td>
<td>Victorian Commission for Gambling and Liquor Regulation</td>
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<td>(Former) Victorian Commission for Gambling Regulation</td>
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<td>WOVG</td>
<td>Whole of Victorian Government</td>
</tr>
</tbody>
</table>
CHAIR’S FOREWORD

I am pleased to present this report on the Review of the Auditor-General’s Reports 2009-2011 to the Parliament. The report represents the culmination of over 12 months work by the Committee.

Each year, the Victorian Auditor-General’s Office conducts a series of performance audits across the Victorian public sector. These performance audits provide the Parliament with an independent appraisal of whether public sector agencies are meeting their objectives in an effective, economic and efficient manner.

This report is a follow-up of eight selected performance audit reports tabled between 2009 and 2011. The Committee selected these audits by applying weighted criteria, such as the public interest and the magnitude and extent of the audit findings, against a total of 76 performance audit reports. The selected reports cover a range of different policy and program areas, including education, gambling, information security and local government.

The purpose of the Inquiry was to determine through evidence gathering from interested stakeholders including the Victorian community, whether the Victorian public sector had addressed and implemented the recommendations contained in the selected audit reports. The Committee sent questionnaires to all relevant public sector agencies and entities, invited public submissions and held four days of public hearings. The resulting report provides the Committee’s assessment of the status of all 37 recommendations made by the Auditor-General.

The Committee identified a number of common themes arising from the audit reports, particularly around the need to improve monitoring and oversight, as well as performance management within the public sector. The Committee hopes that by drawing attention to these areas, the public sector can work to improve the delivery of policies, programs and services to the Victorian community.

As an extension of Parliament in performing its scrutiny role, the Committee is of the view that this Inquiry complements the Auditor-General’s independent audits and provides assurance to the Victorian community that Parliament undertakes its direct scrutiny role of public sector performance very seriously.

On behalf of the members of the Public Accounts and Estimates Committee, I thank all those public sector agencies and persons who participated in the Inquiry. In particular, I recognise the valuable assistance provided by the Victorian Auditor-General’s Office. The Committee is also very grateful to the Committee’s secretariat for their work throughout the conduct of this Inquiry.

Finally, I would like to personally thank my fellow Committee members for their contribution and cooperative approach to this Inquiry.

I commend the report to all Members.

DAVID MORRIS MP
Chair
CHAPTER 2

Key Observations from the Inquiry

2.2 The portfolio responses to the Auditor-General’s reports

**FINDING:** The quality of the portfolio responses to performance audit recommendations in the Government Response tabled in the Parliament each year could be improved. The current responses sometimes lack detail about the specific actions agencies intend to take and the timeframe for carrying them out.

**RECOMMENDATION 1:** The Department of Treasury and Finance review the presentation of the annual Government Response to the Auditor-General’s report, with a view to developing an improved format which includes detailed information about:

(a) what specifically will be done to implement each audit recommendation;
(b) timeframes for the implementation of each audit recommendation; and
(c) the assignment of responsibility within the agency for implementing each audit recommendation.

2.3 Implementation of the Auditor-General’s recommendations

**FINDING:** The Committee identified instances where the internal monitoring and follow-up of audit recommendations by agencies could be enhanced to ensure that intended actions are implemented in a timely manner.

**RECOMMENDATION 2:** Agencies need to implement effective internal processes to monitor and track the complete and timely implementation of the Auditor-General’s recommendations. Agency senior management, internal audit and audit committees all have an important role to play in this area. Agencies should develop detailed action plans for the implementation of audit recommendations which ensure that:

(a) responsibilities for implementation are clearly assigned;
(b) a timeframe for implementation is specified; and
(c) regular reporting and acquittal of audit recommendations is made to the agency’s senior management and audit committee.
RECOMMENDATION 3: Agencies that gain responsibility for a previously audited policy or program following a machinery of government change:

(a) ensure that any outstanding audit recommendations are carried over and actioned appropriately; and

(b) consider liaising with the Auditor-General’s Office to ensure they fully understand the issues and audit recommendations and are able to appropriately respond to the recommendations made.

FINDING: The Committee considers that lead agencies can play a more pro-active role in following up the implementation of the Auditor-General’s recommendations with their operational and devolved subsidiary agencies and entities.

RECOMMENDATION 4: Lead agencies strengthen their leadership and governance with regard to their operational and subsidiary agencies to ensure that those entities are fully appraised of the issues and recommendations raised in the Auditor-General’s reports and to actively promote the effective implementation of the Auditor-General’s recommendations.

FINDING: The Auditor-General plans to introduce a more systematic approach to the follow-up of audit recommendations which should encourage agencies to act on audit recommendations in a more timely manner and improve the impact of audit recommendations on the performance of the Victorian public sector.

2.4 Monitoring and oversight

FINDING: The Committee found varying degrees of monitoring and oversight by agencies with respect to the programs and policies which had been audited by the Auditor-General in the eight performance audits reviewed in this Inquiry.

RECOMMENDATION 5: Lead agencies ensure that effective monitoring and oversight arrangements are put in place with respect to programs, policies and service delivery for which they are ultimately accountable.
2.5 Measuring effectiveness and performance

RECOMMENDATION 6: Public sector agencies put in place an effective system of performance measurement and evaluation for key programs, policies and services. Elements of an effective system include:

(a) setting clear objectives and targets for programs;
(b) collecting baseline data at the outset for later comparison;
(c) designing appropriate measures which are linked to program outcomes; and
(d) putting in place regular and systematic reporting.

CHAPTER 3 The Effectiveness of Student Wellbeing Programs and Services

3.4 Departmental policy framework for student wellbeing programs and services

FINDING: There is an extensive amount of material available on the Department of Education and Early Childhood Development’s website in relation to student health and wellbeing. Some of this information may be out of date or under review. A review and rationalisation of the Department’s website material would be beneficial to minimise any potential for confusion and inconsistent practices across the Department.

RECOMMENDATION 7: The Department of Education and Early Childhood Development undertake a review of the student health and wellbeing guidance and support material available on its website in an effort to:

(a) confirm that the material and references provided are relevant and up to date; and
(b) simplify and rationalise the material and references provided.


3.6 Measuring student wellbeing: data collection systems and results

FINDING: It is timely for the Department of Education and Early Childhood Development to undertake a review of the type of data it collects to measure student wellbeing and the methods used to collect that data to ensure that the most relevant and appropriate data is available upon which to assess both the effectiveness of wellbeing programs and actual student wellbeing outcomes.
RECOMMENDATION 8: The Department of Education and Early Childhood Development progress with its review of the Attitudes to School Survey (ATSS) to identify whether:

(a) the ATSS remains a relevant and useful method for obtaining information upon which an individual school and the Department can assess the health and wellbeing of students;

(b) the ATSS could be revised to enable the capture of information relevant to assessing the effectiveness of student wellbeing programs and interventions or whether other methods for assessing program effectiveness are more appropriate; and

(c) better methods for measuring student wellbeing exist in other similar jurisdictions which could inform the design of data collection methods in Victoria.

FINDING: The Victorian Child and Adolescent Monitoring System (VCAMS) provides a range of useful data which informs the annual preparation of The State of Victoria’s Children Report. However, it is unclear how information collected through the VCAMS is used to develop student wellbeing initiatives and better target the departmental resources to improve student wellbeing outcomes.

RECOMMENDATION 9: The Department of Education and Early Childhood Development identify how information collected through the Victorian Child and Adolescent Monitoring System can be used to develop new student wellbeing initiatives and better target the departmental resources to improve student wellbeing outcomes.

FINDING: Central strategic oversight, monitoring and review comprises an important component of the continuous improvement cycle and should be considered as part of the Department of Education and Early Childhood Development’s new School Performance Framework.

FINDING: In implementing its new School Performance Framework, the Department of Education and Early Childhood Development should consider that the framework encompasses a strategic oversight role for the Department’s central office which incorporates a systematic and planned approach to the analysis and investigation of student wellbeing outcomes across the Victorian school sector.
3.7 Student wellbeing outcomes – setting targets and benchmarks

RECOMMENDATION 10: The Department of Education and Early Childhood Development review how it measures student wellbeing outcomes and ensure that meaningful performance measures and targets are established which provide some context around:
(a) what is desirable in terms of student wellbeing outcomes; and
(b) how much progress is being made in achieving the desired outcomes.

RECOMMENDATION 11: The Department of Education and Early Childhood Development consider appropriate measures to assess student wellbeing performance across the early years of schooling (Prep to Year Four) and include these in its performance reporting in its Annual Report.

RECOMMENDATION 12: The Department of Education and Early Childhood Development provide more commentary in its Annual Report about the performance measures reported and what they represent in terms of outcomes and whether the results are expected or unexpected.

3.8 Measuring student wellbeing programs and services – audit findings

FINDING: The Department of Education and Early Childhood Development does not have an evaluation framework in place for the regular and systematic review of its major student wellbeing programs and interventions.

RECOMMENDATION 13: The Department of Education and Early Childhood Development establish a regular and systematic program of review to assess the effectiveness of its major student wellbeing programs and interventions to ensure that:
(a) resources are being used effectively to achieve desired student wellbeing objectives and outcomes; and
(b) information is obtained to facilitate the continuous improvement of future student wellbeing program design and delivery.
CHAPTER 4

Literacy and Numeracy Achievement

4.4 Ways to improve literacy and numeracy achievement – audit findings and recommendations

RECOMMENDATION 14: The Department of Education and Early Childhood Development consider the introduction of mandatory assessment of numeracy for students entering primary school in order to more effectively identify those students requiring early numeracy support.

page 60

RECOMMENDATION 15: The Department of Education and Early Childhood Development review the effectiveness of its online assessment tools in identifying students requiring numeracy support and investigate whether those students actually receive the support they need and ensure that the support provided effectively impacts those students’ learning outcomes.

page 60

FINDING: The Committee considers that a workforce strategy and skill database are critical if the Department of Education and Early Childhood Development intends making serious progress in relation to the teaching of numeracy, mathematics and science in Victorian government schools in the future.

page 61

FINDING: Over the past five years, the Department of Education and Early Childhood Development have implemented a range of assessment tools to assist teachers to identify students struggling with numeracy, and a range of initiatives directed at improving the teaching skills and capacity of teachers teaching numeracy to students.

page 62

FINDING: There is limited hard evidence available on whether:

• the increased and improved assessment tools have resulted in more effective targeting of students requiring early intervention strategies in numeracy;
• outcomes have improved for students receiving early intervention numeracy support; and
• activities directed at improving the capacity of teachers to teach mathematics have impacted the student numeracy outcomes in those schools.

page 62

RECOMMENDATION 16: The Department of Education and Early Childhood Development needs to ensure that major initiatives and programs directed at improving outcomes are linked to evaluation and reviews which provide an indication of their success and/or impact.

page 62
**RECOMMENDATION 17:** The Department of Education and Early Childhood Development ensure that it has a workforce management system in place which collects accurate and complete data in relation to teacher skills and capacity in respect to teaching numeracy in government primary and secondary schools.

**RECOMMENDATION 18:** The Department of Education and Early Childhood Development consider matching workforce data to student outcomes in numeracy to:

(a) assess the effectiveness of initiatives implemented by the Department to improve teacher capacity such as: professional development programs; mentoring; and specialist coaching;

(b) identify gaps between demand for maths and science teaching skills in schools and the actual skill set available to deliver numeracy programs competently and effectively; and

(c) determine strategies to address workforce skill shortages in an effort to optimise student learning outcomes in Victorian government schools.

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### 4.5 Addressing the performance gap between high and low socio-economic schools

**FINDING:** It is important that the Department of Education and Early Childhood Development collects and analyses the results of student achievement in low-SES schools and undertakes further examination of differences between those schools in order to identify any specific issues or characteristics which affect student performance in low-SES schools.

**RECOMMENDATION 19:** The Department of Education and Early Childhood Development undertake systemic analysis of student achievement in low-SES schools to identify the reasons for differences in performance between those schools and to inform future resource allocation.

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### 4.6 Addressing issues of declining achievement in non-metropolitan regions and sharing good practice from low-SES metropolitan regions

**FINDING:** The Department of Education and Early Childhood Development has not directly addressed the issues raised by the Auditor-General in relation to identifying the factors contributing to declining student achievement in some non-metropolitan regions and sharing successful practices found in low-SES metropolitan regions with non-metropolitan regions, but rather has taken a more generalised approach to improvement initiatives across all schools.
FINDING: The Department of Education and Early Childhood Development advised of a number of general initiatives aimed at improving the capacity of teachers to implement effective literacy and numeracy programs to school students but there has been limited evaluation of these programs and professional development initiatives in terms of their direct impact on student outcomes.  

RECOMMENDATION 20: The Department of Education and Early Childhood Development identify those areas of poorest student achievement in Victoria (low-SES schools and rural and regional schools) and develop detailed evidence-based initiatives to target resources in an effort to have an improvement in student outcomes in those schools.

RECOMMENDATION 21: The Department of Education and Early Childhood Development expedite the implementation of its Rural Education Strategy in an effort to strategically address the poor educational performance of students living in rural and regional Victoria. The Strategy should include clear objectives, evidence-based and targeted initiatives and actions, and specified improvement targets and outcomes for both literacy and numeracy achievement levels.

4.7 Early intervention and ongoing support for students in need

FINDING: The Department of Education and Early Childhood Development has undertaken a number of actions aimed at improving the identification of students performing below expected levels in literacy and numeracy achievement. Online assessment tools are available to teachers to identify problems in the early years of schooling.

FINDING: The Department of Education and Early Childhood Development indicated that it is continuing work on refining assessment tools and information databases to further assist schools and teachers to monitor student achievement.

FINDING: A range of professional development has been made available to teachers to assist in implementing literacy and numeracy initiatives and interventions in an effort to improve student achievement levels.

FINDING: The Department of Education and Early Childhood Development provided little evidence as to the efficacy of these assessment tools in improving student literacy and numeracy outcomes or evidence to show that students with poor literacy and/or numeracy performance are provided with sustained support throughout their schooling as required.
RECOMMENDATION 22: The Department of Education and Early Childhood Development monitor the impacts and outcomes of initiatives directed at targeting students achieving well below expected levels in literacy and numeracy in the early years of schooling through an appropriate monitoring and reporting system.

FINDING: The Department of Education and Early Childhood Development has put a large amount of resources and effort into delivering programs and initiatives directed at improving student outcomes with no articulation of performance indicators or measures to assess the effectiveness of these activities and efforts.

FINDING: The Department of Education and Early Childhood Development appears to be unsure about whether setting long-term achievement targets, as recommended by the Auditor-General in his 2009 report, will assist in improving performance or could lead to distortions in the system. The Committee does not consider this to be a sufficient argument against establishing meaningful and measurable interim and longer-term performance targets for literacy and numeracy achievement in Victorian government schools.

FINDING: Performance monitoring without meaningful measures, which encompass both quantitative and qualitative educational outcomes and targets, is just monitoring general trends.

RECOMMENDATION 23: The Department of Education and Early Childhood Development consider developing both interim and longer-term targets for literacy and numeracy achievement in Victoria. Such targets should comprise realistic progressive improvement targets and also longer-term aspirational targets against which the performance of the government school system can assessed.

RECOMMENDATION 24: The Department of Education and Early Childhood Development ensure that its performance management framework takes into account both quantitative and qualitative educational outcomes and that its analysis of performance improvement includes both overall system performance and also individual and collective performance (i.e. specific groupings or cohorts of schools and/or students).
FINDING: The Department of Education and Early Childhood Development has undertaken some evaluation and research in relation to specific initiatives aimed at improving literacy and numeracy outcomes. However there does not appear to be a systematic approach to evaluation which seeks to identify clear links between programs and initiatives implemented and the outcomes achieved in schools.

FINDING: There appears to be limited analysis and evaluation of both the system as a whole and of particular groupings of schools and students to determine where resources and effort has provided the greatest dividends in terms of student achievement.

**RECOMMENDATION 25:** The Department of Education and Early Childhood Development:

(a) establish a structured framework for the system-wide evaluation of major literacy and numeracy support programs and interventions; and

(b) ensure that evaluations undertaken seek, as far as practicable, to directly link interventions and actions with measurable outcomes, supported by hard evidence and data in relation to student achievement.

4.10 Student literacy and numeracy achievement data

FINDING: The Committee acknowledges the implementation of the Victorian Student Number by the Department of Education and Early Childhood Development as a unique student identifier from the start of school.

FINDING: The Committee notes the work being undertaken by the Department of Education and Early Childhood Development to enhance the analytical capability of its database.

**RECOMMENDATION 26:** The Department of Education and Early Childhood Development establish a timetable for the development and implementation of enhancements to analytical capabilities in relation to the Department’s Enterprise Reporting and Business Intelligence data warehouse to ensure timely management and implementation of the project.

FINDING: The establishment of baseline assessment data is considered as equally important for the numeracy skills of students entering Prep as the literacy skills of those students.
**FINDING:** As recommended in Section 4.4.4, the Committee considers that the Department of Education and Early Childhood Development should be implementing a program similar to the *English Online Interview* assessment to assess the numeracy skills of all students starting Prep, as was recommended by the Auditor-General in his 2009 report.  

**FINDING:** The Department of Education and Early Childhood Development has an important role to play in managing the government school sector in Victoria not only as ‘system architect’ but also as ‘navigator and chief superintendent’ in overseeing the performance of the system in working towards the achievement of its ten-year vision for education in Victoria.  

**FINDING:** The achievement of long-term visions require interim targets and milestones which can be monitored to track progress made and make adjustments where necessary.  

**FINDING:** The Department of Education and Early Childhood Development has the capability to collect all the necessary data upon which the literacy and numeracy performance of students in government schools can be measured and assessed. What is required is a systematic approach to monitoring, evaluation and performance assessment.  

**RECOMMENDATION 27:** In order to effectively measure performance and implement a more strategic continuous improvement approach, the Department of Education and Early Childhood Development needs to:  

(a) set clear literacy and numeracy achievement objectives and targets;  
(b) identify the critical data required to evaluate the effectiveness of major improvement programs and interventions; and  
(c) develop regular and systematic performance reporting to enable:  
  • results to be monitored and for modifications or changes to be made where necessary;  
  • targeted interventions to be effectively monitored and assessed; and  
  • literacy and numeracy support programs and interventions to be sustained for as long as results support their continuation.  

**RECOMMENDATION 28:** In light of the range of initiatives and reforms being implemented by the Department of Education and Early Childhood Development to drive performance and achieve improved educational outcomes in Victoria, the Auditor-General consider undertaking an audit of the Department’s progress at regular intervals (say every three years: 2016-17; 2019-20; and 2022-23).
Maintaining the Integrity and Confidentiality of Personal Information

5.4 Central agency governance

**FINDING:** The roles and responsibilities for information security across the Victorian public sector were clarified following the Auditor-General’s report. The Department of State Development, Business and Innovation is currently responsible for the information security policy, guidelines and standards.

*page 105*

**FINDING:** The roles and responsibilities for information security will undergo changes due to the introduction of the Privacy and Data Protection Bill 2014.

*page 105*

**RECOMMENDATION 29:** The Department of Justice ensure that the roles and responsibilities for information security are clearly delineated following the enactment of the Privacy and Data Protection Bill 2014.

*page 106*

**FINDING:** An information security policy and accompanying standards and guidelines was introduced in late 2012. However, the Victorian Government is proposing to replace the existing policy, standards and guidelines with a new Victorian protective data security regime.

*page 109*

**RECOMMENDATION 30:** The Commissioner for Privacy and Data Protection ensure that public sector agencies are provided with adequate guidance and support to implement the proposed Victorian protective data security regime.

*page 109*

**FINDING:** At present, 20 public sector agencies are subject to the information security policy and standards currently in place. However, it is proposed that the new protective data security regime will apply to all public sector agencies, with a limited number of exceptions.

*page 110*

**FINDING:** The Department of State Development, Business and Innovation does not have an active role in monitoring agency compliance with the information security policy and standards. Instead, individual agencies must annually complete a self-assessment compliance report.

*page 112*
Findings and Recommendations

FINDING: The Committee considers that the proposed monitoring role for the Privacy and Data Protection Commissioner with respect to the Victorian protective data security regime will enhance the oversight arrangements in place for information security.  

page 112

FINDING: Emerging information security threats are currently identified and communicated to those public sector agencies that participate in the Information Security Advisory Group.  

page 113

5.5 Departmental governance

FINDING: Public sector departments have governance structures in place to oversee information security in their organisation, which include representation from senior management. The Committee was also advised by most departments that roles and responsibilities have been assigned to line management positions.  

page 116

5.6 Departmental information security practices

FINDING: Public sector departments have implemented risk management practices with respect to information security and the information security policy, standards and guidelines provide the current basis for managing information security risks.  

page 119

FINDING: Most public sector departments have arrangements in place to provide information security training to new or existing staff. However, not all departments currently make it mandatory for staff to undertake information security training.  

page 120

RECOMMENDATION 31: Information security training be compulsory for all staff in public sector agencies that collect or store personal information and this training be offered on a periodic basis.  

page 121

FINDING: Public sector departments have a range of arrangements in place to monitor staff compliance with information security policy, standards and required practices. However, it is unclear to what extent this monitoring is actively carried out.  

page 122

FINDING: Public sector departments have established an inventory of their significant information assets in order to ensure that this information is appropriately managed and protected.  

page 123
FINDING: Public sector departments have measures in place to identify and address ICT threats and vulnerabilities.  

RECOMMENDATION 32: Public sector agencies that regularly share personal information with third party service providers put in place suitable monitoring arrangements to gain assurances that the necessary information security controls are in place.

RECOMMENDATION 33: The Auditor-General consider re-auditing the status of information security arrangements with third party service providers in the future.

CHAPTER 6

Management of the Community Support Fund

6.3 Management of the CSF

FINDING: The Department of Treasury and Finance has included objectives and priorities for the Community Support Fund in the policy framework for the Fund.

RECOMMENDATION 34: The Department of Treasury and Finance review the objectives and priorities contained in the policy framework for the Community Support Fund, with a view to clarifying what the Fund is designed to achieve for the community.

FINDING: The Department of Treasury and Finance introduced a new policy framework for the Community Support Fund in September 2012 which guides the application of the Fund’s monies.
FINDING: The Department of Treasury and Finance has included key performance indicators in the memorandum of understanding for each grant program.  

FINDING: The Auditor-General’s recommendation is no longer directly relevant as the governance arrangements for the Community Support Fund have changed since the Auditor-General’s report was published. Since assuming responsibility for the Fund, the Department of Treasury and Finance has put in place new reporting requirements for the grant programs funded by the Community Support Fund.

FINDING: The Department of Treasury and Finance has taken alternative action in response to the Auditor-General’s report. The Department now maintains the cash balance of the Community Support Fund at a level of approximately 20 per cent of outstanding commitments for the Fund.

FINDING: The Department of Treasury and Finance has a monitoring and evaluation framework in place for individual grant programs.

RECOMMENDATION 35: The Department of Treasury and Finance collectively publish information on the overall performance of the Community Support Fund.

6.4 Agency management of grant programs

FINDING: There have been no reported departures from the guidelines for the selected grant programs. The selected departments assured the Committee that any proposed departure from the grant guidelines would be documented and approved.

FINDING: One department has guidelines in place to assist decision makers to determine the appropriate retention amounts and funding ratios for individual grants. The Committee notes that of the remaining two departments, one indicated it does not use funding ratios or retention amounts, and the other indicated it does not use funding ratios, due to the nature of the grant programs.

FINDING: Two of the selected departments document the follow-up procedures with respect to acquittal reports. The other selected department indicated that it does not require recipients to submit a formal acquittal due to the nature of the program.
FINDING: The three selected departments consider probity issues when assessing grant applicants. One department has express guidelines in place precluding applicants from future funding if they have not complied with the terms and conditions of past funding.  

CHAPTER 7  

Security of Infrastructure Control Systems for Water and Transport  

7.4  

Operator security  

FINDING: Operators and oversight agencies have taken steps to improve the security of water and transport infrastructure control systems since the Auditor-General’s report was published.  

7.5  

Agency oversight  

FINDING: The Department of Environment and Primary Industries has put in place a number of measures to monitor operators and ensure that expert advice is provided on risk management and ICT security.  

RECOMMENDATION 36: The Department of Environment and Primary Industries conduct, or commission, periodic independent audits of water operators to verify that their infrastructure control systems meet the relevant security standards.  

FINDING: Public Transport Victoria has established the Office of the Chief Information Officer to oversee operator ICT security and has regular meetings with operators to consider new proposals, maintenance and operational issues.  

CHAPTER 8  

Taking Action on Problem Gambling  

8.3  

Basis for the Strategy  

FINDING: The Victorian Responsible Gambling Foundation, which commenced operations in July 2012, developed a research agenda for 2013-14 in consultation with local and international researchers and organisations. The Foundation also has a large number of ongoing and new research programs and activities directed at gambling behaviour and problem gambling.
8.5 Applications for new EGM venues and additional EGMs

**FINDING:** The former Victorian Commission for Gambling Regulation satisfactorily implemented the audit recommendation directed at improving the breadth and depth of the analysis underpinning the Commission’s social and economic impact assessment reports. The recently established Victorian Commission for Gambling and Liquor Regulation continues to review and develop the data and measures included in its social and economic impact assessments to maintain the integrity of its review and approval process of gaming applications.  

8.6 Assessing net detriment

**FINDING:** The Victorian Commission for Gambling and Liquor Regulation (VCGLR) asserts that the processes and reasoning applied to its assessments of “net detriment” in relation to gaming applications are sufficiently standardised and well documented. The VCGLR does not consider there is a need for any further development of principles on which “net detriment” can be assessed as was recommended in the Auditor-General’s 2010 report.

8.7 Responsible Gambling Codes of Conduct and Self-Exclusion Programs

**FINDING:** The revised Criteria and Benchmarks for Responsible Gambling Codes of Conduct and Self-Exclusion Programs drafted in July 2011 and referred to in the Government Response to the audit report in June 2012 are yet to be formally endorsed and implemented.

**RECOMMENDATION 37:** The Victorian Commission for Gambling and Liquor Regulation consult with the Department of Justice to determine the status of the revisions to the Benchmarks and Criteria for Responsible Gambling Codes of Conduct and Self-Exclusion Programs with a view to accelerating their formal adoption and implementation.

8.9 Responsible gambling training

**FINDING:** While a review of the Responsible Service of Gaming Training in Victoria has been completed, the recommendations of the review are as yet to be implemented. The Department advised the Committee that the revisions are expected to be in place by the end of 2014.
RECOMMENDATION 38: The Department of Justice take action to progress the adoption of the Responsible Gambling Ministerial Advisory Council working group’s recommendations aimed at improving the quality and effectiveness of Responsible Service of Gaming Training in Victoria.  page 188

8.10 Assessing the effectiveness of the Strategy

FINDING: The Committee considers it important that the impacts and outcomes of actions and initiatives implemented under the Taking Action on Problem Gambling strategy, continue to be monitored and evaluated to provide information about the success or otherwise of those activities and to provide input for future decision-making and resource allocation.  page 194

FINDING: The Department of Justice and the Victorian Responsible Gambling Foundation both indicated that they were in the process of implementing performance evaluation frameworks. The information provided was not particularly detailed and suggests that the Department, as the lead agency responsible for gambling policy in Victoria, is yet to fully develop an appropriate performance measurement framework which specifies pre-determined targets and outcomes against which performance can be assessed.  page 194

RECOMMENDATION 39: The Department of Justice and the Victorian Responsible Gambling Foundation needs to ensure that goals and objectives relating to responsible gambling and the reduction of problem gambling are translated into quantifiable targets and outcomes against which performance and success can be measured.  page 194

RECOMMENDATION 40: The Department of Justice and the Victorian Responsible Gambling Foundation establish regular reporting against key performance targets and outcomes to enable effective monitoring and oversight of performance and to provide data to assist future decision-making and resource allocation.  page 194

CHAPTER 9

Towards a ‘smart grid’ – the roll-out of Advanced Metering Infrastructure

9.4 Governance structure

FINDING: The Department of State Development, Business and Innovation has put in place a number of governance structures to oversee the AMI project and manage the project’s risks.  page 200
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<thead>
<tr>
<th>9.5</th>
<th>Stakeholder engagement</th>
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<tr>
<td><strong>FINDING:</strong> The Department of State Development, Business and Innovation has developed and resourced a stakeholder engagement plan which has a focus on consumer issues.</td>
<td>page 202</td>
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<th>9.6</th>
<th>Regulator engagement</th>
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<tr>
<td><strong>FINDING:</strong> The Department of State Development, Business and Innovation has engaged with the relevant regulators with a view to ensuring that the benefits from the AMI project are passed on to consumers.</td>
<td>page 204</td>
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<tr>
<th>9.7</th>
<th>Program review</th>
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<tr>
<td><strong>FINDING:</strong> Two Gateway program reviews have been completed for the AMI project, and a third review is planned for 2014.</td>
<td>page 206</td>
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<tr>
<th>9.8</th>
<th>Cost-benefit analysis</th>
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<tr>
<td><strong>FINDING:</strong> The Department of State Development, Business and Innovation commissioned a cost-benefit study in 2011 which used the relevant Victorian Government guidelines to inform the analysis.</td>
<td>page 208</td>
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<th>9.9</th>
<th>Technology risks</th>
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<tr>
<td><strong>FINDING:</strong> The former Department of Primary Industries sought and received assurances from the electricity distributors that their candidate technologies would achieve the necessary functionality and service specifications.</td>
<td>page 210</td>
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<th>9.10</th>
<th>Risk management</th>
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<tr>
<td><strong>FINDING:</strong> The Department of State Development, Business and Innovation has put in place a documented risk management strategy, which it regularly reviews. This risk management strategy was developed with the assistance of the Victorian Managed Insurance Agency, which is an appropriate substitution for the risk management guidelines issued by the Department of Treasury and Finance.</td>
<td>page 211</td>
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CHAPTER 10  Use of Development Contributions by Local Government

10.5 Effectiveness of controls over collection

**FINDING:** The variety of responses received made it clear that the development contributions system is inherently complex and one which exhibits a range of situations and scenarios depending upon, the nature of the development and associated infrastructure requirements and, the future obligations which arise as a result of the development. The Government’s reforms of the Development Contributions System, due to be implemented from 1 July 2015, are aimed at bringing greater standardisation to the levying of development contributions in priority growth locations.

**FINDING:** There are a range of internal control practices in place around the collection of development contributions. The main control relied on by councils to trigger a check that any levies/contributions due have in fact been collected is the issue of a *Statement of Compliance* or building permit.

**FINDING:** Some of the sampled councils indicated a comprehensive internal control framework whilst others seemed to rely on the vigilance and continuity of council staff.

**FINDING:** There is a need for a quality control or audit process to check that all building surveyors (public and private) are fully aware of the requirements relating to the collection of development contributions and are executing their responsibilities effectively.

**FINDING:** The City of Greater Geelong have been particularly pro-active in utilising the 2009 Auditor-General’s report as a reference for the review and improvement of the Council’s development contribution procedural documentation, management systems and governance framework.

**RECOMMENDATION 41:** Councils ensure that processes and procedures in relation to the administration of development contributions are clearly documented and regularly reviewed and updated to ensure a standardised approach throughout the organisation and to provide for business continuity.

**RECOMMENDATION 42:** Councils periodically review and reassess the controls and systems in place over the collection of development contributions to confirm that controls are appropriate and are operating effectively.
10.6 Using contributions appropriately

FINDING: Practices within councils vary in relation to specifying delivery standards and timeframes for capital works associated with development contributions. Delivery criteria tend to be more formalised in Development Contribution Plans than in section 173 Voluntary Agreements.

FINDING: Specific timeframes and standards for the delivery of all infrastructure works provided through development contributions should be clearly documented. Council management has a responsibility to ensure that development contributions are spent efficiently and effectively. This means regular monitoring and reporting to ensure that community infrastructure is delivered on time and to a specified standard of quality.

RECOMMENDATION 44: Local councils ensure that quality control standards and specific timeframes are clearly documented and applied to the delivery of infrastructure funded through development contributions and levies.

FINDING: Of the sample of 12 councils reviewed by the Committee, only two councils had separately identified the amount of development contributions applied to individual capital works projects in their annual budget and capital works programs for 2013-14.

RECOMMENDATION 45: The Department of Transport, Planning and Local Infrastructure (DTPLI), through Local Government Victoria, and working with the Department of Treasury and Finance if necessary, consider providing more prescriptive guidance in its future model financial report in relation to terminology and presentation of information relating to development contributions and open space levies, particularly as they are presented in council annual budgets, including their capital works budget and capital works programs. Achievement of more standardised terminology and presentation in the annual budget would enable users (i.e. ratepayers, councillors, DTPLI, auditors, consultants, researchers, etc.) to extract common data and would enable more accurate and meaningful analysis and comparison across the local government sector.
FINDING: The nature and regularity of monitoring and review by councils of development contributions collected and appropriated varies.  

FINDING: Monitoring and reporting is not always formalised and regular. There is scope for a more systematic approach to monitoring and reconciling development contributions on a quarterly basis to ensure that development contributions collected are reconciled against development contributions due; and that development contributions expended have been appropriated as planned.

RECOMMENDATION 46: Councils develop an effective monitoring and reporting framework which provides management with regular and relevant information to ensure that:

(a) all contributions and levies due are in fact received;

(b) contributions and levies collected are applied for their intended purposes; and

(c) infrastructure delivered through development contributions and levies are delivered efficiently (on time) and effectively (to a specified standard of quality appropriate for its intended use).

10.7 Council oversight, monitoring and review

FINDING: On the basis of the information provided in the responses, the processes and monitoring around the management of Development Contribution Plans appeared to be more formalised than those around section 173 Voluntary Agreements.

FINDING: Some councils had established a dedicated steering committee or management group to oversee the system; some had implemented a formalised system of regular reporting on contributions received and the progress or status of Development Contribution Plans; others had less formalised monitoring and reporting processes in place and reported on an ‘as needs basis’ when issues with Development Contribution Plans had arisen or some decisions were required to be taken by senior management in relation to their management.
RECOMMENDATION 47: Councils ensure that their development contributions system include an effective governance framework comprising:

(a) assignment of a senior management group or steering committee to oversight the efficient and effective management of development contributions and open space levies;

(b) regular and timely reporting on key performance indicators relevant to the efficient and effective collection and application of development contributions and open space levies;

(c) systems in place to record, monitor and report on the infrastructure planning and commitments arising from the collection of development contributions and open space levies;

(d) an effective risk management framework for the collection and appropriation of development contributions and open space levies; and

(e) regular review of the policies, procedures and systems in place to administer development contributions to ensure that they remain effective and current.

FINDING: Without the benefit of an independent detailed review of the risk management processes in place across local government, it is difficult for the Committee to form a definitive or detailed conclusion on the adequacy of current practices. However, a review of the information provided in council responses, suggests that this is an area which could be improved.

FINDING: The Committee reiterates the Auditor-General’s comments and recommendation that arrangements for identifying and managing risks to infrastructure delivery associated with development contributions need to be strengthened.

RECOMMENDATION 48: Councils implement a comprehensive risk management framework for the management of Development Contribution Plans (DCPs) and for significant section 173 Voluntary Agreements. Such a framework should include:

(a) the development of a comprehensive risk register identifying:

   (i) any administrative risks associated with the development contributions system as administered by council, including an assessment of the likelihood and impact of each risk; and

   (ii) the identification of risks associated with individual DCPs and section 173 Voluntary Agreements including an assessment of the likelihood and impact of each risk;

(b) the formulation and documentation of mitigation strategies to be applied to identified risks; and

(c) a formalised process of regular reporting and review in relation to the management of risks, including re-assessment and update of the risk register as required.
10.8 Public disclosure and annual reporting

FINDING: It is important that councils clearly identify in their annual reports or annual budgets the form or nature of all development contributions received (i.e., cash; land; ‘works-in-kind’; gifted assets) and the specific capital works and infrastructure projects to which cash and ‘works-in-kind’ are being applied. The reports should clearly identify how development contributions and levies have been spent and also committed in future years.  

FINDING: Work is currently underway through the Department of Transport, Planning and Local Infrastructure to improve financial and performance reporting across the local government sector. The Committee looks forward to these reporting reforms leading to improved transparency and accountability over the collection and use of development contributions and levies by local councils.

RECOMMENDATION 49: Councils need to make a greater effort to improve the quality and adequacy of public disclosure in their annual reports in relation to the collection and use of development contributions (including cash; land; ‘works-in-kind’; and gifted assets) and open space levies.

10.9 Central monitoring and oversight

FINDING: The Committee notes the recent establishment of the Office of Planning Performance, within the Department of Transport, Planning and Infrastructure, which it advises has a role in developing and overseeing a comprehensive monitoring and reporting framework for the Victorian planning system.

FINDING: The Metropolitan Planning Authority is playing an important role in overseeing the system of development contributions and associated planning within growth areas.

FINDING: The amount of development contributions and levies collected by local government is significant and the statutory provisions and requirements in relation to planning in Victoria are substantial. The significance of Development Contributions Plans as a planning tool in local government is growing as are the complexities around their management. A number of local councils noted that the Development Contributions System is a complex one.
FINDING: The Department of Transport, Planning and Infrastructure has an important role to play in the effective implementation of the proposed reforms to the collection of development contributions in ‘priority growth locations’. It also has a role to play in monitoring and reviewing the effectiveness of the Victorian planning system generally.

Page 257

10.10 Open Space Contributions

FINDING: Open space is becoming a more and more valued asset in local communities and is also seen as a critical component of effective planning. Differing terminology and description of development contributions and open space levies by councils impact the extent of disclosure in relation to these funds and make it difficult to make any direct comparisons between councils in relation to these amounts.

Page 260

FINDING: The Subdivisions Act 1988 is not prescriptive as to the timing and nature of open space levies providing that the provision of public open space relates to ‘public recreation or public resort, as parklands or for similar purposes’.

Page 260

FINDING: There is a need for full transparency and accountability over the collection of funds for specific purposes and also the expenditure of those funds not only for the person/companies paying those levies but also for the individuals living in the community where those infrastructures and open spaces are provided.

Page 260

RECOMMENDATION 50: Transparency and accountability around the collection of development contributions and open space levies needs to be improved by councils ensuring that they:

(a) develop and document clear policies and procedures for the management of levies collected for specific purposes from developers and individuals;

(b) separately account for levies collected for specific purposes such as, specific capital works projects and open space; and

(c) provide full and clear public disclosure in their annual reports and budget documentation to enable ratepayers and other interested parties to identify the amount and nature of all development contributions and open space levies collected together with details of their acquittal (actual and planned).

Page 261
RECOMMENDATION 51: The Auditor-General consider reviewing the management of funds collected for specific purposes, such as public open space, to ensure that local councils are accounting and recording the receipt and expenditure of funds appropriately; investing the funds prudently; and spending the funds efficiently and effectively (i.e. in a timely manner and for their intended purposes). Such a review could include policies and objectives for specific purpose funds and full and transparent disclosure so that local residents and ratepayers can clearly identify the source of the funds and how they are appropriated within the municipality.

RECOMMENDATION 52: All councils consider the development and regular review of an Open Space Strategy for their municipality. Such a strategy should include:

(a) identification of purpose and principles around the provision of open space in the municipality;
(b) consideration of current and future demographics;
(c) consultation with ratepayers, residents and other community stakeholders;
(d) strategic priorities and forward plans; and
(e) provision for regular review and update of the strategy.
CHAPTER 1

BACKGROUND TO THE INQUIRY

1.1 Introduction

The Auditor-General regularly conducts performance audits of the Victorian public sector. These reports consider ‘whether an authority is achieving its objectives effectively and doing so economically and efficiently and in compliance with all relevant Acts’. 1

Significant time and resources are devoted by the Victorian Auditor-General’s Office to conducting these audits. Accordingly, it is important that the Victorian public sector responds appropriately to these reports and in doing so, drives improvement in public sector performance.

The Public Accounts and Estimates Committee periodically conducts follow-up inquiries of selected performance audit reports to determine whether the Victorian public sector has addressed the recommendations made by the Auditor-General.

This Inquiry focuses on eight performance audit reports tabled between January 2009 and December 2011. The vast majority of the recommendations in these reports were supported by the Victorian Government at the time of the report and it is now opportune to consider what actions have been taken by public sector agencies in response to those recommendations.

1.2 The Public Accounts and Estimates Committee’s role in conducting follow-up inquiries

Under section 14 of the Parliamentary Committees Act 2003, the Public Accounts and Estimates Committee is able to ‘inquire into, consider and report to the Parliament on any proposal, matter or thing concerned with public administration or public sector finances’. 2

Furthermore, section 33 of the Parliamentary Committees Act provides that a Joint Investigatory Committee may ‘inquire into, consider and report to the Parliament on any annual report or other document relevant to the functions of the Committee that is laid before either House of the Parliament in accordance with an Act’. 3

The Committee undertakes its follow-up inquiries of past performance audit reports in accordance with these sections of the Act. The Committee also makes further recommendations for improvement where it considers necessary.

The last round of follow-up inquiries by the Committee covered performance audit reports tabled by the Auditor-General between January 2009 and June 2009. The Committee’s reports from this review process were tabled in December 2011, February 2012 and March 2012.

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1 Audit Act 1994 (Vic), s.15(1)
2 Parliamentary Committees Act 2003 (Vic), s.14(1)(a)(i)
3 ibid., s.33(3)
During 2012, the Committee’s major Inquiry into Effective Decision Making for the Successful Delivery of Significant Infrastructure Projects meant that the Committee’s regular program of audit follow-up inquiries was deferred.

As a consequence of the deferral of its regular program, the Committee decided to follow-up a larger number of performance audit reports as part of this Inquiry. The advantage of this approach is that the Committee has been able to identify a number of common themes and challenges for public sector performance and improvement, which are discussed in Chapter Two of this report.

1.3 Performance audit reports selected for this Inquiry

Planning for this follow-up review of Auditor-General’s reports commenced in April 2013. The Committee selected performance audits for review by applying specific criteria to identify the reports of greater significance and which impact on the Victorian community. The criteria used included: considering the magnitude and extent of the findings and recommendations; the public interest; and the extent to which further scrutiny by the Committee could add value.

The Committee reviewed 74 performance audit reports tabled by the Auditor-General between mid-June 2009 and December 2011. Furthermore, two audit reports were carried forward from the Committee’s last round of follow-up planning undertaken in May 2011.

The following eight performance audit reports were selected for the purpose of the Inquiry:

» The Effectiveness of Student Wellbeing Programs and Services;
» Literacy and Numeracy Achievement;
» Maintaining the Integrity and Confidentiality of Personal Information;
» Management of the Community Support Fund;
» Security of Infrastructure Control Systems for Water and Transport;
» Taking Action on Problem Gambling;
» Towards a ‘smart grid’ – the roll-out of Advanced Metering Infrastructure; and
» Use of Development Contributions by Local Government.

1.4 Summary of the objectives and scope of the selected audit reports

This section provides an overview of the audit reports considered for this Inquiry, including a summary of the audit objectives, findings and key recommendations.

1.4.1 The Effectiveness of Student Wellbeing Programs and Services
(February 2010)

The objective of this audit was to assess whether the Department of Education and Early Childhood Development’s (DEECD) student wellbeing programs and services were effective. The Auditor-General examined: the planning and implementation of programs and services; the robustness of the data collection and
analysis of programs and services; and the impact of those programs and services on actual student wellbeing.4

The Auditor-General concluded that while the Department’s student survey data and student attendance data indicated that overall student wellbeing was improving, it had only recently started to implement arrangements to measure and assess the effectiveness of specific student wellbeing programs and services.5

The report recommended that DEECD define student outcomes in its health and wellbeing policy framework and take action to monitor, evaluate and review the effectiveness of student wellbeing programs and services in order to drive continuous improvement.6

1.4.2

Literacy and Numeracy Achievement (February 2009)

The objective of this audit was to examine whether student literacy and numeracy achievement levels were improving in Victorian government schools. This report followed on from a related audit, Improving literacy standards in government schools, tabled in October 2003.7

The audit involved a detailed analysis of student achievement data and trends in state-wide achievement across varying socio-economic groups and regions. Average achievement trends were also assessed against the expected levels of performance set by the Victorian Curriculum and Assessment Authority.

The Auditor-General concluded that while there had been significant investment in literacy and numeracy programs, this had ‘not resulted in a marked improvement in average literacy and numeracy achievement across age groups’.8 The Auditor-General also noted that improvements in literacy and numeracy made by students in their early years of schooling ‘were not sustained as they progressed through schooling’.9

The report recommended that DEECD improve the usefulness of student literacy and numeracy assessment data for monitoring long-term trends and the progress of individual students.10 The report also identified the need for a ‘consistent and evidence-based continuous improvement approach’ in evaluating the success of literacy and numeracy programs.11

1.4.3

Maintaining the Integrity and Confidentiality of Personal Information (November 2009)

This audit focused on the storage, collection and communication of personal information by the Victorian public sector.

4 Victorian Auditor-General’s Office, The Effectiveness of Student Wellbeing Programs and Services, February 2010, p.4
5 ibid., pp.vii-ix
6 ibid., p.ix
7 Victorian Auditor-General’s Office, Literacy and Numeracy Achievement, February 2009, p.1
8 ibid., p.2
9 ibid.
10 ibid., p.3
11 ibid., p.6
The objective of the audit was to evaluate the role of central agencies in providing policy direction and guidance on information security. The audit also examined whether selected public sector agencies had put in place effective measures to maintain the confidentiality and integrity of the personal information held by them.\textsuperscript{12}

The Auditor-General concluded that the ‘confidentiality of personal information collected and used by the public sector can be, and has been, easily compromised.’\textsuperscript{13} Although the audit only examined the controls put in place by three departments, the Auditor-General noted that there were strong indications that these findings were relevant across the public sector.\textsuperscript{14}

The report recommended improvements to the governance and oversight of information security in the public sector and also recommended that individual public sector agencies put in place a range of measures to ensure that personal information is adequately protected.\textsuperscript{15}

### Management of the Community Support Fund (November 2009)

This audit examined the administration of the Community Support Fund (CSF), a statutory trust fund established to provide grants directed at problem gambling and a range of defined areas. The CSF is funded from a set proportion of gambling revenues.

The objective of the audit was to evaluate whether the CSF was being managed effectively; whether grants were compliant with the relevant legislation; and whether grants were spent for the purposes approved.\textsuperscript{16}

The Auditor-General concluded that grants were compliant with the relevant legislation and were spent for the purposes approved. However, the Auditor-General’s report highlighted that the ‘fund’s overall performance cannot presently be assessed as it has no explicit objectives and there is no monitoring, evaluation or reporting on its overall effectiveness.’\textsuperscript{17}

The report recommended putting in place clear objectives for the Fund, along with a new policy framework and a monitoring and evaluation framework. The report also recommended that the grant management frameworks used by administering agencies be enhanced.\textsuperscript{18}

\begin{itemize}
  \item \textsuperscript{12} Victorian Auditor-General’s Office, *Maintaining the Integrity and Confidentiality of Personal Information*, November 2009, p.3
  \item \textsuperscript{13} ibid., p.vii.
  \item \textsuperscript{14} ibid., p.16.
  \item \textsuperscript{15} ibid., pp.x-xi.
  \item \textsuperscript{16} Victorian Auditor-General’s Office, *Management of the Community Support Fund*, November 2009, p.4
  \item \textsuperscript{17} ibid., p.viii.
  \item \textsuperscript{18} ibid., p.x.
\end{itemize}
1.4.5  

Security of Infrastructure Control Systems for Water and Transport  
(October 2010)

The objective of this audit was to assess whether the infrastructure control systems used by selected water and transport operators were secure.\(^{19}\) Infrastructure control systems are computer-based systems that are used to operate, manage and control the infrastructure associated with essential services.\(^{20}\)

The Auditor-General found that there was a high risk that unauthorised access could be gained to water and transport infrastructure control systems and that this could impact on the delivery of essential services in Victoria.\(^{21}\) The report also found that neither the responsible portfolio agencies nor the operators were fully aware of these weaknesses.\(^{22}\)

The report recommended that operators review the security of their infrastructure control systems and that responsible portfolio agencies put in place a number of measures to enhance their oversight role.\(^{23}\)

1.4.6  

Taking Action on Problem Gambling (July 2010)

This audit focused on the implementation of the Taking Action on Problem Gambling strategy (the Strategy). The Strategy was released in 2006 and was proposed to be implemented over a five year period.

The objective of this audit was to assess whether the Strategy was based on sound evidence and research; was being implemented as intended; and whether there was some assurance or evidence that initiatives were achieving their objectives.\(^{24}\)

The Auditor-General concluded that the development of problem gambling strategies was complicated by a lack of reliable evidence nationally and internationally about the effectiveness of specific actions and interventions.\(^{25}\)

The audit found that agencies had effectively acquitted their responsibilities in the implementation of the Strategy initiatives. However there was little evidence to suggest that the initiatives would be effective. The Department of Justice’s ability to assess the effectiveness of the Strategy was found to have been affected by difficulties associated with the development and use of its performance management and evaluation framework.\(^{26}\)

The report recommended that more work should be done to address gaps in the evidence base and that the gambling regulator should undertake an extended analysis of available data in the development of social and economic impact assessments.\(^{27}\)

\(^{19}\)  Victorian Auditor-General’s Office, Security of Infrastructure Control Systems for Water and Transport, October 2010, p.4
\(^{20}\)  ibid., p.1
\(^{21}\)  ibid., p.viii
\(^{22}\)  ibid.
\(^{23}\)  ibid., p.x
\(^{24}\)  Victorian Auditor-General’s Office, Taking Action on Problem Gambling, July 2010, p.vii
\(^{25}\)  ibid., p.viii
\(^{26}\)  ibid., pp.viii-ix
\(^{27}\)  ibid., p.xi
The Auditor-General further recommended that the Department evaluate the effectiveness of current ‘responsible gambling’ training arrangements and improve the evaluation of the Strategy through the establishment of baseline data and performance targets and indicators.\textsuperscript{28}

\textbf{1.4.7} 
\textit{Towards a ‘smart grid’ – the roll-out of Advanced Metering Infrastructure (November 2009)}

The Advanced Metering Infrastructure (AMI) project aims to replace electrical metering infrastructure in Victorian residential and small business premises with digital units known as smart meters.

The objective of this audit was to evaluate the soundness of the advice and recommendations provided to the Victorian Government by the responsible agency about the AMI project.\textsuperscript{29}

The Auditor-General found shortcomings in the governance and oversight provided by the former Department of Primary Industries and also issues with the advice and recommendations that were provided to the government. The Auditor-General observed that given the nature of the project, it ‘\textit{always warranted much stronger departmental governance and central oversight.\textsuperscript{30}}’

The report made a range of recommendations, including: re-examining the governance structure of the project; updating the cost-benefit analysis; and implementing risk management guidelines and a stakeholder engagement plan.\textsuperscript{31}

\textbf{1.4.8} 
\textit{Use of Development Contributions by Local Government (December 2009)}

The objective of this audit was to assess the effectiveness and efficiency of local councils’ management of development contributions. Development contributions are payments or contributed works or assets that developers provide to councils to support new land developments.\textsuperscript{32}

The audit examined whether three selected councils had effective arrangements in place to monitor and report on the collection and application of development contributions and had used those contributions to deliver the intended infrastructure.\textsuperscript{33} In addition, the Auditor-General reviewed the roles of the former Department of Planning and Community Development and the former Growth Areas Authority in supporting and overseeing how local councils collect and use development contributions.\textsuperscript{34}

The Auditor-General found limited assurance that the development contributions system was operating as intended across local government. The report also noted that a lack of ‘\textit{transparent reporting’ and ‘effective oversight’ had persisted in spite

\textsuperscript{28} ibid.
\textsuperscript{29} Victorian Auditor-General’s Office, \textit{Towards a ‘smart grid’ – the roll-out of Advanced Metering Infrastructure, November 2009}, p.6
\textsuperscript{30} ibid., p.viii
\textsuperscript{31} ibid., p.x
\textsuperscript{32} Victorian Auditor-General’s Office, \textit{Use of Development Contributions by Local Government, December 2009}, p.vii
\textsuperscript{33} ibid., p.4
\textsuperscript{34} ibid., p.vii
of similar issues being identified by the Victorian Competition and Efficiency Commission in 2005.\textsuperscript{35}

The Auditor-General recommended that councils strengthen the controls and monitoring and reporting arrangements associated with the collection and management of development contributions. The report also recommended that the Department, in consultation with the Growth Areas Authority and stakeholders, develop a performance measurement system to provide information about the delivery of state and local planned infrastructure outcomes and the effectiveness and efficiency of the statutory processes underpinning the development contributions system.\textsuperscript{36}

### 1.5 The Committee’s approach to the follow-up Inquiry

The Committee’s Inquiry focused on the specific actions which had been taken by the relevant public sector agencies and local councils in response to the Auditor-General’s recommendations. This section briefly outlines the Committee’s approach to carrying out its follow-up Inquiry.

The starting point for the Committee was to consider the Government’s response to the Auditor-General’s recommendations at the time of the report. This information is set out in two documents, namely:

- **The Auditor-General’s report** - the Auditor-General provides all agencies with the opportunity to respond to performance audit report recommendations at the time an audit is undertaken and these responses are included in the final report.
- **The Government response to the Auditor-General’s reports** - the Minister for Finance tables a report in Parliament each year which contains the Government’s response to the audit reports tabled by the Auditor-General during the financial year.

The Committee then sought to assess whether the relevant public sector agencies and local councils had implemented the Auditor-General’s recommendations in practice. This assessment was based on the responses provided by the public sector agencies and local councils to the Committee’s questionnaires and the evidence provided at the Committee’s public hearings.

An important part of the Committee’s follow-up work also involved seeking input and advice from the Auditor-General about the extent and adequacy of progress made by public sector agencies and local government in implementing the audit recommendations.

The Committee has made its own assessment about the adequacy of the response to each audit recommendation based on available evidence. Where the Committee considers that further action is needed by an agency, the Committee has made a recommendation to this effect.

\textsuperscript{35} ibid., p.viii
\textsuperscript{36} ibid., pp.ix-x
1.6 The Inquiry process

The Committee called for public submissions to this Inquiry in October 2013 by placing an advertisement in *The Age*. The Committee received a total of 13 submissions, 12 of which related to the audit report, *Towards a ‘smart grid’ – the roll-out of Advanced Metering Infrastructure*, and one which related to the audit report, *Use of Development Contributions by Local Government*. A list of the persons who made these public submissions is at Appendix 1.1.

In October 2013, the Committee provided a questionnaire to each of the agencies and local councils involved in the audit reviews seeking information about the actions taken in response to the Auditor-General’s reports.

During February 2014, the Committee held four consecutive days of public hearings with representatives from selected public sector agencies and local councils as well as relevant stakeholders. Appendix 1.2 lists the participants who gave evidence to the Committee at the public hearings.

In March 2014, the Committee sent out a subsequent request to selected public sector agencies and local councils seeking clarification on various matters and, where relevant, responses to the questions on notice arising from the public hearings.

1.7 Cost

The cost of this report was approximately $168,000 over 2013 and 2014.

1.8 Outline of this report

This report is divided into ten chapters:

» This chapter, Chapter One, provides the background to the Inquiry;

» Chapter Two outlines the key themes and challenges arising from the follow-up review of the performance audit reports;

» Chapter Three discusses the audit report, *The Effectiveness of Student Wellbeing Programs and Services* and related evidence;

» Chapter Four discusses the audit report, *Literacy and Numeracy Achievement* and related evidence;

» Chapter Five discusses the audit report, *Maintaining the Integrity and Confidentiality of Personal Information* and related evidence;

» Chapter Six discusses the audit report, *Management of the Community Support Fund* and related evidence;

» Chapter Seven discusses the audit report, *Security of Infrastructure Control Systems for Water and Transport* and related evidence;

» Chapter Eight discusses the audit report, *Taking Action on Problem Gambling* and related evidence;

» Chapter Nine discusses the audit report, *Towards a ‘smart grid’ – the roll-out of Advanced Metering Infrastructure* and related evidence; and

» Chapter Ten discusses the audit report, *Use of Development Contributions by Local Government* and related evidence.
CHAPTER 2

KEY OBSERVATIONS FROM THE INQUIRY

2.1 Introduction

For the purposes of this Inquiry, the Committee has examined the portfolio responses and subsequent actions taken by public sector agencies to eight wide-ranging performance audit reports. Although each report considers a unique policy or program area, the Committee has identified a number of common challenges and issues arising from its follow-up review.

Some of these issues relate to the responses of individual agencies to the audit recommendations, whereas others relate more broadly across the Victorian public sector. In this Chapter, the Committee highlights four of these issues, namely:

- the quality of the portfolio responses to the Auditor-General’s reports;
- progress made in implementing the Auditor-General’s recommendations;
- monitoring and oversight within the Victorian public sector; and
- performance measurement within the Victorian public sector.

The Committee hopes that highlighting these observations will assist in improving public sector accountability in relation to the implementation of the Auditor-General’s recommendations and also improve the delivery of policies, programs and services to the Victorian community.

2.2 The portfolio responses to the Auditor-General’s reports

A key accountability mechanism for following up performance audit recommendations is the Government Response to the Auditor-General’s reports. The Government Response is tabled on an annual basis in Parliament by the Minister for Finance and sets out the portfolio responses to all audit reports tabled in the financial year. This Report, ‘provides an opportunity for departments to inform Parliament and the public on issues and actions taken in respect to recommendations made by the Auditor-General’. 37

The Government Response typically states whether a portfolio supports a recommendation and also provides a brief overview of the portfolio’s intended actions to implement supported recommendations.

It is important from a public accountability perspective that agencies provide quality and considered responses to the Auditor-General’s reports. The Committee believes that responses presented in the Government Response should provide: detail on the specific actions proposed by the agency to implement the recommendations; an indication of when these actions will be undertaken and/or completed; and details about which area within the agency will be responsible for carrying out the proposed actions.

37 Department of Treasury and Finance, Government Response to the Auditor-General’s Reports issued during 2012-13, June 2014, p.iii
FINDING: The quality of the portfolio responses to performance audit recommendations in the Government Response tabled in the Parliament each year could be improved. The current responses sometimes lack detail about the specific actions agencies intend to take and the timeframe for carrying them out.

RECOMMENDATION 1: The Department of Treasury and Finance review the presentation of the annual Government Response to the Auditor-General’s report, with a view to developing an improved format which includes detailed information about:
(a) what specifically will be done to implement each audit recommendation;
(b) timeframes for the implementation of each audit recommendation; and
(c) the assignment of responsibility within the agency for implementing each audit recommendation.

2.3 Implementation of the Auditor-General’s recommendations

A total of 37 recommendations were made by the Auditor-General in the performance audit reports considered for this follow-up Inquiry. Nearly all of these recommendations were either “supported” or “supported in principle” by the responsible portfolio areas in the Government Response. One recommendation was not supported by the responsible department (i.e. the former Department of Sustainability and Environment, Security of Infrastructure Control Systems for Water and Transport), while another department did not support one part of a recommendation which was directed to all public sector agencies (i.e. Department of Health, Maintaining the Integrity and Confidentiality of Personal Information). One other recommendation was noted as being “under review” by the responsible agency (i.e. Department of Justice, Taking Action on Problem Gambling).

The Committee found that the progress made in response to the Auditor-General’s recommendations has been mixed. Almost half (48.6 per cent) of the Auditor-General’s recommendations have been fully or substantially implemented by the responsible agencies. Almost 30 per cent of audit recommendations have been partially implemented with some progress still required and a further 19 per cent have seen limited action taken to address the recommendation with significant progress still to be made.

These results suggest that the implementation of Auditor-General’s recommendations by agencies can be improved. The Committee has identified the following areas where greater attention is required to ensure that agencies make appropriate progress towards implementing audit recommendations:
» agencies internal follow-up processes;
» review and monitoring by lead agencies; and
» external follow-up processes.

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38 Based on the responses provided in the Response by the Minister for Finance to the Auditor-General’s Reports issued during 2008-09, December 2009; Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010; Government response to the Auditor-General’s reports issued during 2010-11, June 2012
2.3.1 Agencies internal monitoring and follow-up processes

Agencies that are the subject of an audit report are required to respond to the report and implement any supported recommendations. At present, it is the role of the audit committee within an agency to oversee this internal follow-up process. Standing Direction 2.6(f) of the Financial Management Act 1994 requires audit committees to monitor the actions taken in response to audit reports and also monitor whether accepted recommendations are addressed on a timely basis.\(^39\)

It is vital that agencies have effective internal monitoring and follow-up processes in place to ensure the timely implementation of audit recommendations. The Committee identified some potential areas for improvement within agencies as a result of the Inquiry.

Firstly, the Committee considers that senior management within the agency have a responsibility to ensure that plans are developed which clearly outline responsibilities for implementing actions to address audit recommendations together with a timeline for implementation. Such plans should also provide for regular reporting to, and monitoring by, senior management and audit committees to ensure that all recommendations are properly acquitted.

Secondly, the Committee found that some of the intended actions set out in the Government Response differed from the actions that agencies took in practice. This is of no consequence if the alternative action addresses the substance of the audit recommendation. However, the Committee identified some instances where agencies had taken alternative actions that only partially addressed the audit recommendation. Where alternate actions are decided upon, the Committee considers this should be formally documented and acquitted by management to the audit committee.

Thirdly, internal audit also has a role to play in tracking progress and monitoring actions taken by the agency to address the issues identified by the Auditor-General and implement the audit recommendations. The Committee considers that progress made in implementing all audit recommendations (both internal and external) should be regularly reported to senior management by the internal auditor.

Finally, the Committee found that machinery of government changes had the potential to impact upon the implementation of audit recommendations by agencies. The November 2010 State election saw a number of machinery of government changes which led to several programs and policies considered as part of the 2009 and 2010 audit reports being transferred to newly established agencies or other public sector agencies.

The Committee found that in some cases, the new administering agency had clearly taken over responsibility for implementing any outstanding audit recommendations. For example, the Department of State Development, Business and Innovation (DSDBI) carried on the work of the former Department of Primary Industries by implementing the recommendations from the performance audit report: *Towards a ‘smart grid’ – the roll-out of Advanced Metering Infrastructure* (see Chapter Nine). Also, it was evident from the Committee’s review of the audit report: *Taking Action on Problem Gambling*, that the newly created Victorian

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Commission for Gambling and Liquor Regulation had taken over responsibility for the recommendations directed at the former Victorian Commission for Gambling Regulation.

However, the Committee also identified some examples where the actions taken by the new administering agency had not effectively responded to all of the audit recommendations. This occurred with respect to the audit report, *Management of the Community Support Fund*. The Committee found that DTF had not adequately responded to all aspects of the Auditor-General’s recommendations upon assuming responsibility for the Community Support Fund from the former Department of Planning and Community Development (see Chapter Six).

Similarly, the Department of Justice advised the Committee that at the time the *Taking Action on Problem Gambling* audit was undertaken, the Department had responsibility for all of the initiatives under the *Taking Action on Problem Gambling* strategy. However, the Department noted that subsequent machinery of government changes had led to responsibility for the initiatives now resting across three entities. The Committee found that these administrative changes had slowed or interfered with the finalisation of some actions which had been commenced to implement the audit recommendations (see Chapter Eight).

The Committee urges all agencies to be vigilant in assigning management responsibilities for actioning recommendations and regularly acquitting their progress to the audit committee.

Furthermore, as machinery of government changes can impact the full implementation of audit recommendations, the Committee considers that there would be benefit in requiring audit committees to conduct a due diligence process upon gaining responsibility for transferred programs or policies to determine if there are outstanding audit recommendations to be actioned. Agencies assuming responsibility for a previously audited area should also consider entering into a dialogue with the Auditor-General’s Office. This would assist agencies in gaining a full understanding of the issues involved and the basis for the recommendations, and also putting in place an appropriate response.

**FINDING:** The Committee identified instances where the internal monitoring and follow-up of audit recommendations by agencies could be enhanced to ensure that intended actions are implemented in a timely manner.

**RECOMMENDATION 2:** Agencies need to implement effective internal processes to monitor and track the complete and timely implementation of the Auditor-General’s recommendations. Agency senior management, internal audit and audit committees all have an important role to play in this area. Agencies should develop detailed action plans for the implementation of audit recommendations which ensure that:

(a) responsibilities for implementation are clearly assigned;
(b) a timeframe for implementation is specified; and
(c) regular reporting and acquittal of audit recommendations is made to the agency’s senior management and audit committee.

40 Mr Greg Wilson, Secretary, Department of Justice, *Transcript of evidence*, Melbourne, 25 February 2014, p.2
RECOMMENDATION 3: Agencies that gain responsibility for a previously audited policy or program following a machinery of government change:

(a) ensure that any outstanding audit recommendations are carried over and actioned appropriately; and
(b) consider liaising with the Auditor-General’s Office to ensure they fully understand the issues and audit recommendations and are able to appropriately respond to the recommendations made.

2.3.2 Monitoring and follow-up by lead agencies

The delivery of government services, policies and programs often involve a number of agencies and entities. Generally in these circumstances there is a lead agency which has an oversight or coordination role as part of the governance structure. This leadership and oversight role also applies where the delivery of public sector services are devolved to ‘subsidiary’ type entities such as government schools and public hospitals.

The Committee identified instances where there was an opportunity for the lead agency to play a more pro-active role in following up the Auditor-General’s recommendations with operational agencies and/or subsidiary entities.

In the case of the report Taking Action on Problem Gambling, the Committee notes that roles and responsibilities in relation to the promotion of responsible gambling and initiatives to address problem gambling in Victoria are spread across a number of public sector agencies within the Justice portfolio. As the lead agency responsible for gambling policy in Victoria, the Department of Justice could take a more prominent role in ensuring that all audit recommendations have been coordinated and implemented in a timely manner (see Chapter Eight).

The Committee also notes that the Auditor-General has identified effective governance and oversight as a persistent issue in the Victorian public sector stating that there is a need for improvement in the leadership and oversight activities of lead agencies in respect to the implementation of policies and initiatives by ‘subsidiary’ organisations. The Auditor-General notes that some coordinating departments have ‘argued they had a purely advisory role when a stronger role was clearly warranted or legislated.’

The Committee considers that lead agencies should ensure that operational agencies are aware of all relevant recommendations made by the Auditor-General. Lead agencies should also consider what steps they need to take to ensure that administering agencies implement the audit recommendations. This could mean seeking assurances from operational agencies that they have implemented the Auditor-General’s recommendations or providing guidance and oversight to agencies.

42 ibid., p.7
FINDING: The Committee considers that lead agencies can play a more pro-active role in following up the implementation of the Auditor-General’s recommendations with their operational and devolved subsidiary agencies and entities.

RECOMMENDATION 4: Lead agencies strengthen their leadership and governance with regard to their operational and subsidiary agencies to ensure that those entities are fully appraised of the issues and recommendations raised in the Auditor-General’s reports and to actively promote the effective implementation of the Auditor-General’s recommendations.

2.3.3 External review and follow-up

The Committee routinely undertakes follow-up inquiries as part of its accountability function for the Parliament. The Auditor-General also has the discretion to revisit an audit area where he considers it warranted.

In recent years, the number of performance audits undertaken by the Auditor-General has increased significantly. For example, ten performance audit reports were undertaken in the 2004-05 financial year, while 29 performance audit reports were undertaken in 2012-13.43

The Committee considers that the outcomes of the current Inquiry demonstrate the need for a more comprehensive framework for following up audit recommendations. The Auditor-General has also acknowledged the need to enhance the current accountability system for the implementation of recommendations in response to this Inquiry.

To this end, in June 2014, he announced his intention to improve the current follow-up system for performance audits in his Annual Plan for 2014-15 stating:44

"A new follow-up process will close the accountability loop on past recommendations regarding performance audits, and recommendations arising from financial audit work will be summarised in publications. The new process … reflects my concerns around agency implementation and the impact of these recommendations."

The Auditor-General has set out a detailed follow-up process consisting of four separate phases which are outlined in Table 2.1 below.

The Committee welcomes the re-introduction of a follow-up process by the Auditor-General. The Auditor-General’s Office had undertaken a follow-up process in the past, however this ceased in 2008.

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Table 2.1

<table>
<thead>
<tr>
<th>Phase</th>
<th>Overview of the follow-up process</th>
<th>Implementation timeline</th>
</tr>
</thead>
</table>
| Phase 1 – Action plans    | As part of the initial response to the Auditor-General’s report, agencies are now asked to submit an action plan which includes:  
« their response to the recommendation;  
« the intended action to implement the recommendation;  
« the timeframe for the intended action; and  
« in instances a recommendation is not accepted, the reason for this. | This phase has been implemented. |
| Phase 2 – Audit of agency responses to recommendations | Agencies will be asked to outline the actions they have taken in response to accepted recommendations approximately one to two years following the publication of a performance audit report. Agencies will be followed up for a period of three years. | The first report is planned to be for 2014-15. |
| Phase 3 – Limited scope follow-up performance audits | These reports will focus on verifying selected agency self-reports. | The first report is planned to be tabled in 2015-16. |
| Phase 4 – Broad scope follow-up performance audits | Past recommendations may form the focus of a full-scale audit where it is considered beneficial to re-audit an area. | This will begin as part of the 2014-15 audit program. |


The Committee notes that the proposed process should ensure that all performance audits are followed up by the Auditor-General over a three year period, similar to the better practice implemented by the Office of the Auditor-General in British Columbia, Canada.

It is anticipated that the new Public Accounts and Estimates Committee of the 58th Parliament will determine its own approach to Auditor-General reports, as part of the Committee’s broad statutory charter, particularly on significant public sector performance and reporting issues.

**FINDING:** The Auditor-General plans to introduce a more systematic approach to the follow-up of audit recommendations which should encourage agencies to act on audit recommendations in a more timely manner and improve the impact of audit recommendations on the performance of the Victorian public sector.

### 2.4 Monitoring and oversight

Monitoring and oversight are integral components of an effective public sector accountability regime. These two principles help to ensure that public sector agencies achieve their objectives and that the community can have confidence that the public sector is appropriately managing public funds and resources.
The Committee’s follow-up inquiry of performance audit recommendations found instances where lead agencies had not taken an active oversight and monitoring role with respect to the implementation or delivery of programs, even where the Auditor-General had expressly recommended that such an approach be taken.

For example, the Auditor-General made a recommendation in the report on *Maintaining the Integrity and Confidentiality of Personal Information* (see Chapter Five) for clear oversight to be established with respect to the implementation of information security policies and standards by relevant agencies.\(^45\) The Committee found that although an agency self-assessment process had been put in place by DSDBI, the Department did not appear to have taken an active oversight and monitoring role.

In the case of the audit report, *Use of Development Contributions by Local Government*, the Committee found that it was unclear whether the Department of Transport, Planning and Local Infrastructure (DTPLI) had accepted the Auditor-General’s view that it should be playing a central monitoring and oversight role with respect to the development contributions system, and the wider planning system. This issue is discussed further in Chapter Ten of the report.

In relation to both the education-related audits considered as part of this Inquiry (see Chapters Three and Four), the Committee found that the Department of Education and Early Childhood Development (DEECD) needed to establish a comprehensive review framework for schools to ensure that departmental policies are being effectively implemented and that educational objectives for the State are being achieved.

On a positive note, the Committee was pleased to observe that a number of agencies had enhanced the monitoring role they carried out in response to a recommendation by the Auditor-General. For example, Public Transport Victoria has established a new team within its organisation to specifically oversee the information security controls put in place by transport operators in response to a recommendation by the Auditor-General (see Chapter Seven: *Security of Infrastructure Control Systems for Water and Transport*).

The Committee considers that there needs to be a renewed effort by lead agencies to put in place adequate monitoring and oversight measures for policies, programs and services. This will help to ensure that these measures are effectively implemented and achieve their intended outcomes.

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**FINDING:** The Committee found varying degrees of monitoring and oversight by agencies with respect to the programs and policies which had been audited by the Auditor-General in the eight performance audits reviewed in this Inquiry.

**RECOMMENDATION 5:** Lead agencies ensure that effective monitoring and oversight arrangements are put in place with respect to programs, policies and service delivery for which they are ultimately accountable.

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\(^45\) Victorian Auditor-General’s Report, *Maintaining the Integrity and Confidentiality of Personal Information*, November 2009, p.8
2.5 Measuring effectiveness and performance

Performance measurement and reporting is an integral part of a transparent and accountable public sector. It provides feedback to agencies on the achievement of their objectives and allows the Parliament and the community to scrutinise the performance of public sector agencies.

Both the Auditor-General and the Committee have identified shortcomings with how public sector agencies have carried out performance management and reporting in the past. For example, the Auditor-General has stressed that agencies need to better identify performance measures and targets and ensure that an effective performance measurement and reporting system is put in place early on in program activities.46

This issue was also a strong theme in four of the audit reports chosen for this Inquiry. In all four audits, the Auditor-General recommended improving the performance measurement systems in place in the responsible agencies.

The Committee believes there is a need for agencies to lay the groundwork for an effective system of performance measurement for key programs. The Committee notes that the Auditor-General has outlined a number of elements of a strong performance measurement framework, including:47

» setting clear objectives and targets for programs;
» collecting baseline data for later comparison;
» ensuring that performance frameworks measure ‘the impact, effectiveness, efficiency and economy and extent to which initiatives have achieved their intended outcomes’; and
» putting in place regular and systematic reporting.

The Committee reiterates these points and encourages agencies to consider their application in assessing the effectiveness of significant policies, programs and initiatives.

RECOMMENDATION 6: Public sector agencies put in place an effective system of performance measurement and evaluation for key programs, policies and services. Elements of an effective system include:

(a) setting clear objectives and targets for programs;
(b) collecting baseline data at the outset for later comparison;
(c) designing appropriate measures which are linked to program outcomes; and
(d) putting in place regular and systematic reporting.

47 Mr John Doyle, Persistent challenges in public sector governance: Lessons from legislative audits, presented on 12 September 2013 at Chartered Secretaries Australia, p.17
CHAPTER 3

THE EFFECTIVENESS OF STUDENT WELLBEING PROGRAMS AND SERVICES

3.1 Introduction

The Department of Education and Early Childhood Development (DEECD) is a large department managing an annual budget of $11.5 billion. The Department oversees maternal and child health services, primary and secondary education, and vocational education and training.

With regard to primary and secondary education, the Department is responsible for overseeing the delivery of learning to more than 850,000 students in 1,537 government schools.

An integral component of effective learning is student wellbeing. A student will find it difficult to optimise their learning if they are distracted by significant social, physical or emotional issues.

The Department’s Framework for Student Support Services states:

Students are better prepared for learning when they are healthy, safe and happy, therefore, student welfare is the responsibility of all staff working in a whole school context. Student learning cannot be separated from welfare.

Student health and wellbeing is a complex area of management. Student support services and activities take a variety of forms. Some activities are preventative and seek to promote health and wellbeing principles and practices in the school environment. Some activities take the form of direct intervention aimed at supporting certain students who require extra support or who are considered to be disadvantaged, disengaged or ‘at risk’. Further, some wellbeing activities are provided in direct response to specific trauma or unusual circumstances and seek to provide remedies to specific issues and/or the restoration of certain relationships.

Over past years, the Department has delivered a number of student wellbeing programs and services, guided by a range of policy and planning documents. These programs and services include:

» professional support services in the form of psychologists, youth and social workers, nursing and other health related personnel;

» guidance in terms of procedures or professional development for school principals, teachers and other staff managing student health and wellbeing; and

» online resources related to preventative, promotional and remedial student health and wellbeing activities for students and parents to access.

In 2009 the Auditor-General undertook a review of the effectiveness of the Department’s student wellbeing programs and services. The findings and recommendations from the audit were tabled in February 2009.

In 2013, the Public Accounts and Estimates Committee determined to review the progress made by DEECD in implementing the audit recommendations. Details relating to the audit recommendations, the Department’s responses to those recommendations as provided in the *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10* (the Government Response) and the Committee’s findings are presented in the following sections of this Chapter.

### 3.2 Audit findings and recommendations

The Auditor-General noted in his report that DEECD has provided student wellbeing programs and resources over a long period of time. In 2009-10, the Department allocated a total of $116.3 million for the following major student wellbeing programs and services:\(^49\)

- Student Support Services Program (SSSP);
- Primary Welfare Officer Initiative (PWOI);
- Student Welfare Coordinators Initiative (SWCI);
- School Focused Youth Service (SFYS);
- Primary School Nursing program (PSNP); and
- Secondary School Nursing Program (SSNP).

The main objective of the audit review was to assess whether these student wellbeing programs and services were effective. In making this assessment, the Auditor-General examined the:\(^50\)

- comprehensiveness of the Department’s planning and implementation of student support programs and services;
- robustness of data collection and analysis; and
- impact of programs and services on actual student wellbeing outcomes.

The Auditor-General concluded that while the Department’s performance data indicated that there was some overall improvement in student wellbeing, the evaluation of student wellbeing programs and services had only recently commenced. The main deficiencies identified in the audit report were:\(^51\)

- the lack of an up-to-date, comprehensive policy framework for student health and wellbeing; and
- inadequate measurement and evaluation of the effectiveness of student health and wellbeing programs and services.

The Auditor-General made three main recommendations:

*Recommendation 1: DEECD should include in its Health and Wellbeing Framework:

- Clearly defined overall student health and wellbeing outcomes*

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\(^49\) Victorian Auditor-General’s Office, *The Effectiveness of Student Wellbeing Programs and Services*, February 2010, pp. 3-4

\(^50\) ibid., p.4

\(^51\) ibid., p.vii
Chapter 3: Effectiveness of Student Wellbeing Programs and Services

» Descriptions of how programs and services relate to and affect each other, and how their delivery across relevant agencies will be coordinated.

Recommendation 2: DEECD should apply its Outcomes and Evaluation Framework to monitor, evaluate and review the effectiveness of its student wellbeing programs and services, and drive continuous improvement.

Recommendation 3: DEECD should continue to actively monitor the differences in wellbeing levels across all primary and secondary schools and explore opportunities to redress the gaps between schools, including identifying and disseminating better practices adopted by schools.

The following sections of this Chapter include details in relation to each of the audit recommendations, including the Department's initial response, together with the details of the Committee's review and assessment of the progress made by the Department in implementing the audit recommendation and any other relevant developments since the report was tabled in February 2010.

3.3 Funding for student wellbeing programs and services

The Committee sought an update from the Department in relation to the amount of funding which has been allocated to the student wellbeing programs and services from 2009-10 to 2012-13.

Table 3.1 below provides details of the funding provided for the main student wellbeing programs and services over that period.

<table>
<thead>
<tr>
<th>Program</th>
<th>2009-10 ($ million)</th>
<th>2010-11 ($ million)</th>
<th>2011-12 ($ million)</th>
<th>2012-13 ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Support Services</td>
<td>59.9</td>
<td>65.4</td>
<td>65.1</td>
<td>65.6</td>
</tr>
<tr>
<td>Primary Welfare Officer Initiative</td>
<td>20.3</td>
<td>20.6</td>
<td>23.6</td>
<td>28.5</td>
</tr>
<tr>
<td>Student Welfare Coordinators</td>
<td>12.2</td>
<td>12.5</td>
<td>12.8</td>
<td>13.1</td>
</tr>
<tr>
<td>School Focused Youth Service</td>
<td>7.0</td>
<td>7.6</td>
<td>7.7</td>
<td>7.9</td>
</tr>
<tr>
<td>Primary School Nursing Program</td>
<td>6.8</td>
<td>7.0</td>
<td>7.1</td>
<td>7.3</td>
</tr>
<tr>
<td>Secondary School Nursing Program</td>
<td>10.4</td>
<td>10.4</td>
<td>10.6</td>
<td>10.9</td>
</tr>
<tr>
<td>Total</td>
<td>116.3</td>
<td>123.5</td>
<td>126.9</td>
<td>133.3</td>
</tr>
</tbody>
</table>

Source: Department of Education and Early Childhood Development, The Effectiveness of Student Wellbeing Programs and Services (February 2010), Letter to the Committee, received 9 January 2014, Question 2, Attachment 1

The table shows that significant funds are appropriated to these major student wellbeing programs. Unless a detailed methodology is in place for assessing outcomes, the value for money achieved through the application of these funds cannot be demonstrated in any evidentiary and/or meaningful way. This is discussed further in the following sections of this Chapter.
3.4 Departmental policy framework for student wellbeing programs and services

The Auditor-General examined whether there was a strategy or framework in place which defined the purpose and objectives of the Department’s approach to student wellbeing. The Auditor-General found that while DEECD had a number of policy documents and business plans covering aspects of student health and wellbeing, there was no single, overarching, integrated strategy or framework for managing this area of focus.52

3.4.1 Clearly defined health and wellbeing outcomes and integrated service delivery

Audit recommendation: DEECD should include in its Health and Wellbeing Service Framework:
» clearly defined overall student health and wellbeing outcomes
» descriptions of how programs and services relate to and affect each other and how their delivery across relevant agencies will be coordinated.53

The Auditor-General found that a 1998 Framework for Student Support Services in Victorian Government Schools was out of date as it did not include the range of services in place at that time to support schools. In addition, the 1998 Framework did not describe the way in which services and programs were integrated and aligned.54

The Auditor-General found that there was no link between the student support programs and services reviewed and any overarching, clear and common student wellbeing objectives and outcomes. Also there was no evidence of a commonly shared definition or understanding of student wellbeing across Victorian government schools.55

The Auditor-General concluded that the lack of an overarching policy or framework which clearly specified student wellbeing and desired outcomes together with varying interpretations between regional offices and schools resulted in a lack of cohesion and alignment between the range of support services and programs available to government school students.56

The Auditor-General was advised that the Department intended to complete a Health and Wellbeing Service Framework in early 2010.57

52 ibid., p.7
53 Victorian Auditor-General’s Office, The Effectiveness of Student Wellbeing Programs and Services, February 2010, p.10
54 ibid., p.7
55 ibid., pp.8-10
56 ibid., p.7
57 ibid.
3.4.2 Department response to the audit recommendation

The Department fully supported this audit recommendation.\textsuperscript{58}

In the Government Response, the Department stated that it was finalising its draft Framework which would include a range of agreed measurable outcomes drawn from the outcomes and indicators presented in the Victorian Child and Adolescent Outcomes Framework.\textsuperscript{59}

The Department added that this would enable individual programs and services to account for their performance and would support an integrated approach to service delivery. The Department reiterated that the Framework was due for completion in 2010.\textsuperscript{60}

3.4.3 Actions implemented to date

In October 2013, the Committee wrote to the Department requesting an update of the policy framework relevant to the management of student wellbeing in government schools.

In addition, the Committee requested a copy of the Department’s Health and Wellbeing Service Framework and asked the Department to confirm that the Framework includes:

» clearly defined student health and wellbeing outcomes;
» a description of how various student health and wellbeing programs and services inter-relate and are coordinated;
» clearly defined service delivery responsibilities; and
» regular measurement and reporting of student wellbeing outcomes.

Table 3.2 sets out the Department’s current policies and guidelines relating to student wellbeing in government schools.

With respect to the Health and Wellbeing Service Framework, the Department advised the Committee initially in January 2014 that the document had been renamed Principles for Health and Wellbeing and was in the process of being finalised for release in early 2014.\textsuperscript{61}

In April 2014, following the public hearings, the Department provided the Committee with a copy of the new framework.

\textsuperscript{58} Department of Treasury and Finance, \textit{Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10}, October 2010, p.14
\textsuperscript{59} ibid.
\textsuperscript{60} ibid.
\textsuperscript{61} Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, \textit{The Effectiveness of Student wellbeing programs and Services (February 2010)}, Letter to the Committee, received 9 January, 2014, p.1
**Table 3.2**

<table>
<thead>
<tr>
<th>Current DEECD Policy/Guidelines</th>
<th>Relevance to student wellbeing objectives</th>
<th>Former policy/guideline:</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEECD Strategic Plan 2013-17</td>
<td>Wellbeing is one of the outcome areas specified in the Department’s new Strategic Plan.</td>
<td>DEECD Corporate Plan</td>
</tr>
<tr>
<td>The Victorian Child and Adolescent Framework</td>
<td>Establishes outcomes related to the health, safety, development, learning and wellbeing of children and young people.</td>
<td>No change</td>
</tr>
<tr>
<td>Student Support Services (SSS) Guidelines 2012</td>
<td>The SSS Guidelines assist Principals and Student Support Services Officers to implement a governance and service delivery model. These Services are aimed at assisting children and young people to manage barriers to their learning.</td>
<td>Framework for Student Support Services in Victorian Government Schools (1988)</td>
</tr>
<tr>
<td>Bully Stoppers – Make a stand. Lend a hand.</td>
<td>Provides extensive information and advice for principals, teachers, students and parents about preventing and responding to bullying behaviour.</td>
<td>Safe Schools are Effective Schools – A resource for developing safe and supportive school environments</td>
</tr>
<tr>
<td>Effective Schools are Engaging Schools – Student Engagement Policy Guidelines 2013</td>
<td>Directs schools to develop a Student Engagement Policy which reflects their school community’s shared expectations in the areas of student engagement, attendance and behaviour.</td>
<td>Effective Schools are Engaging Schools – Student Engagement Policy Guidelines (2009)</td>
</tr>
</tbody>
</table>

Source: Department of Education and Early Childhood Development, The Effectiveness of Student Wellbeing Programs and Services (February 2010), Letter received by the Committee, 9 January 2014, Question 1, Attachment 1

**Department's new policy direction – Towards Victoria as a Learning Community**

In addition to the policies and guidelines outlined in the above table which make specific reference to wellbeing objectives, the Department referred the Committee to its new reform agenda for schools. This is outlined in the position paper, *Towards Victoria as a Learning Community*, dated November 2012 and *From New Directions to Action: World class teaching and school leadership*, launched in 2013.

These documents outline the Government’s ‘vision for raising the standards of learning and development that focuses on meaningful reforms to curriculum, pedagogy, assessment and reporting.’ The Department is currently in the process of implementing these reforms which focus on ‘a commitment to locally-led school improvement with enhanced support from the Department.’

Evidence provided by the Secretary of the Department at the public hearing indicated that under these new policy directions, the Department’s role becomes one of enabling principals, teachers and support staff to make judgements about how best to manage student wellbeing within their own school by providing schools with appropriate authority and support systems.

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63 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *The Effectiveness of Student Wellbeing Programs and Services (February 2010)*, Letter to the Committee, received 14 April 2014, p.10
The Secretary stated:\(^{64}\)

That does not mean the department simply palms off or hands this responsibility to schools, leaving them to manage as best they can….we have a strong role to design the overall system, whether it be funding, whether it be in the allocation of tasks and certainly in building the accountability system and support services so that schools are given the best possible advice and guidance to do their job. However, improvement strategies must be locally owned and built, and that is not a matter of simple philosophy; it is also a matter of practical reality.

Departmental Action Plan - From New Directions to Action

As part of this new policy framework, the Department has developed an accompanying Action Plan which identifies five key areas of school improvement of which one relates directly to the promotion of student wellbeing through access and inclusion.

'Maximising access and inclusion’ is aimed at ‘providing quality learning opportunities for all students with a particular emphasis on ensuring that our most vulnerable and disadvantaged are effectively engaged, challenged and catered for.’\(^{65}\)

The Action Plan is on the Department’s website and provides schools with an interactive timeline and central access point for information and resources to support school improvement initiatives.

The Action Plan identifies five components which relate to student support and wellbeing through access and inclusion. These are:\(^{66}\)

> Managing Challenging Classroom Behaviours – offering increased support for preventing and responding to challenging student behaviours.

> Student Engagement and Inclusion Guidelines – Revised guidelines to support inclusive and respectful learning environments.

> Student Support Funding Follows the Student – Policy to support young people to participate in learning through re-engagement programs.

> School enrolment and attendance – Revised processes and supports to improve school enrolment and attendance.

> School-wide Positive Behaviour Support – Uses school-wide systems of support to define, teach and support appropriate student behaviour.

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\(^{64}\) Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Transcript of evidence, Melbourne, 24 February 2014, pp.2-3


\(^{66}\) ibid.
Departmental student health and wellbeing policy - *Principles for Health and Wellbeing*

At the public hearing in February 2014, the Secretary gave evidence in relation to the progress which had been made by the Department in developing an integrated strategic framework as was recommended by the Auditor-General.

The Secretary advised the Committee that the task involved was a significant one and one which the Department did not want to tackle in a superficial way. The Committee was advised that work has been done systematically since the report was tabled and the Secretary stated that a strategy was close to being released.  

### 3.4.4 Committee findings and recommendations

**Departmental policies, procedures and guidance**

As part of its response to the Committee, the Department included a number of website addresses to enable access to its current student wellbeing policies and guidelines (as noted in Table 3.2).

A review of these website addresses indicated an extensive amount of information and resources on a vast range of issues associated with student health and wellbeing available to schools (i.e. staff, students and parents).

In reviewing the student wellbeing material contained on the Department’s website, it was noted that:

- some material referenced had been superseded; and
- some details appear dated.

The Committee considers that in the light of new policy directions for school education, the Department should undertake a review of the guidance material available on its website in relation to the management and promotion of student wellbeing in an effort to confirm its currency and continuing relevance and also, where possible, streamline and consolidate the information available.

**FINDING:** There is an extensive amount of material available on the Department of Education and Early Childhood Development’s website in relation to student health and wellbeing. Some of this information may be out of date or under review. A review and rationalisation of the Department’s website material would be beneficial to minimise any potential for confusion and inconsistent practices across the Department.

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67 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *Transcript of evidence*, Melbourne, 24 February 2014, p.4
RECOMMENDATION 7: The Department of Education and Early Childhood Development undertake a review of the student health and wellbeing guidance and support material available on its website in an effort to:

(a) confirm that the material and references provided are relevant and up to date; and

(b) simplify and rationalise the material and references provided.

Overarching student wellbeing policy framework

In April 2014, the Department provided further information to the Committee in relation to a number of matters raised at the public hearing in February 2014. Included in this information was a copy of the Department’s finalised Principles for health and wellbeing policy document.

The document contains eight principles for health and wellbeing. The Department advised that: 68

The principles create a set of shared health and wellbeing priorities, a preventative orientation and a whole of system model to promote and support health and wellbeing across the life course from birth into young adulthood (through education settings and school based health and wellbeing services and supports).

Further, the Department states that the document addresses the audit recommendations about what should be contained in the policy framework with the Department’s priority health and wellbeing outcomes tied to measurable data sources aligned with the Victorian Child and Adolescent Monitoring System (VCAMS). The Department advised the Committee that it is now developing a Health and Wellbeing Plan that identifies strategic actions aimed at improving the efficiency and effectiveness across the service system and the Principles for Health and Wellbeing for student wellbeing services and education settings. 69

The Department also advised the Committee that the health and wellbeing priorities will inform the selection of wellbeing indicators for program evaluations and for the Department’s Outcomes and Performance Framework, also currently being developed. 70


The Committee awaits the implementation of the Department’s health and wellbeing framework and in particular, the measurement of health and wellbeing priorities and outcomes in schools.

68 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, The Effectiveness of Student Wellbeing Programs and Services (February 2010), Letter to the Committee, received 14 April 2014, p.10
69 Ibid, p.11
70 Ibid, pp.11-12
3.5 Measuring performance and driving continuous improvement

An important benefit of an effective system of performance measurement is to encourage and realise a process of continuous improvement. In reviewing the Department’s student wellbeing performance measurement, the Auditor-General reviewed student wellbeing results achieved over the period 2006 to 2009, and the effectiveness of the Department’s student wellbeing programs and services.

3.5.1 Audit findings and recommendations

The Auditor-General’s main findings in relation to student wellbeing performance measurement were:71

» whilst there had been an improvement in the results for student wellbeing over the review period (2006 to 2009), there were variations in the data which required additional investigation and analysis by the Department;

» there were only a limited number of performance benchmarks or targets in place to assess student wellbeing results and program effectiveness;

» there was no linking of the results collected through data collection systems and the student wellbeing programs and services delivered; and

» limited data was available in relation to the regular evaluation of student wellbeing programs and services.

In the report, the Auditor-General acknowledged that the Department was undertaking work to develop and implement a Health and Wellbeing Service Framework which was to include a set of agreed measurable outcomes for program and service performance (discussed in Section 3.4). It was also to include an Outcomes and Evaluation Framework, which the Department advised it had developed to improve measurement of outcomes and goals.72

The Auditor-General made the following two recommendations directed at improving the Department’s measurement and evaluation of student wellbeing performance:73

» Recommendation 2: DEECD should apply its Outcomes and Evaluation Framework to monitor, evaluate and review the effectiveness of its student wellbeing programs and services, and drive continuous improvement.

» Recommendation 3: DEECD should continue to actively monitor the differences in wellbeing levels across all primary and secondary schools and explore opportunities to redress the gaps between schools, including identifying and disseminating better practices adopted by schools.

The Department fully supported both of these recommendations.74

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71 Victorian Auditor-General’s Office, The Effectiveness of Student Wellbeing Programs and Services, Audit Summary, February 2010, pp.vii-ix
72 ibid., p.ix
73 ibid., p.23
74 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, pp.14-15
The Department’s responses and the Committee’s findings in relation to the status of these recommendations and the issues raised are presented in the following sections.

### 3.6 Measuring student wellbeing: data collection systems and results

The Auditor-General noted that there are difficulties associated with measuring student wellbeing. Firstly, because it can be difficult to succinctly define and secondly, because it comprises a variety of aspects.\(^{75}\)

The two main data collection methods which the Department uses to measure and report on student wellbeing in schools are the:

- the Attitudes to School Survey (ATSS); and
- School Attendance Data.

The Auditor-General reviewed student wellbeing results for the period 2006 to 2009, and the use made by the Department of the data collected in relation to student wellbeing.

### 3.6.1 Student wellbeing data collection methods and systems – audit findings

As noted above, the two main data collection systems used by the Department to measure student wellbeing in schools are the ATSS and School Attendance Data.\(^{76}\)

Schools also collect data through annual school surveys of both teachers and parents which provide perceptions about the school environment in areas such as, school morale, student behaviour, safety, and connectedness to school.

In addition to this school sourced data, the Department collects data each year on a range of performance indicators relating to the health, welfare and wellbeing of infants, children and young people in Victoria through the VCAMS.

In his audit report, the Auditor-General made some observations about the type of data collected by the Department to assess student wellbeing and the limitations of this data. The Auditor-General’s observations are contained in the following paragraphs.

#### Attitudes to School Survey

The ATSS comprises an annual school-based survey of students in Years 5 to 12, seeking responses to questions designed to assess students’ feelings about their connectedness to school, security and safety at school, classroom behaviour and level of morale. The results are submitted by schools to the Department’s central office for analysis.\(^{77}\)
The Auditor-General noted that the mean scores reported over the period 2006 to 2009 indicate an improvement in the scores across each of the wellbeing related measures over that period. The scores also indicate that:  

- a differential exists between primary and secondary schools which has remained fairly constant over that period; and  
- as a cohort moved through their school years, their mean scores started to fall.

The reasons for this had not been analysed by the Department.

The Auditor-General found that the Department had made limited use of the ATSS data with no clear connection between survey responses and student wellbeing programs and services. Also, the Department had not identified targets or expected levels of performance in relation to the survey results.

School attendance data

Schools collect data on student absences. This is reported as an average per student across each individual school. The Department uses these figures to establish an average attendance rate across the whole of the government school sector which is reported in Budget Paper No.3 and the Department’s annual report.

The Auditor-General noted that attendance data, as reported in the Department’s annual reports, did not show any significant change in the average attendance rates over the period 2006 to 2008. However, there was a slight increase in mean absent days per student for both primary and secondary students over the same period. Also noted was the differential between the average absentee days per student in primary and secondary schools.

The Auditor-General found that when reporting this data in its annual report and in the budget papers, the Department rounds the average attendance figure recorded to a whole number. The Auditor considered that this rounding could mask trends in the data between years.

Victorian Child and Adolescent Monitoring System

The Victorian Child and Adolescent Monitoring System includes some 150 indicators measuring a range of outcomes relating to the safety, health, learning, development and wellbeing of children and adolescents from birth to age 18 years. VCAMS provides information which is used annually in the preparation of The state of Victoria’s Children Report (the Report). The Department uses the Report to plan its student wellbeing programs and services.
The information provided in the Report is gathered from a range of sources such as, research papers, the Australian Bureau of Statistics and government departments, and is used by government agencies to evaluate the outcomes of various policies and strategies.\textsuperscript{84}

The Auditor noted that the Report is not intended to provide detailed explanations of patterns across the indicators measured rather it is intended to present a comprehensive picture of outcomes for children and young people and to flag any issues that may warrant further investigation.\textsuperscript{85}

In reviewing the health and wellbeing indicators and outcomes presented in \textit{The state of Victoria’s Children Report} for 2008, the Auditor-General found the data presented to be inconclusive as far as student wellbeing was concerned as there was a variation in results between the indicators reported and also no clear pattern of improvement across the indicators presented.\textsuperscript{86}

\section*{3.6.2 Student wellbeing results and outcomes – audit findings}

\textbf{Audit recommendation:} \textit{The DEECD should continue to actively monitor the differences in wellbeing levels across all primary and secondary schools and explore opportunities to redress the gaps between schools, including identifying and disseminating better practices adopted by schools.}\textsuperscript{87}

The Auditor-General found that based on the results of the Department’s ATSS, student wellbeing had improved in overall terms between 2006 and 2009. However, some variations and gaps in results were identified which the Auditor-General considered warranted further investigation and analysis by the Department.\textsuperscript{88}

As part of the audit, the Auditor-General examined two secondary colleges as part of a case study comparison. These schools had contrasting student wellbeing outcomes.\textsuperscript{89}

In 2006, the Attitudes to School Survey showed similar results for both schools across most of the indicators, yet after that time the results moved in different directions. One of the school’s indicators trended upwards whilst the other remained static or declined in some areas. Based on his audit review work, the Auditor-General concluded that one school had been more effective in implementing its student wellbeing strategies.\textsuperscript{90}

\begin{flushleft}
\textsuperscript{84} ibid., p.16  \\
\textsuperscript{85} ibid., p.15  \\
\textsuperscript{86} ibid., p.16  \\
\textsuperscript{87} Victorian Auditor-General’s Office, \textit{Effectiveness of Student Wellbeing Programs and Services}, February 2010, p.23  \\
\textsuperscript{88} ibid., p.vii  \\
\textsuperscript{89} ibid., p.20  \\
\textsuperscript{90} ibid., pp.20-21
\end{flushleft}
3.6.3 Department response to the audit recommendation

The Department supported this recommendation stating however, that differences in the Attitudes to School Survey across specific year levels was not unexpected and was a reflection of ‘normal pathways for adolescent development’.\(^\text{91}\)

Further, the Department stated that it would continue to use the ATSS to monitor wellbeing over time and that it would:\(^\text{92}\)

…continue to explore opportunities for service system coordination and improvements that will make better use of the existing resources and redress gaps between schools, while providing a basis for identifying and disseminating better practices to be adopted by schools

3.6.4 Actions implemented to date

In October 2013, the Committee requested information from the Department in relation to actions taken to address the audit recommendation and in relation to the method/systems used to measure and assess student wellbeing in schools. Specifically, the Committee asked the Department to provide details about:

» any evaluations undertaken of the Attitudes to School Survey to test its continued relevance and usefulness in measuring and assessing student wellbeing in schools and the investigation of any other tools or systems for assessing student wellbeing in schools;

» actions taken to review and improve service system coordination and make better use of available resources to support student wellbeing;

» actions taken to investigate and address any significant and/or unusual discrepancies in wellbeing levels or gaps between schools over the past four years; and

» mechanisms in place to allow for the dissemination and sharing between schools of better practices in relation to the management and promotion of student wellbeing.

The information provided by the Department to the Committee in relation to these matters is presented in the following paragraphs.

Data collection methods and systems

The response provided by the Department in the Government Response indicated that the Attitudes to School Survey would remain the key tool for measuring student wellbeing over time.

In response to the Committee’s questionnaire, the Department advised that it is currently reviewing the ATSS with the first phase of the review focusing on national and international best practice design. This information will be used to inform the Department’s next steps.\(^\text{93}\)

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\(^{91}\) Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, p.15

\(^{92}\) Ibid.

\(^{93}\) Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, The Effectiveness of Student Wellbeing Programs and Services (February 2010), Letter to the Committee, received 9 January, 2014, p.2
The Committee was also advised that the Department had commissioned a research project to investigate opportunities for the assessment of the health and wellbeing of children and young people in schools.

The Department stated that the project is focused on students in the middle years and adolescence and will obtain population data which will be useful for state-wide, local area and school-level planning, directed at minimising the impact of social, emotional and physical health issues on educational achievement.\(^\text{94}\)

In April 2014, the Department advised that based on this research, a new student health and wellbeing survey will be introduced in Term 3 of 2014.\(^\text{95}\)

**Service system coordination and resource allocation**

The Department’s response provided in the Government Response gave a commitment to explore opportunities to improve service system coordination and resource allocation. In responding to the Committee’s request for further explanation about how the Department was doing this, the Department advised that, since 2010, it has released or implemented the following initiatives and resources to support schools in relation to promoting and managing student health and wellbeing:\(^\text{96}\)

» Bully Stoppers which includes social media guidelines, online training and support for parents, teachers, students and schools in relation to bullying and cyber-bullying;

» Student Engagement and Inclusion Guidelines which provides advice and strategies directed at supporting inclusive and respectful learning environments. Each school is required to develop a School Engagement Policy;

» mental health promotion resources;

» Mental Health Planning and Response which includes guidelines related to suicide response and planning; suicide and mental health resources; HeLaspace school support resources; and online professional learning modules;

» Mandatory Reporting eLearning Module – professional development;

» Support for Disengaged and at Risk Students which provides advice and guidance to help identify: students at risk; school-based prevention and intervention strategies; and re-engagement programs;

» devolution of the Student Support Services program to schools together with new Guidelines for Student Support Services, released in 2012;

» stronger guidance for the Primary Welfare Officers Initiative;

» Managing Challenging Classroom Behaviours Learning course – professional development for teachers;

» Student Resource Package funding to follow students into re-engagement programs;

\(^{94}\) ibid.

\(^{95}\) Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *The Effectiveness of Student Wellbeing Programs and Services (February 2010)*, Letter to the Committee, received 14 April 2014, p.12

\(^{96}\) Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *The Effectiveness of Student Wellbeing Programs and Services (February 2010)*, letter to the Committee, received 9 January, 2014, p.2
» School Attendance Guidelines which are proposed to improve attendance rates and improve attendance issues; and

» School-wide Positive Behaviour Support program which is to be implemented via a two-year, school-to-school mentoring program.

In addition, the Department advised that the new Principles for health and wellbeing policy document will outline ‘how DEECD services work across the continuum of intervention (from prevention through to complex interventions)’ and the respective priority areas which services seek to impact upon. The document will also support the coordination of services.\(^\text{97}\)

**Departmental monitoring of results**

In response to the Committee’s request for details about the actions which the Department has taken to explore opportunities to redress any significant and unusual differences in wellbeing performance between government schools since the audit report in 2010, the Department directed the Committee to the School Self-evaluation and performance appraisal system which has been in place for all schools over the last four years.\(^\text{98}\)

The Secretary of the Department advised the Committee that the School Self-evaluation includes a formal review of a number of areas of school performance, including wellbeing issues. According to the Secretary, individual schools are able to reflect on the outcomes from the previous planning cycle and identify areas for future improvement. Schools may also request assistance from the Regional Office to address any major issues identified through the self-evaluation process.\(^\text{99}\)

The Department advised that a new School Performance Framework will be implemented in 2014.\(^\text{100}\)

At the public hearing, the Committee asked the Department for its views about its role and responsibilities in relation to monitoring schools and identifying and targeting problem areas.

The Department indicated that it accepted that, in the autonomous school model being implemented, there will be some schools which will be capable of managing well with little oversight from central office and other schools which are not as ‘well-equipped’ to manage and perform well. In the case of the latter, the Secretary of the Department advised the Committee that it will be important for the Department to provide support to the school to help it build its capacity and performance.

The Secretary stated that:\(^\text{101}\)

\[\ldots\text{we have an increasingly sophisticated capacity, we think, to assess where schools are having difficulty and where they are departing from what you would expect a school of that kind to be able to do in order to}\]
target intervention which addresses the whole school’s performance or a particular aspect of it.

In response to further questioning from the Committee about how the Department identified those schools where assistance or greater intervention is required, the Secretary advised that the school performance and development system includes various measures of school performance which can be calibrated and targeted. Also the Department’s new School Performance Framework will include a more ‘comprehensive suite of measures’ across a number of areas of school performance: student learning outcomes; learning gain; and measures of student wellbeing.

In April 2014, the Department provided additional information to the Committee about the implementation of its new School Performance Framework.

According to the Department, the new Performance Framework ‘features strengthened alignment between the performance goals and priorities of each school and the professional development goals of principals, teachers and education support staff’.

The new Performance Framework builds on previous reforms to education in Victoria which have highlighted the value of a structured cycle self-evaluation, review and planning by schools. The Framework seeks to highlight the connections between:

» system reform objectives;
» practices known to make an impact on student outcomes;
» compliance with teacher registration regulatory standards;
» professional practice expectations and professional standards for school leaders and teachers together with expectations to guide school councillors;
» outcomes schools are working towards improving; and
» a system-wide measurement framework for monitoring success.

In addition, the Department advised that it is developing a new performance and development model for all ‘principal class’ employees and teachers ‘with the aim of fostering a high-performing professional development culture that promotes a self-improving system, leading to improved student outcomes.’

Sharing and disseminating best practice

In response to further questions from the Committee about improving the sharing of information and successful student health and wellbeing management practices between schools, the Department advised the Committee that a significant amount of information on student wellbeing initiatives and resources is accessible to schools through the Department’s website.

102 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, The Effectiveness of Student Wellbeing Programs and Services (February 2010), Letter to the Committee, received 14 April 2014, p.13
103 ibid., pp.13-14
104 ibid., p.14
In addition, the Department advised that a broad range of face-to-face and online training is available to school staff to build the capacity of schools in managing student wellbeing issues.\textsuperscript{105}

At the hearing the Secretary of the Department indicated that the Department is looking to utilise the more ‘capable schools’ to help lift the performance of schools that are not performing as well. The Secretary made the following further comment on the Department’s future approach to oversight and review in the new model of greater autonomy for schools:\textsuperscript{106}

\begin{quote}
A large part of what we are moving to do is to bring those capable schools in, to ensure that the assistance to a school that may be struggling with something, is provided by someone who actually knows what they are doing, who actually does what they are doing on a daily basis. That is essentially the approach; as I said before, not casting adrift schools that are having trouble. Also when difficulties are encountered in the form of critical incidents then we have a targeted capacity through regions to provide support to ensure that schools can work through those things.
\end{quote}

The Department also provided one example of a program which has flowed out of some better practice ideas in schools, namely the \textit{School-wide Positive Behaviour Support Program}, which was initially implemented in a small group of schools and has now been allocated more funding from the Department to enable the program to be implemented more widely. The \textit{School-wide Positive Behaviour Support Program} is aimed at promoting respect for others, promotion of healthy work relationships and enabling schools and students to feel that they are in a safe environment. All these factors are considered to promote wellbeing in the school environment. The program also includes a significant professional development component.\textsuperscript{107}

### 3.6.5 Committee findings and recommendations

#### Data collection systems and methods

Effectively measuring the achievement of outcomes and the effectiveness of programs requires that data collection and performance measurement systems are designed to collect the most relevant and appropriate data. Such data can also be analysed to identify problem areas and assist in better targeting of resources and actions for further improvement.

The data collected through the Department’s information systems must be relevant to program objectives and the information must be sorted, analysed and reported in a meaningful manner so as to provide useful information for future decision-making.

\textsuperscript{105} Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Letter to the Committee, received 9 January, 2014, p.2

\textsuperscript{106} Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, \textit{Transcript of evidence}, Melbourne, 24 February 2014, p.7

\textsuperscript{107} Ms Carol Kelly, Executive Director, Student Inclusion and Engagement, Department of Education and Early Childhood Development, \textit{Transcript of evidence}, Melbourne, 24 February 2014, p.6
Chapter 3: Effectiveness of Student Wellbeing Programs and Services

Attitudes to School Survey

The Department has been using its ATSS for a significant number of years, and the Committee notes that the Department is in the process of reviewing the survey. No further details were provided about the review.

The Committee considers that there is value in the Department reviewing the relevance and usefulness of the ATSS in obtaining the most relevant information which both the Department and individual schools require to assess the health and wellbeing of students. As part of this process, the Department should consider the type of data and information most useful in assessing the effectiveness of specific programs and initiatives being implemented in schools and the most appropriate method/s for capturing this information on a regular basis.

**FINDING:** It is timely for the Department of Education and Early Childhood Development to undertake a review of the type of data it collects to measure student wellbeing and the methods used to collect that data to ensure that the most relevant and appropriate data is available upon which to assess both the effectiveness of wellbeing programs and actual student wellbeing outcomes.

**RECOMMENDATION 8:** The Department of Education and Early Childhood Development progress with its review of the Attitudes to School Survey (ATSS) to identify whether:

(a) the ATSS remains a relevant and useful method for obtaining information upon which an individual school and the Department can assess the health and wellbeing of students;

(b) the ATSS could be revised to enable the capture of information relevant to assessing the effectiveness of student wellbeing programs and interventions or whether other methods for assessing program effectiveness are more appropriate; and

(c) better methods for measuring student wellbeing exist in other similar jurisdictions which could inform the design of data collection methods in Victoria.

Victorian Child and Adolescent Monitoring System

The Committee notes that VCAMS was established in 2006. Each year certain data is used to compile *The State of Victoria’s Children Report* and each year the report contains a different emphasis. The Department’s website provides a brief summary of each of the reports from 2006 to 2012 and states:

Annual State of Victoria’s Children reports provide a comprehensive picture of the health, wellbeing, learning, safety, and development of Victoria’s children and young people.

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Since 2006, the report has focused on the outcomes of children in various priority groups, for example: indigenous children; children with disabilities; refugee children; children in out-of-home care; children with chronic disadvantage; children living in rural and regional Victoria; etc.

The most recent report (2012) focuses on outcomes for Victoria's young children, from birth to eight years of age. It includes information about these children, their families, communities and the services which contribute to their learning development and wellbeing.\footnote{ibid.}


In response to Committee's questions about the measurement of student health and wellbeing outcomes, the Department made a number of references to VCAMS and \textit{The State of Victoria's Children Reports} in its evidence to the Committee referring to 35 outcomes and 150 indicators relating to child wellbeing and the annual publication of evaluations via VCAMS.\footnote{Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Letter to the Committee, received 9 January, 2014, p.1; and \textit{Transcript of evidence}, Melbourne, p.11}

At the hearing, the Secretary stated that the indicators in VCAMS were used by the Department to monitor trends and draw out lessons as to where more effort might be required or whether the Department needed to look at redesigning its approach.\footnote{Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, \textit{The Effectiveness of Student Wellbeing Programs and Services (February 2010)}, Letter to the Committee, received 14 April 2014, p.13}

The Committee notes that \textit{The State of Victoria's Children Reports} are high quality documents and it is obvious that extensive analysis and consideration goes into their production. However, it is unclear how the VCAMS data (as reported in \textit{The State of Victoria's Children Report}) has informed policy and resourcing decisions in the area of student wellbeing.

Additional information provided by the Department, in April 2014, advised that an online VCAMS portal is in the process of being implemented. The portal consolidates data from across government in one place and is ‘designed to support and inform evidence based policy development, planning and collaboration at a local and state level.’\footnote{ibid.}

The Department indicated that the first phase release includes 33 indicators relating to health, safety, wellbeing, and learning and development and will be used to obtain feedback from users to inform the release and presentation of further indicators.\footnote{ibid.}
**FINDING:** The Victorian Child and Adolescent Monitoring System (VCAMS) provides a range of useful data which informs the annual preparation of *The State of Victoria’s Children Report*. However, it is unclear how information collected through the VCAMS is used to develop student wellbeing initiatives and better target the departmental resources to improve student wellbeing outcomes.

**RECOMMENDATION 9:** The Department of Education and Early Childhood Development identify how information collected through the Victorian Child and Adolescent Monitoring System can be used to develop new student wellbeing initiatives and better target the departmental resources to improve student wellbeing outcomes.

**Departmental monitoring and analysis**

It is clear from the funding information provided to the Committee, that significant financial resources are invested in student wellbeing programs and services. In addition, the Department has provided schools with a range of guidance material in relation to various aspects of student wellbeing such as bullying, mental health promotion and awareness, and school inclusion and engagement.

The Department has advised the Committee that individual schools are responsible for monitoring their own effectiveness and performance and for determining what interventions and strategies work best for them. The role of the Department has been described as one of ‘system architect’ with help provided as requested rather than one of central review, oversight and direction.

At the public hearing in February 2014, the Department advised that:  

> …schools are the front line of evaluating how well we are doing things because they are the ones that deal with the client, which in this case is the student.

The Department considers that the important thing is that schools have data about how students at the school are faring not that the Department needs enormous quantities of data to evaluate and draw conclusions about.  

The Committee’s view is that it is the Department’s role to set some broad objectives and targets for what it expects student wellbeing outcomes to look like and to form conclusions about the effectiveness of its student wellbeing programs and interventions to determine: what works and what does not work; what is most effective in terms of interventions; and where increased resources can provide the best returns. This is an essential component of an effective continuous improvement cycle. This is discussed further in Section 3.8.

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115 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *Transcript of evidence*, Melbourne, 24 February 2014, p.3

116 ibid.
The Committee considers that an essential component of the Department’s new School Performance Framework should include the effective oversight of school performance with a view to identifying and investigating exceptions, discrepancies or poor performance. It is only through this strategic oversight, and where necessary targeted review and intervention, that the Department can seek to optimise the use of the available resources and to provide useful input to a process of continuous improvement.

FINDING: Central strategic oversight, monitoring and review comprises an important component of the continuous improvement cycle and should be considered as part of the Department of Education and Early Childhood Development’s new School Performance Framework.

FINDING: In implementing its new School Performance Framework, the Department of Education and Early Childhood Development should consider that the framework encompasses a strategic oversight role for the Department’s central office which incorporates a systematic and planned approach to the analysis and investigation of student wellbeing outcomes across the Victorian school sector.

3.7

Student wellbeing outcomes – setting targets and benchmarks

The Auditor-General found that the ATSS data was generally not supported by performance targets and benchmarks. The lack of targets and benchmarks made it difficult to assess whether services and programs were achieving their intended results or were providing value for money.  

The Auditor-General concluded that without specified performance targets and benchmarks, it was difficult to assess whether the student wellbeing results were in line with the Department’s expectations or represented an acceptable outcome in terms of the amount of resources invested in student wellbeing activities.

3.7.1

Actions implemented to date

At the public hearing, the Department presented an update of recent results collected through the ATSS to demonstrate trends in student wellbeing outcomes in schools since the audit report.

The Department provided the Committee with consolidated results collected through the ATSS which it asserts show positive trends and significant signs of improvement in ‘key wellbeing measures’ between 2009 and 2013.

117 Victorian Auditor-General’s Office, The Effectiveness of Student Wellbeing Programs and Services, February 2010, pp.viii-ix
118 ibid., p.23
119 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Secretary’s presentation to the Committee, handout provided at the public hearing, 24 February 2014
Table 3.3
Student Wellbeing: All Victorian Government Primary Schools (Years 5 and 6)

<table>
<thead>
<tr>
<th>Measure</th>
<th>2008 (mean score)</th>
<th>2013 (mean score)</th>
<th>Change (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Morale</td>
<td>5.61</td>
<td>5.77</td>
<td>+2.9</td>
</tr>
<tr>
<td>Student Distress</td>
<td>5.76</td>
<td>5.97</td>
<td>+3.6</td>
</tr>
<tr>
<td>School Connectedness</td>
<td>4.26</td>
<td>4.41</td>
<td>+3.5</td>
</tr>
<tr>
<td>Classroom Behaviour</td>
<td>3.14</td>
<td>3.42</td>
<td>+8.9</td>
</tr>
<tr>
<td>Student Safety</td>
<td>4.22</td>
<td>4.40</td>
<td>+4.3</td>
</tr>
</tbody>
</table>

(a) Score is measured out of a possible 7.0
(b) Score is measured out of a possible 5.0
Source: Department of Education and Early Childhood Development, ATSS

Table 3.4
Student Wellbeing: All Victorian Government Secondary Schools (Year 7 to 12)

<table>
<thead>
<tr>
<th>Measure</th>
<th>2008 (mean score)</th>
<th>2013 (mean score)</th>
<th>Change (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Morale</td>
<td>4.79</td>
<td>4.81</td>
<td>+0.4</td>
</tr>
<tr>
<td>Student Distress</td>
<td>5.00</td>
<td>5.13</td>
<td>+2.6</td>
</tr>
<tr>
<td>School Connectedness</td>
<td>3.48</td>
<td>3.60</td>
<td>+3.5</td>
</tr>
<tr>
<td>Classroom Behaviour</td>
<td>2.83</td>
<td>3.02</td>
<td>+6.7</td>
</tr>
<tr>
<td>Student Safety</td>
<td>4.10</td>
<td>4.29</td>
<td>+4.6</td>
</tr>
</tbody>
</table>

(a) Score is measured out of a possible 7.0
(b) Score is measured out of a possible 5.0
Source: Department of Education and Early Childhood Development, ATSS

Table 3.5
Bullying in Schools: All Victorian Government Schools 2009 and 2013

<table>
<thead>
<tr>
<th>Proportion of Students who are bullied</th>
<th>2009 (per cent)</th>
<th>2013 (per cent)</th>
<th>Change (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years 5 and 6</td>
<td>18.6</td>
<td>14.9</td>
<td>-3.7</td>
</tr>
<tr>
<td>Years 7 to 9</td>
<td>24.7</td>
<td>20.4</td>
<td>-4.3</td>
</tr>
</tbody>
</table>

Source: Department of Education and Early Childhood Development, VCAMS

Table 3.6
School Connectedness: All Victorian Government Schools 2009 and 2013

<table>
<thead>
<tr>
<th>Proportion of Students who feel connected to School</th>
<th>2009 (per cent)</th>
<th>2013 (per cent)</th>
<th>Change (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years 5 and 6</td>
<td>82.3</td>
<td>85.8</td>
<td>+3.5</td>
</tr>
<tr>
<td>Years 7 to 9</td>
<td>58.0</td>
<td>61.7</td>
<td>+3.7</td>
</tr>
</tbody>
</table>

Source: Department of Education and Early Childhood Development, VCAMS

Departmental performance targets and benchmarks

As noted, the Auditor-General was critical of the absence of expected levels of performance or targets or benchmarks against which student wellbeing results could be assessed.
In response to these criticisms, the Department advised at the hearing that the student wellbeing results between 2009 and 2013 show that there has been improvement in the measures without the Department setting hard numerical targets.

The Secretary stated:\textsuperscript{120}

\begin{quote}
\textit{…I am not a fan of defining targets that are aspirational where we do not have any real clue as to precisely how we would, for example, land student connectedness on a particular percentage. That is a very artificial way to attempt to manage any very complex program area.}

\textit{What we look for is continuous improvement; that is our target. It is to constantly improve as best we can and to develop that evolving and self-improving system…so that we do not limit ourselves with targets that are too modest or we do not displace or distort our own activity with targets that are unachievable.}
\end{quote}

### 3.7.2 Committee findings and recommendations

Performance measurement requires the clear articulation of goals and objectives in relation to what a program or initiative is trying to achieve and some firm idea of what is desirable in terms of ‘good performance’ or ‘good outcome’. What represents that ‘good performance’ or a ‘good outcome’ should be articulated in some specified measurable targets or expected or desirable performance measures.

What is also required is a clear understanding of the relationship or link between the data collected and the objectives of the program or intervention being delivered.

The Committee notes that the Department’s Annual Report presents certain performance information. A review of the 2012-13 Annual Report shows that the Department reports performance indicators across its four key outcomes areas:

- achievement – looks at participation and learning outcomes or achievements;
- engagement – looks at student attendance and engagement;
- wellbeing – results from student opinion surveys; and
- productivity – indicators are currently being developed and look at costs of service.

The Committee considers that more dialogue in the text provided in the Annual Report explaining what is being measured and what the results tell us about the Department’s performance in these key outcomes areas would enable the reader or user to make some assessment about whether performance is acceptable, good or poor. This would make the Department’s performance reporting more meaningful and useful.

\textsuperscript{120} Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, \textit{Transcript of evidence}, Melbourne, 24 February 2014, p.4
The information presented to the Committee at the hearing showing the percentage changes in the measures used by the Department to assess student wellbeing in schools shows improving trends overall between 2009 and 2013.

**RECOMMENDATION 10:** The Department of Education and Early Childhood Development review how it measures student wellbeing outcomes and ensure that meaningful performance measures and targets are established which provide some context around:

(a) what is desirable in terms of student wellbeing outcomes; and
(b) how much progress is being made in achieving the desired outcomes.

**RECOMMENDATION 11:** The Department of Education and Early Childhood Development consider appropriate measures to assess student wellbeing performance across the early years of schooling (Prep to Year Four) and include these in its performance reporting in its Annual Report.

**RECOMMENDATION 12:** The Department of Education and Early Childhood Development provide more commentary in its Annual Report about the performance measures reported and what they represent in terms of outcomes and whether the results are expected or unexpected.

### 3.8 Measuring student wellbeing programs and services – audit findings

Audit Recommendation: *DEECD should apply its Outcomes and Evaluation Framework to monitor, evaluate and review the effectiveness of its student wellbeing programs and services, and drive continuous improvement.*

The Auditor-General reviewed the extent to which the Department had evaluated the effectiveness of its main student wellbeing programs and services.

The Auditor-General concluded that the evaluations undertaken had not fully assessed the impact of the programs on student wellbeing measures and therefore the extent to which the programs were effective could not be demonstrated.

The Auditor-General was advised by the Department that it had developed an *Outcomes and Evaluation Framework.* In his report, the Auditor-General stated that the proposed framework would assist the Department in achieving a more structured overview of its activities and enable a better understanding of how programs and services impact student wellbeing outcomes.

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121 Victorian Auditor-General’s Office, *Effectiveness of Student Wellbeing Programs and Services*, February 2010, p.23
122 Ibid., pp.18-19
123 Ibid., p.19
3.8.1 Department response to the audit recommendation

In the Government Response, the Department stated that it supported this recommendation and had ‘recently developed an Outcomes and Evaluation Framework to better measure its progress towards achieving its outcomes and goals.’

The Department added that the progressive implementation of this outcomes framework would include student wellbeing programs and services and that a project had been established between the Department’s Outcome and Evaluation Division and the Student Wellbeing Division to further the progress of this work.

3.8.2 Actions implemented to date

In October 2013, the Committee wrote to the Department requesting information relevant to the implementation of the recommendation in particular:

- how the Department had applied its Outcomes and Evaluation Framework to monitor, evaluate and review the effectiveness of student wellbeing programs and services; and
- details of the Department’s most recent evaluations of a number of major student wellbeing programs and services.

Status of the Department’s Outcomes and Evaluation Framework

The Department advised the Committee that the Outcomes and Evaluation Framework was abandoned following the 2010 State Election and that the work had been incorporated into the:

- DEECD 2013-17 Strategic Plan;
- development of the ‘Principles for Health and Wellbeing’ policy framework; and
- planned revisions to the School Performance Framework.

The Department advised that the DEECD 2013-17 Strategic Plan sets out four outcome areas for improvement against which to track progress. One of these four outcomes areas for improvement is ‘wellbeing’ and the Strategic Plan ‘sets out initial indicators for monitoring and assessing progress against the outcome as well as committing to further review and updating of the outcome indicators.’

In addition, the Department referred the Committee to the Victoria as a Learning Community Action Plan which identifies ‘maximising access and inclusion’ as one of its five targeted areas and identifies a number of key projects linked to this area, namely:

- ensuring student support funding follows the student.

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124 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor- General’s Reports issued during 2009-10, October 2010, p.14
125 ibid.
126 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, The Effectiveness of Student Wellbeing Programs and Services (February 2010), Letter to the Committee, received 9 January, 2014, p.1
127 ibid.
128 ibid.
Chapter 3: Effectiveness of Student Wellbeing Programs and Services

» revised guidelines for student engagement;
» enrolment and attendance; and
» school-wide positive behaviour support.

The Department advised the Committee that student health and wellbeing outcomes are also measured through VCAMS which includes priority health and wellbeing outcomes which schools and student support services contribute towards.\(^{129}\)

The Department stated that most indicators are updated annually as data becomes available but for some indicators this is less frequent as they are based on less frequent surveys.\(^{130}\)

At the public hearing in February 2014, the Secretary provided some further comments in relation to VCAMS and the *The State of Victoria’s Children Report* advising that the Report provides a ‘very transparent’ and ‘very informative strategic overview of the state of student and child wellbeing.’\(^{131}\)

In terms of the linkages between VCAMS and individual programs, the Secretary advised that: \(^{132}\)

> …to relate an individual program to a shift in such a complex series of measures is not as straightforward as it might sound, which means that with the notion of a living evaluation, not only do we look at individual programs and how well they have been received, we are in a better position now than we have ever been to draw conclusions as to what is practically working on the ground in what we do and what principles we are making use of. It is early days. I would not claim that we have all the answers to what does work. We have a much better system for doing so, where we are increasingly pushing data to schools. We are pushing and providing supports to them, collaborating online with them and doing it in such a way that we can extract those lessons for the way we design and run our system.

Additional information provided to the Committee in April 2014 indicated that the Department is now developing a Departmental Outcomes and Performance Framework which the Committee was advised will enable the Department to ‘track how Victoria’s children, young people and adult learners are faring against the agreed outcomes of achievement engagement and wellbeing’ in the 2013-17 Strategic Plan. The Department advised that it aims to have a draft of the Framework available for trial in the latter half of 2014.\(^{133}\)

**Recent evaluations of student wellbeing programs and services**

The Committee requested details from the Department in relation to the timing and results of its most recent evaluations of the following student wellbeing programs and support services:

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\(^{129}\) ibid.

\(^{130}\) ibid.

\(^{131}\) Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *Transcript of evidence*, Melbourne, 24 February 2014, p.3

\(^{132}\) ibid.

\(^{133}\) Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *The Effectiveness of Student Wellbeing Programs and Services* (February 2010), Letter to the Committee, received 14 April 2014, pp.11-12
» Primary Welfare Officers Initiative (PWOI);
» Student Support Services Program (SSSP);
» School Focused Youth Service program (SFYS);
» Primary School Nursing Program (PSNP);
» Secondary School Nursing Program (SSNP);
» Student Welfare Coordinators Initiative (SWCI); and
» any other significant student welfare programs, initiatives or interventions currently in place.

In response, the Department provided the following details to the Committee presented in the Appendix to this Chapter.

3.8.3 Committee findings and recommendations

Based on the details provided by the Department in relation to the evaluations it has undertaken of student wellbeing programs and strategic interventions, the Committee considers that the information indicates that whilst objectives have been articulated, the outcomes are not always described in the form of measurable targets or benchmarks.

The Committee notes advice from the Department in April 2014 that its proposed Departmental Outcomes and Performance Framework provides a set of measures to quantify the impact of the Department’s programs, policies and strategies.\textsuperscript{134}

With respect to the Victorian Child and Adolescent Monitoring System, the Committee notes that the system includes a range of indicators which provide information about how children and young people are faring in terms of their health and wellbeing. However, it is not clear how the VCAMS data is used to inform specific student wellbeing programs and services or whether it uses the data collected through VCAMS to assess the effectiveness of these programs.

**FINDING:** The Department of Education and Early Childhood Development does not have an evaluation framework in place for the regular and systematic review of its major student wellbeing programs and interventions.

**RECOMMENDATION 13:** The Department of Education and Early Childhood Development establish a regular and systematic program of review to assess the effectiveness of its major student wellbeing programs and interventions to ensure that:

(a) resources are being used effectively to achieve desired student wellbeing objectives and outcomes; and

(b) information is obtained to facilitate the continuous improvement of future student wellbeing program design and delivery.

\textsuperscript{134} ibid., p.11
Chapter 3: Effectiveness of Student Wellbeing Programs and Services

3.9 Committee’s overall assessment of the progress made in implementing the audit recommendations

The Auditor-General’s report has looked at how the Department measures both student wellbeing outcomes and the effectiveness of student wellbeing programs and services.

The two are interlinked as student wellbeing outcomes are impacted by the wellbeing programs and interventions implemented by the Department to support and improve those outcomes.

The Auditor-General’s report was critical of the:

» use made of student wellbeing data collected by the Department (discussed in Section 3.6);
» lack of performance targets and benchmarks against which student wellbeing outcomes are assessed (discussed in Section 3.7); and
» lack of strategic review and evaluation of the effectiveness of major student wellbeing programs and interventions (discussed further in Section 3.8).

The evidence provided to the Committee through this follow-up Inquiry indicates that student wellbeing and welfare are important concerns to the Department and considered critical to optimising the learning outcomes of students within individual schools.

The Department has established support programs and services to assist vulnerable and disadvantaged students which have been operating over a significant period of time and also makes available extensive resources in the form of guidance and professional development for students, teachers and parents in the area of student health, safety and wellbeing.

In addition, schools and the Department collect an extensive amount of data in relation to a range of health and wellbeing outcomes of children and young people.

Performance information helps an organisation understand whether it is managing its operations efficiently and effectively. It is also an important component of the accountability of the organisation to its stakeholders.

The Committee considers that there are three critical components of an effective performance measurement framework. These are:

» the development of objectives and the establishment of targets and desired measurable outcomes;
» purposeful and relevant data collection systems; and
» effective measurement and analysis of results against targets and desired measurable outcomes to identify areas for improvement and direct resources and efforts accordingly.

The Committee considers that the Department should ensure that there is:

» clear articulation of the Department’s objectives for student wellbeing in Victorian schools (this is discussed in Section 3.4);
» established targets and/or benchmarks for student wellbeing outcomes or expectations (Section 3.7);
» Departmental review of the ongoing relevance of the systems in place to collect data in relation to the measurement of student wellbeing in Victorian schools (Section 3.6);

» strategic oversight and analysis of student wellbeing levels across schools with investigation and analysis of discrepancies, unexpected deviations or particularly poor performance, so that Departmental resources can be targeted most effectively (Section 3.6); and

» a systematic program of evaluation to ensure that the main student wellbeing programs and interventions are effective in achieving their objectives and improving outcomes for targeted students (Section 3.8).

Evidence received by the Committee indicates that significant efforts have recently been applied to the preparation of the Department’s new policy directions for government schools.

The Department has advised the Committee that it views its role as ‘system architect and manager of system performance’, and that its focus will be on ‘carefully considering which policy levers it can use to influence behaviour and improve educational outcomes’.135

While the Department views its role as ‘system architect’ to support schools with improvement strategies ‘locally owned and built’,136 the Committee considers that it is important that the architect has a clear plan of what it is trying to achieve and some oversight of how that is being done and whether it is being done efficiently and effectively. Also critical is ensuring that relevant information and evidence is available upon which decisions can be made to alter policies, programs and/or resourcing if and when required.

The Committee considers that this form of strategic management and oversight is not at odds with the Department’s policy direction of increased autonomy for government schools but is rather an essential component of full and effective accountability over the administration of a sizeable quantum of public resources invested in the State education system.

Finally, it will be critical in an increasingly devolved and autonomous government school system for the Department to ensure that schools have the relevant expertise and capacity to effectively administer appropriate wellbeing interventions and strategies and to monitor and analyse their performance in improving student wellbeing outcomes.

135 ibid., p.10
136 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Secretary’s presentation to the Committee, handout provided at the public hearing, 24 February 2014
CHAPTER 4

LITERACY AND NUMERACY ACHIEVEMENT

4.1 Introduction

A certain level of proficiency in literacy and numeracy is a key determinant in a child’s future options in terms of their success in completing the minimum required schooling, continuing with further study and in obtaining employment and making an economic contribution to society.

The Department of Education and Early Childhood Development (DEECD) has overall responsibility for delivering primary and secondary education and for improving the literacy and numeracy achievements of students in Victorian government schools. It seeks to do this through a range of literacy and numeracy programs and initiatives.

Teachers make an assessment of a student’s performance and achievement in literacy and numeracy against the Victorian Essential Learning Standards (now called AusVELS) at the end of each semester. In addition, national testing of students takes place through the National Assessment Program – Literacy and Numeracy (NAPLAN) in Years Three, Five, Seven and Nine. NAPLAN has been in place since 2008 and the testing applies to all schools (government and non-government schools). NAPLAN tests are conducted across four domains: Reading; Persuasive Writing; Language Conventions (Spelling, Grammar and Punctuation); and Numeracy.

NAPLAN results are reported nationally through the Summary National Reports, and also at the student level. Results are available for use by educational administrations, schools and parents.137

There are two measures in NAPLAN:138

» The proportion of students meeting national minimum standards. The national minimum standard is a basic level of achievement. Tracking the proportion of students meeting the minimum standard shows the performance of low achieving students over time; and

» Average scores. The average score is a measure of the achievement of a total group of students (for example, year level; jurisdiction or subgroup) and is an indication of the performance of a school, the system as a whole or of a jurisdiction.

In addition to NAPLAN results, there are two international testing regimes which examine and compare student performance in science and mathematics, and in reading literacy. These are the Programme for International Student Assessment’ (PISA), which is administered by the OECD, and the ‘Trends in International Mathematics and Science Study’ (TIMSS) which assesses fourth and eighth grade achievement across 63 countries and is administered by the International Association for the Evaluation of Educational Achievement (IEA). The IEA also

137 Australian Curriculum, Assessment and Reporting Authority, NAPLAN Summary Report 2013, p.4
138 COAG Reform Council, Education in Australia 2012: Five years of performance, October 2013, p.27
undertakes the ‘Progress in International Reading and Literacy Study’ (PIRLS), which compares achievement in fourth grade reading across 49 countries.

4.2 Auditor-General’s report findings and recommendations


The report noted the extensive number of programs and initiatives which had been implemented by the Department over that period in the State’s efforts to improve literacy and numeracy achievements of Victorian government school students.

The audit analysis relied mainly on: the results of teacher judgements and the Assessment of Reading for Prep to Year Two; Achievement Improvement Monitor (AIM) testing in reading and mathematics for Years Three, Five, Seven and Nine (since replaced by NAPLAN); and the Victorian Certificate of Education (VCE) adjusted scores at Years 11 and 12.

The Auditor-General noted that the overwhelming evidence indicated that the greatest improvements in learning achievement are generated through ‘systematic and sustained intervention in the early years’ of schooling. 139

The Auditor-General concluded that the Department needed to revisit its strategies to improve student achievement and ‘to rigorously oversight the purposeful use of the resources allocated for this critical area of education.’ 140

Also, the Auditor-General noted that the Department needed to improve the usefulness of student assessment data in order to monitor long-term trends in literacy and numeracy achievement and also in relation to the progress of individual students. 141

The Auditor-General made six main recommendations. Four recommendations were focused on improving the effectiveness of the Department’s initiatives to improve literacy and numeracy, and two recommendations related to the way in which the Department achieves continuous improvement in student literacy and numeracy achievement levels. 142

139 Victorian Auditor-General’s Office, *Literacy and Numeracy Achievement*, February 2009, p.3
140 ibid.
141 ibid.
142 ibid., pp.6-7
4.3 Recent developments

4.3.1 Recent developments in education policy

The Department states that evidence indicates that, notwithstanding a student’s socio-economic background, the quality of teaching in schools has the greatest impact on student learning outcomes. Victoria’s recent reform initiatives have focused on: 143

» building teacher capacity;
» improving school leadership;
» development of online resources to support differentiated learning; and
» improving the outcomes of specific students not achieving at expected levels.

The Government’s new key strategy documents for education: Towards Victoria as a Learning Community (November 2012); New directions for school leadership and the teaching profession (June 2012) followed by From New Directions to Action: World class teaching and school leadership (October 2013); encapsulate the philosophy and emphasis on improving school leadership and school capacity as the means to improving the literacy and numeracy performance of Victorian school students.

The Government’s goal, as articulated in these policy documents, is to lift Victoria’s education performance into the global top tier in the next 10 years.

4.3.2 Recent funding initiatives

Teaching numeracy and literacy forms a fundamental part of the core business of schools and so a significant component of Victorian school core funding is expended for these purposes. The Student Resource Package (SRP) provided by DEECD includes funding for Year One literacy and numeracy interventions. For students with low literacy and numeracy achievement, core and equity funding is provided through the SRP to support the implementation of specific interventions as determined by individual schools. 144

As literacy and numeracy funding is not separately identified within the SRP, the Department provided the following 'estimates' (see Table 4.1 below) in relation to the core literacy and numeracy program funding components of the SRP. 145

In addition, schools receive other funds from the State and Commonwealth Governments as part of special initiatives (such as National Partnerships funding) which are targeted specifically at improving literacy and numeracy achievement.

143 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, handout Secretary's presentation provided at the public hearing, Melbourne, 25 February 2014, p.16
144 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Literacy and Numeracy Achievement (February 2009), Letter to the Committee, received 9 January, 2014, p.1
145 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Letter to the Committee, received 14 April 2014, p.8
Table 4.1

<table>
<thead>
<tr>
<th>Funding source</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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<tr>
<td></td>
<td>($ million)</td>
<td>($ million)</td>
<td>($ million)</td>
<td>($ million)</td>
<td>($ million)</td>
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<tr>
<td>LITERACY</td>
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<tr>
<td>Early Years Literacy</td>
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<td>83.9</td>
<td>86.3</td>
<td>88.7</td>
<td>91.1</td>
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<td>Year 1 Intervention</td>
<td>34.1</td>
<td>35.1</td>
<td>36.1</td>
<td>37.1</td>
<td>38.1</td>
</tr>
<tr>
<td>Sub Total</td>
<td>115.6</td>
<td>119.0</td>
<td>122.4</td>
<td>125.8</td>
<td>129.2</td>
</tr>
<tr>
<td>NUMERACY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Early Years Numeracy</td>
<td>12.8</td>
<td>13.1</td>
<td>13.5</td>
<td>13.8</td>
<td>14.1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>128.4</td>
<td>132.1</td>
<td>135.9</td>
<td>139.6</td>
<td>143.3</td>
</tr>
</tbody>
</table>

Source: Department of Education and Early Childhood Development, Letter to the Committee, received 14 April, 2014, p.8

Since 2008-09 significant funds have been provided through the National Partnerships funding allocations for the Smarter Schools National Partnership to Government, Catholic and Independent schools. The Smarter Schools National Partnership provides funding for initiatives directed at improving literacy and numeracy; improving teacher quality and improving outcomes in low socio-economic status school communities.

Table 4.2 below presents information provided by the Department in relation to National Partnerships funding allocations to government schools in Victoria from 2008-09 to 2014-15.

In addition, Victoria received “rewards funding” under the National Partnerships for the achievement of specific milestones. The Department advised that in 2010-11, a total of $9.4 million was received for literacy and numeracy achievement in all Victorian schools. In 2011-12 a total of $88.8 million was received ($48.0 for literacy and numeracy and $40.8 million for improving teacher quality). Further, the Department indicated that it expects to receive $44.5 million in reward funding for 2012-13 for improving teacher quality.

4.4 Ways to improve literacy and numeracy achievement – audit findings and recommendations

The first part of the Auditor-General’s report examined the initiatives implemented by DEECD to improve student literacy and numeracy achievement and the actions needed to achieve this goal.

One of the Auditor-General’s findings was that while the Department had invested significantly in initiatives aimed at improving literacy since 1988, it had not regularly evaluated the impact of these initiatives over that time.146

In relation to numeracy improvement, support programs had been limited with no early intervention program for students struggling with numeracy.147

146 Victorian Auditor-General’s Office, Literacy and Numeracy Achievement, February 2009, p.45
147 ibid.
### National Partnerships (NP) funding allocation for Victoria (Government Schools)

<table>
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<tr>
<th></th>
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<td>10,892,368</td>
<td>0</td>
<td>0</td>
<td>46,000,000**(a)**</td>
<td>0</td>
<td>-</td>
<td>66,423,190**(b)**</td>
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<td>Improving Teacher Quality</td>
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<td>5,376,997</td>
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<td>21,737,869</td>
<td>29,341,650</td>
<td>53,673,750</td>
<td>52,063,538</td>
<td>31,935,882</td>
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<td>Empowering Local Schools NP</td>
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<td>9,350,000</td>
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<td></td>
<td>Phase 2</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>66,343,750**(a)**</td>
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<td>12,134,439</td>
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<td>34,718,647</td>
<td>60,075,688</td>
<td>113,286,538</td>
<td>31,935,882</td>
<td>90,675,850</td>
<td>377,554,468</td>
</tr>
</tbody>
</table>

(a) Assumed amount based on previous distribution.
(b) Includes assumed amount of $46 million based on previous distribution.

Source: Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Literacy and Numeracy Achievement (February 2009), Letter to the Committee, received 9 January, 2014, Attachment 3.
The Auditor-General also noted that resourcing for initiatives aimed at addressing social disadvantage did not appear adequate to address lower achievement levels in either literacy or numeracy for students in low-socio-economic schools.\textsuperscript{148}

The Auditor-General made four recommendations aimed at identifying, ways to more effectively target resources, address gaps and improve outcomes. Each of these is discussed separately in the following sections.

The responses provided by the Department in the \textit{Response by the Minister for Finance to the Auditor-General’s Reports issued during 2008-09 (the Government Response)}, tabled in December 2009, were in support of all four recommendations.\textsuperscript{149}

### 4.4.1 A stronger focus on numeracy

Audit Recommendation 6.1: \textit{DEECD should adopt a stronger focus on numeracy by:}

- developing and implementing an early intervention strategy for students struggling with numeracy.
- strengthening support provided to teachers to further develop their knowledge of, and teaching strategies for, maths, and to select and implement the appropriate strategies.\textsuperscript{150}

The Auditor-General found that support to improve numeracy had been limited and in particular there were no similar early intervention programs for students struggling with numeracy as there were for students with literacy problems.\textsuperscript{151}

The report noted that for numeracy the achievements of a substantial number of students were well below the expected level. The Auditor-General noted the shortcomings as an absence of evidence-based numeracy intervention programs for students and of effective programs for teaching maths.\textsuperscript{152}

In response, the Auditor-General recommended that the Department adopt a stronger focus on numeracy by putting in place an early intervention strategy and enhancing the support provided to teachers.

### 4.4.2 Department response to the audit recommendation

**Early intervention strategy for numeracy**

As noted above, in December 2009, the Department’s responses were tabled in the the Government Response. The Department identified the following actions it was taking to address early intervention strategies in numeracy:\textsuperscript{153}

\textsuperscript{148} ibid.
\textsuperscript{149} Department of Treasury and Finance, \textit{Response by the Minister for Finance to the Auditor-General’s Reports issued during 2008-09}, December 2009, pp.15 - 18
\textsuperscript{150} Victorian Auditor-General’s Office, \textit{Literacy and Numeracy Achievement}, February 2009, p.56
\textsuperscript{151} ibid., p.45
\textsuperscript{152} ibid., p.55
\textsuperscript{153} Department of Treasury and Finance, \textit{Response by the Minister for Finance to the Auditor-General’s Reports issued during 2008-09}, December 2009, p.15
» enhancements had been made to the Maths Online Interview tool to improve the accuracy of student data collection. Also the tool was under review by the Australian Council for Educational Research (ACER) to provide advice on how to collect “system level” reports and strengthen teacher assessment data to identify students requiring early intervention;

» a “Differentiated Support Framework” for both literacy and numeracy would be developed for Primary to Year 10 to support teacher responses to a range of student abilities and backgrounds; and

» a Literacy and Numeracy Pilot (2009-10) being undertaken in relation to low socio-economic schools in Hume and Western Metropolitan regions would assist in identifying and implementing appropriate intervention strategies for both literacy and numeracy. The final evaluation report was expected in March 2011.

Building teacher capacity for numeracy

In response to the second part of the audit recommendation, which was directed at strengthening support for maths teachers, the Department advised in the Government Response that:

» a Primary Mathematics Professional Learning Program had been developed and implemented and had been provided to 421 teachers across Victoria in 2009 to help in the teaching of maths. In addition, an online resource was being developed to sustain teacher development across schools and networks; and

» in August 2009, the Department launched the Energising Science and Mathematics Education Blueprint Implementation Paper. This document provided a framework to guide investment in science and maths education in the State. The actions outlined in the Paper focused on ‘improving infrastructure, supporting strategic partnerships, building workforce capacity and expanding resources to support a contemporary curriculum.’ The Department was anticipating these actions to have commenced by mid-2010.

4.4.3 Actions implemented to date

In November 2013, the Committee requested the Department provide further information in relation to actions identified in relation to early intervention strategies for numeracy and actions taken to strengthen support for maths teachers.

Early intervention strategies for numeracy

The Committee requested details about the outcomes in relation to the actions aimed at early intervention strategies referred to in its response, in particular:

» the outcomes of the review of the Maths Online Interview and how it has assisted in the early identification of students requiring numeracy support;

» whether the Differentiated Support Framework for literacy and numeracy in Primary to Year 10 has been implemented and also how it has assisted in developing early intervention strategies for students requiring assistance;

154 ibid.
whether any initiatives were developed following the *Literacy and Numeracy Pilot (2009-10)* for low socio-economic schools in Hume and Western Metropolitan regions to improve early intervention strategies; and
details of any more recent actions which have been taken to assist the earlier identification of, and assistance for, students struggling with numeracy.

The Department provided the following responses to the Committee’s questions:\textsuperscript{155}

the *Maths Online Interview* had been reviewed by the Australian Catholic University (not ACER as originally stated) and the recommendations are being incorporated into an enhancement of the tool which will assist teachers with more guidance when conducting start-of-year and end-of-year assessments. These assessments help teachers to identify those students requiring extra numeracy assistance and also the best ways to assist them. Some enhancements had been implemented in 2013 and additional interview tasks would be added in 2014;

the *Differentiated Support Framework for literacy and numeracy in Primary to Year 10* changed focus and has been renamed *Key Characteristics of Effective Literacy and Numeracy Teaching P-6 and 7-10*. These resources were available to teaching and learning coaches to plan and develop whole school and classroom-based intervention strategies. In 2012, the resources were removed from the Department’s website due to the introduction of the Australian National Curriculum standards (AusVELS);

following the *Literacy and Numeracy Pilot (2009-10)*, the Literacy and Numeracy Secretariat was established in 2010 and 2011 to identify and share best practice, support regions in developing student literacy and numeracy achievement, and monitor and evaluate literacy and numeracy performance. The Secretariat produced a range of resources to support low-SES schools, including: the *Literacy and Numeracy 6-18 month Strategy: P-10 Improvement schedule for school leaders*; and

in terms of other recent initiatives to build teacher capacity, the Department has provided the:

- Victorian Curriculum Assessment Authority (VCAA) *On Demand Testing* to support assessment and identify student achievement in Years 2 to 10; and
- *Fractions and Decimals Online Interview* to help identify students with difficulties in the areas of fractions, decimals, percentages and ratios. As noted, some enhancements have already been made to the *Maths Online Interview* with more planned to follow.

At the hearing, the Department advised that those schools which had participated in the *Literacy and Numeracy Pilot (2009-10)* in the Hume and Western Metropolitan regions were required to use diagnostic assessment tools, such as the Maths Online and VCAA on-demand assessment, at six-monthly intervals. These tools were used by the schools to track and monitor their students’ progress.\textsuperscript{156}

\textsuperscript{155} Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *Literacy and Numeracy Achievement (February 2009)*, Letter to the Committee, received 9 January, 2014, p.2

\textsuperscript{156} Mr Ian Burrage, Executive Director, Priority Policy, Department of Education and Early Childhood Development, *Transcript of evidence*, Melbourne, 25 February 2014, p.6
The Department advised that, following the Auditor-General’s report, on-entry assessment at Prep level in English became mandatory using the *English Online* assessment tool but the *Maths Online Interview* assessment is not mandatory. However, the Department has noted that the *Maths Online Interview* tool has seen an ever increasing uptake across schools and in fact, overall the demand for online assessment tools is continually growing. For example, the Department has noted over one million VCAA On-Demand assessments are performed annually.\(^{157}\)

In April 2014, the Department provided figures to the Committee on the number of primary student assessments using the *Maths Online Interview* assessment tool over the period 2009 to March 2014. The Department noted the one student may be assessed multiple times using the tool.\(^{158}\) This means that the figures will include some ‘double-counting’. Table 4.3 shows the data provided by the Department.

**Table 4.3 Mathematics Online Interview assessments (January 2009 to March 2014)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Primary student assessments undertaken</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>130,083</td>
</tr>
<tr>
<td>2010</td>
<td>132,371</td>
</tr>
<tr>
<td>2011</td>
<td>188,162</td>
</tr>
<tr>
<td>2012</td>
<td>195,146</td>
</tr>
<tr>
<td>2013</td>
<td>196,017</td>
</tr>
<tr>
<td>2014</td>
<td>73,843 (as at 20 March 2014)</td>
</tr>
</tbody>
</table>

Source: Department of Education and Early Childhood Development, Letter to the Committee, received on 14 April, 2014, p.7

The Department advised that trend data shows that peak usage of the *Mathematics Online Interview* occurs at the beginning of the school year, in conjunction with the *English Online Interview*, again in May, and at the end of the school year.\(^{159}\)

**Building teacher capacity in numeracy**

The Committee requested the Department provide details about the outcomes of the actions taken to strengthen support for maths teachers, as outlined in its response. In particular:

- Details about when the ‘online resource’ associated with the *Primary Mathematics Professional Learning Program* had been implemented and how that Program had assisted in improving numeracy achievement in government schools.
- Details of the actions implemented under the *Energising Science and Mathematics Education Blueprint Implementation Paper* and how that Program has assisted in improving teacher knowledge and student numeracy outcomes.
- Details of any more recent actions which have been taken to strengthen teacher understanding and knowledge around the most effective methods for teaching maths and improving numeracy achievement in schools.

\(^{157}\) ibid.

\(^{158}\) Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *Literacy and Numeracy Achievement*, Letter to the Committee, received 14 April, 2014, p.7

\(^{159}\) ibid.
The Department provided the following responses to the Committee’s questionnaire:\(^\text{160}\)

» the *Primary Mathematics Professional Learning Program* was replaced by the *National Partnerships Primary Mathematics Specialist Initiative*. This initiative included the development of online modules for effective maths teaching in primary school classrooms which were delivered to participating schools in 2010. In 2011, other schools were encouraged to utilise the online modules with support funding made available to 140 schools to support implementation including guest presenters where appropriate. The initiative had not been formally evaluated but the Department states that positive feedback had been received from participating schools;

» the *Energising Science and Mathematics Education Strategy* included 22 actions aimed at addressing the following four key areas:
  » physical and ICT infrastructure in schools;
  » strategic partnerships and collaboration between schools and between schools and other relevant outside organisations;
  » workforce capacity; and
  » curriculum resources.

The Department reported to the Committee that actions were independently evaluated and found to support improved teacher knowledge through enhanced teacher capacity and greater access to curriculum resources. Supporting details on these improvements were not provided to the Committee;

» a network of six Science and Mathematics Specialist Centres have been established offering student learning and teacher professional development programs in specialist areas;

» the *Primary Science and Mathematics Specialists Initiative* commenced in 2012 and is ongoing.\(^\text{161}\) It is a State funded initiative aimed at building teacher capacity and improving student outcomes in science and mathematics; and

» a *Primary Mathematics Specialists Initiative for low SES schools* has been provided through a National Partnerships funding initiative.

With respect to the evaluation of these initiatives in achieving their objectives, the Department provided one example to the Committee at the hearing in relation to the *Maths and Science Specialists Initiative*, advising that an evaluator had been engaged to review the initiative in terms of its impact on teacher capacity building and student growth. The evaluation is ongoing with six monthly progress reports.\(^\text{162}\)

At the hearing, the Secretary of the Department advised that the future strategy for improving student outcomes in both literacy and numeracy is focused on the fundamental quality of teaching and leadership in schools. This covers: how students are selected for entry into teaching courses; how they are trained and

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\(^{160}\) Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *Literacy and Numeracy Achievement (February 2009)*, Letter to the Committee, received 9 January, 2014, pp.2-3

\(^{161}\) Ms Dina Guest, Executive Director, Learning and Teaching, Department of Education and Early Childhood Development, *Transcript of evidence*, Melbourne, 25 February 2014, p.5

\(^{162}\) ibid.
Another focus for the Department is the selection of quality principals, the management of performance and development, and in some cases directing people into alternative careers when teaching is not their forte. The Department’s new policy documents *Towards Victoria as a Learning Community* and *New directions for school leadership and the teaching profession (New Directions)* encompass this future focus.163

High performing teaching skills are also retained within schools in order to maintain capacity and to facilitate relationships between schools in order to share best practice and build capacity in other schools.164

In addition, the Department advised that there is often some capacity building benefits for those schools which mentor and support other schools.165

In response to further questioning about what the Department is specifically doing to strengthen teacher skills in teaching mathematics and to ensure that the best candidates are teaching students, the Department advised that:166

» there is recognition that maths specialisation and competency needs to be much more formalised in the teaching of primary school maths, particularly in early years;

» the Bastow Institute of Educational Leadership has delivered intensive 80 hour training programs directed at improving the skills of teachers in teaching both literacy (240 teachers) and numeracy (220 teachers);

» maths and science specialist coaches have definitely assisted in improving the confidence and quality of teaching; and

» the *New Directions* policy paper aims to address issues associated with the quality of candidates entering the teaching profession by making teaching a more attractive profession and by raising the standards and status of the profession as a whole.

### Committee findings and recommendations

#### Early intervention strategies for numeracy

The Committee made the following observations based on the evidence received from the Department in relation to the implementation of audit recommendation 6.1:

» the Department indicated that following the *Literacy and Numeracy pilot* for low-SES schools, a Literacy and Numeracy Secretariat had been established in 2010 and that this Secretariat had produced a number of resources to

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163 Mr Richard Bolz, Secretary, Department of Education and Early Childhood Development, *Transcript of evidence*, Melbourne, 25 February 2014, p.3

164 Ms Sonia Sharp, Deputy Secretary, Early Childhood and School Education Group, Department of Education and Early Childhood Development, *Transcript of evidence*, Melbourne, 25 February 2014, p.6

165 ibid., p.7

166 Mr Richard Bolz, Secretary, and Ms Sonia Sharp, Deputy Secretary, Early Childhood and School Education Group, Department of Education and Early Childhood Development, *Transcript of evidence*, Melbourne, 25 February 2014, pp.10-11
support and improve literacy and numeracy performance in low-SES schools. The Department later advised the Committee that the Secretariat had ceased functions on 1 February 2013 but resources prepared by the Secretariat were available on the Department’s website. The functions of the Secretariat are ‘now shared across the Department, with the Learning and Teaching Division and Priority Policy Division leading these responsibilities’;167

» actions identified in 2009 aimed at improving the ‘Maths Online’ assessment tool appear to be ongoing; and

» whilst the Department has advised the Committee of a number of actions it has implemented to improve assessment tools and add to the support resources for teachers teaching numeracy, it appears there may have been limited analysis of how many students have actually been identified as requiring early numeracy support, whether these numbers have increased and whether any early intervention provided has been effective.

RECOMMENDATION 14: The Department of Education and Early Childhood Development consider the introduction of mandatory assessment of numeracy for students entering primary school in order to more effectively identify those students requiring early numeracy support.

RECOMMENDATION 15: The Department of Education and Early Childhood Development review the effectiveness of its online assessment tools in identifying students requiring numeracy support and investigate whether those students actually receive the support they need and ensure that the support provided effectively impacts those students’ learning outcomes.

Building teacher capacity for numeracy

In relation to building teacher capacity through increased support around the teaching of mathematics, the Department has implemented a number of online modules directed at teaching maths and science in primary schools. Also there are online resources available to identify students having specific difficulties with learning and understanding fractions and decimals. These online assessment tools have been discussed above.

A Victorian Parliamentary Committee Inquiry into the Promotion of Mathematics and Science Education, in March 2006, found that there was considerable variability in the quality of mathematics and science education and outcomes for certain groups of students. The Committee considered there was a need for Victorian primary and secondary schools to give a high priority to the teaching and learning of mathematics and science through improving the quality and supply of maths and science teachers and increasing the engagement and participation of students.168

167 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Literacy and Numeracy Achievement, Letter to the Committee, received 14 April, 2014, p.5
In 2009, the Department released the *Energising Science and Mathematics Education Blueprint Implementation Paper*. The Committee notes that the Strategy is aimed at increasing student participation in science and maths education in Victoria and contains performance targets and outcomes.\(^{169}\)

The Department indicated to the Committee that an independent evaluation had found that the 22 actions implemented under the Strategy have supported improved teacher knowledge through enhanced capacity and increased access to curriculum resources.

The Committee considers that it is important for the Department to regularly evaluate the activities and performance of these Science and Mathematics Specialist Centres in contributing to the Department’s objectives for science and mathematics education in Victoria. These objectives are to:\(^{170}\)

- raise the level of science and mathematics achievement of every Victorian student;
- increase student interest and participation, and encourage more students to pursue science and mathematics-related careers; and
- expand the knowledge base of teachers and increase teacher capacity to engage students.

**FINDING:** The Committee considers that a workforce strategy and skill database are critical if the Department of Education and Early Childhood Development intends making serious progress in relation to the teaching of numeracy, mathematics and science in Victorian government schools in the future.

The Committee notes evidence given by the Secretary of the Department at the hearing that:\(^{171}\)

> ...if we want to evaluate how raising the quality of teacher education makes a difference and raising the quality of school leadership makes a difference, that would require a much more broad based evaluation. The tools for doing that, I would surmise, are not yet in place – although the tools are in place, the method has not yet been developed.

Some anecdotal evidence was provided at the hearing about the value and impact of specialist maths coaches, the skilling of teachers through intensive teacher training, and the benefits in terms of capacity building for schools mentoring other schools.

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\(^{171}\) Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *Transcript of evidence*, Melbourne, 25 February 2014, p.6
FINDING: Over the past five years, the Department of Education and Early Childhood Development have implemented a range of assessment tools to assist teachers to identify students struggling with numeracy, and a range of initiatives directed at improving the teaching skills and capacity of teachers teaching numeracy to students.

FINDING: There is limited hard evidence available on whether:
- the increased and improved assessment tools have resulted in more effective targeting of students requiring early intervention strategies in numeracy;
- outcomes have improved for students receiving early intervention numeracy support; and
- activities directed at improving the capacity of teachers to teach mathematics have impacted the student numeracy outcomes in those schools.

RECOMMENDATION 16: The Department of Education and Early Childhood Development needs to ensure that major initiatives and programs directed at improving outcomes are linked to evaluation and reviews which provide an indication of their success and/or impact.

RECOMMENDATION 17: The Department of Education and Early Childhood Development ensure that it has a workforce management system in place which collects accurate and complete data in relation to teacher skills and capacity in respect to teaching numeracy in government primary and secondary schools.

RECOMMENDATION 18: The Department of Education and Early Childhood Development consider matching workforce data to student outcomes in numeracy to:
- assess the effectiveness of initiatives implemented by the Department to improve teacher capacity such as: professional development programs; mentoring; and specialist coaching;
- identify gaps between demand for maths and science teaching skills in schools and the actual skill set available to deliver numeracy programs competently and effectively; and
- determine strategies to address workforce skill shortages in an effort to optimise student learning outcomes in Victorian government schools.
4.5 Addressing the performance gap between high and low socio-economic schools

Audit Recommendation 6.2: DEECD should address the performance gap between high- and low-SES schools, including setting targets for reducing the influence that school socio-economic disadvantage has on student literacy and numeracy achievement.172

The Auditor-General noted in his report that the Department’s targeted support to improve the literacy and numeracy achievements of students from low-SES schools had resulted in only a minimal positive effect on literacy achievement and no impact on numeracy achievement.173

The audit report commented on the low level of funding for schools with social inequity issues, stating that it represented around 3 per cent of the total annual core funding provided to government schools (over the review period 2003 to 2008).174

A 2007 review by the Department into the use of these funds found that the funds were most often used for literacy support, and low-SES schools often had difficulty targeting this assistance when so many of their cohort were struggling.175

The audit report noted that in 2008, the Department:176

» provided 300 teaching assistants in low-SES secondary schools from 2008 (90 assistants for three years and 210 assistants over the next two years); and
» extended funding for the Primary Welfare Officer Initiative by an additional four years, with an additional 123 officers.

In his report, the Auditor-General referred to a 2007 OECD report on equity in education which noted the importance of interventions in addressing social disadvantage but also encouraged the development of concrete targets and the monitoring of the progress of students receiving specific support and assistance.

The Auditor found that the Department had not established any specific targets for reducing social inequity in student learning outcomes in Victoria. The Auditor-General also found that some low-SES regions had demonstrated that student achievement in low-SES schools could be improved and the challenge for the Department was to expand these achievements across all low-SES schools and to set targets for reducing the performance gap.177

In response to these issues, the Auditor-General recommended that DEECD address the difference in student literacy and numeracy achievement between high and low-SES schools.

172 Victorian Auditor-General’s Office, Literacy and Numeracy Achievement, February 2009, p.56
173 ibid., p.50
174 ibid.,p.51
175 ibid.
176 ibid.
177 ibid., p.52
4.5.1 Department response to the audit recommendation

In the Government Response in December 2009, the Department stated that it was taking the following actions to address the audit recommendation directed at student achievement in low-SES schools:178

» a Literacy and Numeracy Pilot (2009-10) was implemented in four networks across two regions (Hume and Western Metropolitan Regions). The Pilot was focused on improving literacy and numeracy achievement for students from low-SES backgrounds, with a specific focus on Koorie and English-as-a-Second-Language (ESL) students. The Department intended that information obtained through the Pilot would inform the National Partnerships work in low-SES communities;

» a Literacy Improvement Team Initiative 2009-2011 provided 45 Literacy Coaches and 15 Literacy Koorie Coaches. The objective of the Initiative was to provide intensive assistance to targeted schools in an effort to bring about sustained changes in classroom practice to improve student literacy outcomes;

» the Teaching and Learning Coaches Initiative 2009-2011 focused on mathematics and science. The objective of the Initiative was to provide intensive assistance to targeted schools in an effort to bring about sustained changes in classroom practice necessary to improve student outcomes with a focus on mathematics and science;

» Regional Network Leaders (RNLs) developed Network Strategic Plans to support improvements in literacy and numeracy across the cohort of schools in their networks in addition to targeting specific schools for specific interventions;

» National Partnerships funding for Literacy and Numeracy and low-SES was planned to be distributed to specific schools to support literacy and numeracy achievement. This funding was to be included in the School Resource Package in the 2009 and 2010 calendar years; and

» Regional Directors and RNLs will implement a range of initiatives (including teacher professional development and coaching programs) in 2009 and 2010 to assist teachers in low-SES schools and to accelerate literacy and numeracy learning for targeted groups of students (e.g. Koorie students).

4.5.2 Actions implemented to date

In November 2013, the Committee sought an update from the Department about the impact of, and outcomes achieved through, the actions detailed in its 2009 response to address literacy and numeracy levels in schools and regions with a low socio-economic profile.

The Committee also requested information from the Department about the type of data it collects to monitor literacy and numeracy achievement in low-SES schools and whether there had been any improvement in the literacy and numeracy performance of low-SES schools since the Auditor-General’s report was tabled in February 2009.

178 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2008-09, December 2009, p.16
The Department’s responses to the Committee are presented in the following paragraphs.

**Literacy and Numeracy Pilot (2009-10)**

The Department advised that the *Literacy and Numeracy Pilot* (the Pilot) conducted in the Hume and Western Metropolitan regions in 2009-10, ‘significantly improved student learning outcomes.’\(^{179}\)

The Pilot focused on five key areas: \(^{180}\)

- leadership and whole school approaches;
- investment in building teachers capacity;
- effective use of student data;
- student-centred approaches; and
- parent and community engagement in student learning.

The Department found that improvements were most evident in the primary years of schooling with improved outcomes in reading and numeracy for students in Years Three to Six sustained over the two years of the Pilot and consistently assessed across NAPLAN, VCAA On-Demand testing and teacher assessments/judgements.\(^{181}\)

In relation to secondary school student outcomes, the Department advised that there were improvements in ‘particular periods and/or for particular cohorts’.\(^{182}\)

Also the Pilot had a positive impact on the learning outcomes of low-SES students, Koorie students, and students whose first language is other than English. The Department found that this was most evident in the comparisons of NAPLAN results in the achievement of disadvantaged cohorts of students in the Pilot improving relative to that of all Victorian students.\(^{183}\)

The results of the Pilot were used to develop the Western Metropolitan Region Improvement Strategy which resulted in significant improvements in student literacy and numeracy achievement in that Region.\(^{184}\)

According to the Department, the Pilot had also demonstrated that regional or system-wide improvement in student achievement can occur at scale in a relatively short period of time.\(^{185}\)

**National Partnerships for low-SES communities**

The Department advised that National Partnerships (NP) funding supports the targeting of assistance to those students and schools with evidence of greatest need. In 2008, the *Literacy and Numeracy NP* targeted schools with 20 or more students

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179 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *Literacy and Numeracy Achievement* (February 2009), Letter to the Committee, received 9 January, 2014, p.3
180 ibid.
181 ibid.
182 ibid.
183 ibid.
184 ibid.
185 ibid.
at or below the ‘National Minimum Standard’ in literacy and/or numeracy. Regions and schools were given the flexibility to use the most appropriate strategies focused on student monitoring and support and/or building capacity.  

In 2013, the funding through the Improving Literacy and Numeracy NP provided funding to Victorian government schools that had at least 50 students, or 30 per cent of students, in the bottom two bands of NAPLAN for reading and Numeracy across 2010-12 (excluding schools with less than six students). According to the Department, these schools are ‘using the funding to provide evidence based literacy and numeracy improvement approaches.’

Monitoring literacy and numeracy achievement in low-SES schools

The Committee asked the Department how it currently monitors and evaluates literacy and numeracy achievement in low-SES schools and the evidence it collects to assess the performance of students in those schools.

The Department advised that in 2012, the Regional Network Model was revised due to the Government’s shift in focus to greater school autonomy and a return of control over networks to school principals. Principals now collectively determine the nature and focus of their networks. The former Regional Network Leader (RNL) role has been replaced by new senior regional leadership positions.

Currently, the achievement of the goals and targets established by individual schools in School Strategic Plans continue to be monitored by the schools themselves, their school councils, senior regional office staff, and every four years by an external reviewer.

In relation to future performance monitoring the Department stated at the hearing that it is:

... currently working with the University of Melbourne to develop a set of key performance thresholds that are fair and accurate and reflect our system goals for improvement. These thresholds will support decisions to determine whether schools undertake a peer review once every four years or a more intensive priority review if their performance falls short of the thresholds.

The thresholds will privilege growth in student learning outcomes (including value added measures) as a key determinant of school performance as part of an integrated measurement framework.

Recent literacy and numeracy achievement in low-SES schools

The Committee asked the Department whether there had been any improvement in the literacy and numeracy achievement in low-SES schools since the Auditor-General’s report was tabled in February 2009.
The Department advised that it had commissioned a study into the impact of the Smarter Schools NPs on student achievement between 2009 and 2011. The study indicated that there appeared to be some success in lifting student achievement beyond typical growth between grade levels with greater impact on secondary school students compared to primary school students and a greater impact on NAPLAN numeracy than in NAPLAN reading.\(^{191}\)

The Smarter Schools NP provided national and state funding for schools directed at three key reform priorities:\(^{192}\)

- **Leadership and teachers capacity** – requires a significant emphasis on workforce capability strategies through literacy and numeracy experts, leadership, mentoring and coaching expertise, assessment and data managers and community engagement experts.

- **Recognition and response to individual learning needs** – offering programs which meet the needs and interests of students, enabling students to be actively engaged in their learning and learning which is connected to the wider community outside the school.

- **School-community engagement and extended schools** – a focus on collaboration with groups outside the school by engaging parents, community and business in schools, and students’ learning improvement.

In addition to the study into the impact of the Smarter Schools NPs, the Department advised the Committee that its own internal analysis has shown that there has been improvement in student achievement in some low-SES schools but not consistently across all low-SES schools.\(^{193}\)

### 4.5.3 Committee findings and recommendations

Information provided by the Department indicated that the Literacy and Numeracy Pilot in 2009-10 had been a very useful and effective exercise both in its impact on the learning outcomes of students in the Hume and Western Metropolitan regions and also by providing evidence to inform the Department’s future activities and initiatives in improving literacy and numeracy outcomes.

Since that time most of the additional support for low-SES schools has come via the National Partnership funding initiatives.

Information requested in relation to the Department’s monitoring of the achievement of low-SES schools, and in particular, addressing the audit recommendation of setting targets in an attempt to reduce the impact of socio-economic disadvantage, the Department referred only to the system of school self-review currently in place and plans to set “key performance thresholds” for all schools in the future.

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191 ibid.
193 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *Literacy and Numeracy Achievement (February 2009)*, Letter to the Committee, received 9 January, 2014, p.4
The Department indicated that a review of the impact of the *Smarter Schools NPs* had indicated that there had been a causal effect of an improvement in student achievement between 2009 and 2011. The Department’s internal analysis indicates that these improvements were not consistent across all low-SES schools.

It is important that further analysis is undertaken into why there are differences in achievement between low-SES schools in order to isolate and identify which initiatives are effective and also the reasons why certain initiatives and interventions are not effective. Also, whether there are particular characteristics about some low-SES schools which affect student achievement levels in those schools.

The Committee acknowledges indications from the Department that in the future, greater emphasis will be on individual schools to monitor and manage their own performance in terms of student outcomes. However, the Committee considers there is also an important role for the Department which should not be devolved, in terms of overview and analysis of results in particular groups of schools, such as low-SES schools, so that resources can be directed in the most efficient and effective manner.

Evidence provided to the Committee indicates that the Department has implemented a range of strategies directed at providing resources to support schools and teachers to improve student literacy and numeracy outcomes.

The Department notes there have been some improvements in some low-SES schools. The *Literacy and Numeracy Pilot* undertaken in the Hume and Western Metropolitan regions appeared to offer the Department some valuable insights into the effectiveness of different interventions and activities in low-SES schools. It is important that the knowledge gained from the Pilot be applied to initiatives directed at improving student achievement in other low-SES schools in the State and also to student achievement in rural/regional government schools (see further comments in Section 4.6).

**FINDING:** It is important that the Department of Education and Early Childhood Development collects and analyses the results of student achievement in low-SES schools and undertakes further examination of differences between those schools in order to identify any specific issues or characteristics which affect student performance in low-SES schools.

**RECOMMENDATION 19:** The Department of Education and Early Childhood Development undertake systemic analysis of student achievement in low-SES schools to identify the reasons for differences in performance between those schools and to inform future resource allocation.
4.6 Addressing issues of declining achievement in non-metropolitan regions and sharing good practice from low-SES metropolitan regions

Audit Recommendation 6.3: DEECD should identify and address the issues contributing to the declining literacy and numeracy achievement in some non-metropolitan regions, and identify and share across regions the successful approaches underlying the good results achieved by the low-SES regions.\(^{194}\)

The Auditor-General concluded in his report that the Department needed to identify and address the literacy and numeracy achievement issues confronting some non-metropolitan regions. In his review of initiatives to address social disadvantage, the Auditor-General noted variations in student performance across regions, also noting that some low–SES regions had demonstrated improvements in student achievement. The Auditor recommended that the practices which have been found to have beneficial outcomes in low-SES metropolitan schools should be shared across the State.\(^{195}\)

The Auditor-General recommended that DEECD should address issues of declining achievement in non-metropolitan regions and share good practice from low-SES metropolitan regions.

4.6.1 Department response to the audit recommendation

The Department's response, as contained in the Government Response, identified the following activities aimed at information sharing across regions and building leadership in schools:\(^{196}\)

» a fortnightly leadership forum intended to facilitate the sharing and development of best practice initiatives across regions;

» a professional learning program for Regional Network Leaders provided over 2009 and 2010 intended to use best practice examples of literacy and numeracy strategies which have improved student achievement (based on the evaluation of the Literacy Improvement Team Initiative and the Teaching and Learning Coaches initiative);

» two leadership modules in literacy and numeracy leadership were to be made available in 2010 through the Bastow Institute of Educational Leadership (the Bastow Institute). Also a Masters in Numeracy was to be offered by the Institute in 2010; and

» the Bastow Institute was to provide coaching training in numeracy, literacy and instruction to support regions to implement the regional network strategic plans and to build workforce capacity in targeted schools at the commencement of term four in 2009.

The Department's response did not directly address that part of the audit recommendation directed at identifying and addressing declining literacy and numeracy achievement in some non-metropolitan schools.

\(^{194}\) Victorian Auditor-General’s Office, Literacy and Numeracy Achievement, February 2009, p.56

\(^{195}\) ibid., p.52, 55

\(^{196}\) Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General's Reports issued during 2008-09, December 2009, p.17
4.6.2 Actions implemented to date

The Committee requested details from the Department in relation to the specific actions it had implemented to identify the issues contributing to declining literacy and numeracy achievement in non-metropolitan schools.

Proposed departmental strategies

The Department advised that it is currently developing a portfolio wide literacy strategy and a Science, Technology, Engineering and Maths (STEM) plan and that available data is being considered in the context of the Government’s new priorities for school reform and changed regional arrangements.\(^{197}\)

The Department also advised that it is developing a rural education strategy which will examine issues associated with student achievement in non-metropolitan schools and combine with the Department’s proposed Literacy Strategy to ensure that the needs of non-metropolitan schools and their students are supported.\(^{198}\)

*The State of Victoria’s Children Report 2011* provided a statistical summary of how children and young people in rural and regional Victoria were faring against key indicators relating to health, safety, development, learning and wellbeing. Following the Report, workshops were conducted with representatives of schools, early childhood centres, community organisations, universities and State and local government to discuss the data and use it to develop appropriate policy, program and service delivery.\(^{199}\)

At the hearing, the Department was asked for some further detail in relation to its proposed rural education strategy. The Department advised that it has started work on the Strategy which it hopes to release later in 2014. The data presented in *The State of Victoria’s Children Report 2011*, which focused on rural participation and achievement has been utilised. The Department advised that the Report makes it clear that the disparity between metropolitan and rural outcomes is mainly due to socio-economic status and a significant proportion of the performance gap between rural and metropolitan schools is reduced if socio-economic status is factored in.\(^{200}\)

The proposed Rural Education Strategy will look into how other challenges for rural schools can be addressed, for example: the cost of staffing; the ability to attract experts; and the ability to offer a broad and engaging curriculum. In addition, the Department advised that the way in which partnerships can be brokered across individual communities and greater information sharing may also assist in improving rural and regional outcomes. Encouraging parental engagement and aspiration to achieve higher level qualifications are also being considered as part of this work.\(^{201}\)

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197 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *Literacy and Numeracy Achievement (February 2009)*, Letter to the Committee, received 9 January, 2014, p.1, 4
198 ibid., p.4
199 ibid.
200 Mr Ian Burrage, Executive Director, Priority Policy, Department of Education and Early Childhood Development, *Transcript of evidence*, Melbourne, 25 February 2014, p.8
201 ibid.
Initiatives aimed at improving student achievement in non-metropolitan schools

The Committee asked the Department to provide details about the initiatives it had developed to specifically address the issues identified around lower achievement levels in non-metropolitan schools.

The Department advised that the initiatives directed at improving literacy and numeracy achievement applied to all schools equally including non-metropolitan schools.\(^{202}\) The core literacy and numeracy funding provided to all schools includes funding for Year 1 interventions, including Literacy and/or Numeracy Co-ordinator positions (which replaced Early Years Literacy and Numeracy Programs).\(^{203}\)

In addition, for schools with low literacy and numeracy achievement, National Partnerships funding can be used by schools to implement a range of approaches which an individual school considers are best suited to the local context. And, for students with low literacy and numeracy achievement, core and equity funding is provided through the Student Resource Package (SRP) to support specific interventions either within a class, small group or one-to-one, as determined most appropriate by the school.\(^{204}\)

The SRP also includes rural loadings which have been in place for a number of years and which are important to enable those schools to either bring capability into their school, or to arrange a shared partnership with another school to access required expertise.\(^{205}\)

The Department stressed at the public hearing that it is important, as part of the new school framework providing greater autonomy for individual schools, that schools are able to use their funding to obtain the type of assistance they consider most appropriate to their situation. The Committee was advised that, over time, the number of separate funding line items which make up a school’s budget have diminished which enables schools to make their own decisions about how their budget is allocated and expended.\(^{206}\)

Sharing and disseminating successful practice

The Committee requested information from the Department as to how successful approaches underlying the good results achieved in some low-SES metropolitan regions had been shared with non-metropolitan regions.

The Department advised that information sharing across all schools is encouraged through local school and regional forums such as the Improving Literacy and Numeracy National Partnership Seminars which were held in 2013. The Department stated that:\(^{207}\)

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\(^{202}\) Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *Literacy and Numeracy Achievement (February 2009)*, Letter to the Committee, received 9 January, 2014, p.4

\(^{203}\) ibid., p.1

\(^{204}\) ibid.

\(^{205}\) Mr Ian Burrage, Executive Director, Priority Policy, Department of Education and Early Childhood Development, *Transcript of evidence*, Melbourne, 25 February 2014, pp.7-8

\(^{206}\) ibid., p.7

\(^{207}\) Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *Literacy and Numeracy Achievement (February 2009)*, Letter to the Committee, received 9 January, 2014, p.5
The Seminars have provided a powerful means to engage school leaders in focusing on student learning and to learn from colleagues who face similar challenges.

The Department stated that it plans to hold future seminars focused on sharing best practice literacy and numeracy approaches amongst schools. In addition, the Department provides online resources (such as assessment tools; assessment data; learning continua; professional learning modules and digital resources) to support schools and teachers to provide quality literacy and numeracy programs.

Also, the Committee was advised that the new school performance framework will:

…enhance school performance and development arrangements to drive student learning outcomes…

and

…support principals to determine the nature and focus of appropriate, evidence based literacy and numeracy activities, including successful practices implemented by other schools.

Effectiveness of teacher capacity building initiatives

The Committee requested details from the Department about the success or impact of the training initiatives for teachers referred to in its response to the audit report. In particular the leadership modules in literacy and numeracy delivered to teachers by the Bastow Institute of Education and any other coaching and training initiatives provided to teachers to build literacy and numeracy teaching capacity.

The Department provided information about what teacher training in literacy and numeracy has been provided since the audit report was tabled. This information is set out in the Appendix 4.1.

4.6.3 Committee findings and recommendations

The Department indicated it is proposing to develop a rural education strategy with an anticipated release date at the end of 2014.

Specific initiatives targeted at improving student achievement levels in non-metropolitan schools were the same as those available to all schools. Whilst the Department indicated that schools were encouraged to network and share information, there did not seem to be any specific linking of successful approaches and practices in low-SES regions with schools in non-metropolitan regions as had been recommended by the Auditor-General.

The Committee noted information provided by the Department in relation to a range of courses and professional development activities offered to teachers to build literacy and numeracy teaching capacity. The main measure of effectiveness

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208 ibid.
209 ibid.
210 ibid.
provided in respect to these courses related to ‘participation rates’ (i.e. the number of teachers who had participated in the Leading Literacy and Leading Numeracy programs). The Committee notes that some anecdotal evidence was provided that participants in the Leading Literacy program had responded through a survey that they had utilised their increased knowledge in their work at school. Also, the Department advised that student data had progressively improved in a number of the schools which had been involved with the leadership programs.\(^{211}\)

**FINDING:** The Department of Education and Early Childhood Development has not directly addressed the issues raised by the Auditor-General in relation to identifying the factors contributing to declining student achievement in some non-metropolitan regions and sharing successful practices found in low-SES metropolitan regions with non-metropolitan regions, but rather has taken a more generalised approach to improvement initiatives across all schools.

**FINDING:** The Department of Education and Early Childhood Development advised of a number of general initiatives aimed at improving the capacity of teachers to implement effective literacy and numeracy programs to school students but there has been limited evaluation of these programs and professional development initiatives in terms of their direct impact on student outcomes.

**RECOMMENDATION 20:** The Department of Education and Early Childhood Development identify those areas of poorest student achievement in Victoria (low-SES schools and rural and regional schools) and develop detailed evidence-based initiatives to target resources in an effort to have an improvement in student outcomes in those schools.

**RECOMMENDATION 21:** The Department of Education and Early Childhood Development expedite the implementation of its Rural Education Strategy in an effort to strategically address the poor educational performance of students living in rural and regional Victoria. The Strategy should include clear objectives, evidence-based and targeted initiatives and actions, and specified improvement targets and outcomes for both literacy and numeracy achievement levels.

\(^{211}\) ibid.
4.7 Early intervention and ongoing support for students in need

Audit Recommendation 6.4: DEECD should improve identification and targeting of students achieving well below the expected level in literacy and numeracy in the early years of schooling in all schools, and sustain support for those who need it as they progress through school.\(^\text{212}\)

The Auditor-General noted that there was a need to improve the targeting of the significant number of students who were achieving well below the expected literacy and numeracy achievement levels with a ‘system-wide teaching and intervention approach’ needed.\(^\text{213}\)

In reviewing support for low-achieving schools, the Auditor-General was critical of the lack of funding targeted directly at students with low achievement in literacy and numeracy, in particular funding for programs directed at the Early Years of schooling. The Auditor noted that despite the Department indicating in its response to the 2003 audit of literacy standards in government schools that it would consider the need to target Early Years funding, nothing had changed.\(^\text{214}\)

Further, the audit report noted that there was no systematic approach to providing sustained support for individual students who were performing at low levels of literacy and/or numeracy achievement.\(^\text{215}\)

The Auditor-General recommended that DEECD improve its early intervention approach for younger students performing below the expected literacy and numeracy levels and provide ongoing support to students in need.

4.7.1 Department response to the audit recommendation

In its response, included in the Government Response in December 2009, the Department stated that it supported the audit recommendation and advised that the following actions would assist in identifying students requiring additional support in the early years of schooling:\(^\text{216}\)

» The implementation of the Australian Early Development Index (AEDI) in all schools in 2009 to help teachers assess the literacy and numeracy skill levels of children starting school.

» An additional eight Reading Recovery Tutors would be trained to assist in the implementation of the program.

» The English Online Interview will provide a detailed assessment of literacy skills against the Victorian Essential Learning Standards (VELS) for Prep to Year Two students. The assessment would be applied to Prep to Year Two students in October/November 2009 and be implemented for Prep students at the commencement of 2010.

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\(^{212}\) Victorian Auditor-General’s Office, Literacy and Numeracy Achievement, February 2009, p.7

\(^{213}\) ibid., p.55

\(^{214}\) ibid., p.53

\(^{215}\) ibid., p.54

\(^{216}\) Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2008-09, December 2009, p.17
Enhancements had been made to the Maths Online Interview to provide more accurate collection of student data. As at September 2009, 54 per cent of students in Prep, 45 per cent of students in Year One and 42 per cent of students in Year Two had been assessed using this tool. All schools have access to the assessment tool throughout the year.

Changes were made to CASES21 at the end of 2008 to enable ESL student achievement data to be collected. In 2009, reporting software for ESL was implemented to allow teachers to report achievement of ESL students against the ESL Companion to VELS. It is expected that the initiative will be completed by 2014.

Also in relation to the achievement of ESL students, it is proposed to develop an ESL Proficiency Tool to enable a finer graded assessment of ESL students.

4.7.2 Actions implemented to date

The Committee issued a questionnaire to the Department in October 2013 requesting an update in relation to how these initiatives were operating and the impacts and outcomes of each of the actions outlined in its response to the audit recommendation. The Department provided the following information.

**Australian Early Development Index**

The AEDI is a population based measure of how children have developed by the time they start school. The Index covers five areas of early childhood development: physical health and wellbeing; social competence; emotional maturity; language and cognitive skills; and communication skills and general knowledge.

The Department stated that 95.8 per cent of government schools participated in the AEDI collection in 2012. The availability of this type of data encourages teachers to consider a child’s readiness to learn and their capacity and ability to learn in the context of prior early childhood experience.

**Reading Recovery Program**

In 2009, an additional eight Reading Recovery Tutors were added to increase the total number of Tutors employed to 24.

The Department advised that it arranges six days of cross-sectoral Reading Recovery Tutor Professional Learning each year to meet requirements to allow for the Reading Recovery Program to be implemented by schools. Schools either independently, or together with a cluster of other schools, source ‘school-level funds’ to employ a tutor.

The Department advised that while there had been a decrease in the number of schools implementing the Reading Recovery Program, from 953 schools in 2004 to 564 schools in 2011, the Program is only one of a number of early literacy programs which schools may choose to implement.

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217 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *Literacy and Numeracy Achievement (February 2009)*, Letter to the Committee, received 9 January, 2014, pp.6-7
In 2010, the Department undertook an audit of ‘Year One Intervention Funding’ and found that schools applied the funding available for Year One literacy intervention to implement a range of approaches based on the school’s circumstances and included classroom, small group or one-to-one interventions. These interventions utilised existing teacher knowledge and school capacity to meet student needs.

**English Online Interview**

The *English Online Interview* is an entry level assessment conducted at the start of Prep that provides baseline data to be collected for all students as they enter school. It provides the opportunity to monitor individual student progress from the start of formal schooling.

The *English Online Interview* is able to generate diagnostic reports in the three modes of English domain (Reading and Viewing; Speaking and Listening; and Writing) including an indicative AusVELS level of student achievement. This baseline assessment of an individual student allows a teacher to plan for the student’s next point of learning and it has also assisted teachers to identify students requiring early intervention.

In 2013, teachers were able to obtain more refined diagnostics to inform targeted interventions, program planning and resource allocation.

The Department advised that the first *English Online Interview* assessment period commenced in October 2009. After a review period, it became mandatory for Prep students only at the commencement of the school year. Since 2011 it has been an optional assessment tool for students in Years One and Two at the beginning of the year. Table 4.4 shows the participation rates for the *English Online Interview* for Prep to Year Two students from October 2009 to February 2013 (five assessment periods).

<table>
<thead>
<tr>
<th>Assessment period</th>
<th>Prep (per cent)</th>
<th>Year 1 (per cent)</th>
<th>Year 2 (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2009</td>
<td>97</td>
<td>98</td>
<td>98</td>
</tr>
<tr>
<td>February 2010</td>
<td>96</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>February 2011</td>
<td>97</td>
<td>51</td>
<td>45</td>
</tr>
<tr>
<td>February 2012</td>
<td>95</td>
<td>41</td>
<td>34</td>
</tr>
<tr>
<td>February 2013</td>
<td>90</td>
<td>33</td>
<td>27</td>
</tr>
</tbody>
</table>

Source: Department of Education and Early Childhood Development, 9 January 2014, Attachment 8(c)

**Diagnostic Assessment Tools in English**

The Department advised that the Diagnostic Assessment Tools in English can be used as a follow on from the *English Online Interview* or as stand-alone assessment tasks. These tools are available to schools throughout the year.
Mathematics Online Interview

The Mathematics Online Interview can be accessed by teachers to assess students in Year Prep to Year Six at any time throughout the year. The Interview is primarily targeted at students working towards Year One to Year Four AusVELS achievement levels. Student progress can be tracked against points of mathematical growth to develop a profile of math skills and understandings and also provide a guide for teaching.

In 2013, the Mathematics Online Interview was enhanced (as discussed earlier in Section 4.4.3 of this Chapter) and the Department has produced a suite of online materials to support schools to implement the online assessment tools.

The Department advised that it is not possible to identify the percentage of government school students assessed using the Mathematics Online Interview each year as the tool is able to be accessed by individual student users, multiple times in any one year. The Department is able to look at the number of assessments made using the Mathematics Online Interview (refer to Table 4.3 for information on the number of Maths Online assessments undertaken) and also when assessments are made, which indicate that peak use occurs mainly in February/March at the commencement of the school year with some high usage also around November, at the end of the school year.\footnote{ibid., p.6 and Attachment 8(c)}

English as an additional language (EAL) student achievement

In March 2012, the term English as a Second Language (ESL) was changed to English as an additional language (EAL). As the Department indicated in its response to the audit recommendation, changes were made to the school database (CASES21) in late 2008 to enable EAL students to be uniquely identified including EAL student achievement data.

At the start of 2009, EAL reporting templates were added to reporting software to enable schools to appropriately report EAL student progress.

In 2013, the reporting templates were updated to align with the AusVELS levels and to reflect the stages of EAL student learning in the EAL Developmental Continuum.

The EAL Developmental Continuum was published in 2008 to assist teachers with planning and assessment of EAL students. The Department advised that 43 video work samples will be added to the EAL Developmental Continuum website in 2014 to provide teachers with further guidance in their assessment of EAL students as they develop English proficiency.

Data in relation to monitoring an EAL cohort of students will be included in the development of the Department’s new Enterprise Data Warehouse (EDW). The EDW will enable the Department to collect data and monitor progress over time of a specific EAL cohort and also at the individual school level by cohort. In addition, the Department advised that it is also undertaking work to include the EAL cohort in other school information reporting systems.
Tools to Enhance Assessment Literacy for Teachers of EAL (TEAL)

The Department advised that the EAL Proficiency Tool referred to in its 2009 response had been renamed *Tools to Enhance Assessment Literacy for Teachers of EAL* (TEAL). TEAL is being developed in phases and is aimed at providing a finer grade of assessment for EAL students. TEAL commenced development in 2010 and is planned to be piloted in 2014 before full implementation in 2015.

TEAL comprises a collection of computer adaptive tests for EAL students, a teacher-based assessment system enabling the collection and analysis of oral and written language samples, and a web-based EAL assessment resource centre.

The Department stated that:  

> Resources currently available and under development, support schools and teachers to build their capacity to deliver and assess quality EAL programs that improve outcomes for these students.

**Sustaining literacy and numeracy support for students in need**

The Committee asked the Department for information about:

» how the Department ensures that literacy and/or numeracy support programs are provided to students in need over a sustained period; and  

» what data the Department has available to demonstrate that the required support has been sustained and is effective.

The Department advised that its key approach to ensuring that a student’s learning growth is sustained through their schooling is to ensure that teachers have the appropriate knowledge and skills to respond to a student’s identified learning needs with the most appropriate pedagogical practices. The Department stated:

> Through the provision of a range of pre- and in-service learning programs for teachers and leaders, including specialist and coaching support, DEECD works in partnership with schools to ensure the schools’ workforce is equipped to identify and respond to the learning needs of all students.

**Committee findings and recommendations**

The Committee notes that many of the initiatives referred to in the Department’s response relate to how the Department (i.e. teachers) go about identifying those students achieving below expected levels.

The Department has developed a number of online assessment tools which teachers use to assess student proficiency in numeracy and literacy in the early years of schooling. The Department has also undertaken work to improve the assessment and monitoring of EAL student achievement. A range of resources have been developed to help inform teacher practices in regard to literacy and numeracy programs and reference was made to schools being able to select from a range of intervention programs and initiatives to support students in need.

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219 ibid., p.7  
220 ibid.
What appears to be lacking from the information presented to the Committee is evidence of the outcomes and impacts of these student assessment tools, literacy and numeracy support programs, and teacher professional development on actual student learning outcomes. The questions arise:

» Has a direct cause and effect relationship been identified between the identification of a student in need and an improved outcome?

» Have these activities actually resulted in some improvement?

The Committee considers that the Department has a responsibility in terms of managing its resources and achieving its educational objectives to determine, through detailed investigation and analysis, the effectiveness of its programs and activities.

**FINDING:** The Department of Education and Early Childhood Development has undertaken a number of actions aimed at improving the identification of students performing below expected levels in literacy and numeracy achievement. Online assessment tools are available to teachers to identify problems in the early years of schooling.

**FINDING:** The Department of Education and Early Childhood Development indicated that it is continuing work on refining assessment tools and information databases to further assist schools and teachers to monitor student achievement.

**FINDING:** A range of professional development has been made available to teachers to assist in implementing literacy and numeracy initiatives and interventions in an effort to improve student achievement levels.

**FINDING:** The Department of Education and Early Childhood Development provided little evidence as to the efficacy of these assessment tools in improving student literacy and numeracy outcomes or evidence to show that students with poor literacy and/or numeracy performance are provided with sustained support throughout their schooling as required.

**RECOMMENDATION 22:** The Department of Education and Early Childhood Development monitor the impacts and outcomes of initiatives directed at targeting students achieving well below expected levels in literacy and numeracy in the early years of schooling through an appropriate monitoring and reporting system.
4.8 Continuous improvement

The second part of the Auditor-General’s report examined the continuous improvement approaches underpinning the literacy and numeracy support programs and initiatives implemented by the Department and the Victorian Curriculum Assessment Authority, their progress in relation to issues highlighted in the 2003 audit, and the assessments used to measure student literacy and numeracy achievement.\(^{221}\)

One of the Auditor-General’s key findings was that the Department did not consistently undertake monitoring, review or evaluation to inform its approach to literacy and numeracy support programs. Also the Department had not established long-term targets in an effort to drive improvement.\(^{222}\)

The Auditor-General also commented on deficiencies in the range of methods used to assess and measure student literacy and numeracy achievement including:\(^{223}\)

- a lack of unique identification number or coding for students;
- no standardised assessment for numeracy in the early years of schooling; and
- no assessment of student literacy and numeracy skills of students when they start school.

The Auditor-General made two recommendations in relation to improving the evaluation of programs and initiatives and embedding a continuous improvement approach to student literacy and numeracy achievement. These two recommendations are discussed in Sections 4.9 and 4.10 below.

4.9 An evidence-based continuous improvement approach

Audit Recommendation 7.1: DEECD should implement a consistent and evidence-based continuous improvement approach to improving student literacy and numeracy achievement by:

- Setting challenging long-term achievement targets
- Identifying and addressing any issues that may limit the effectiveness of the Early Years programs and one-on-one interventions in schools
- Continuing successful initiatives for as long as feedback and evaluations indicate they are needed.\(^{224}\)

Monitoring and evaluation is necessary to assess whether literacy and numeracy resources are being applied effectively and also to make informed decisions about where to direct resources in the future.

In order to make an assessment about the effectiveness of a particular program or strategy it is necessary to articulate specific targets, goals or desired outcomes against which progress can be measured.

\(^{221}\) Victorian Auditor-General’s Office, Literacy and Numeracy Achievement, February 2009, p.58
\(^{222}\) ibid., p.57
\(^{223}\) ibid.
\(^{224}\) ibid., p.7
It is also necessary to ensure that effective use is made of the information and conclusions derived from any analyses and evaluations undertaken.

These are both important components of an effective continuous improvement system.

The Auditor General recommended that the Department implement a consistent and evidence-based continuous improvement approach to improving student literacy and numeracy achievement. To achieve this, the Auditor-General outlined several measures, which relate to target setting for literacy and numeracy achievement and evaluations of literacy and numeracy programs and interventions. These measures are discussed below.

In its response as provided in the Government Response in December 2009, the Department was in full support of this audit recommendation.225

### 4.9.1 Setting challenging long-term achievement targets – audit findings

The Auditor-General noted in his report that for most of the 10 year period (1998 to 2007), the Department’s key target has been ‘to have the literacy and numeracy achievement of primary school students at or above national benchmarks.’226

The report was critical that the target only related to the minimum standards measured by the national benchmarks and also that the Department’s *Interim Corporate Plan 2008-09 to 2010-11* did not specify the desired level of student achievement against the Victorian curriculum, the proportion of student which should achieve at a specified level and the time frame over which such achievements should be made.227

The Auditor-General concluded that:228

> Clear long-term targets for improvement would give literacy and numeracy a stronger continuous improvement focus. Targets that are not sufficiently challenging may encourage complacency rather than drive improved performance.

### 4.9.2 Department response to the audit recommendation

In its 2009 response to the audit report, the Department stated that broad literacy and numeracy goals had been identified in the *Blueprint for Education and Early Childhood Development* and that literacy and numeracy targets for low-SES schools would be developed by November 2009 under the *National Partnerships Projects* on the basis of NAPLAN testing data.229

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225 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2008-09*, December 2009, pp.18-20
227 ibid.
228 ibid., p.60
229 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2008-09*, December 2009, p.18
The Department also indicated that schools are required to identify specific goals and improvement targets as part of their strategic and annual planning process under the *Schools Accountability and Improvement Framework*. The Department stated that these plans are monitored by Regional Network Leaders and Regional Directors as appropriate.  

### Actions implemented to date

The Committee requested an update from the Department about the long-term targets it had developed for improving the literacy and numeracy achievement of Victorian government school students in recent years.

The Department advised that the Government had established the ‘Closing the Gap’ targets which all Australian states and territories have established with respect to improving the educational outcomes of Indigenous students.

At the public hearing the Secretary of the Department indicated that the Department is seeking overall system change which requires a long-term political commitment and which, based on the experience in other jurisdictions, can take 10 to 15 years to achieve the desired results.

Further, the Secretary advised the Committee that the Department will seek to understand how the entire system can be made to improve and what the total effect of all its activities are on performance.

The Secretary commented on the role of targets as distinct from the overall target of substantial improvement. The current policy is to restore Victoria’s education system to among the best education systems in the world. The Department indicated that no firm decision had been made as to whether such targets would be established but expressed some concerns that to do so would require that a specific improvement target be allocated to every school which could potentially distort the way in which a school goes about achieving that target. The Secretary stated at the hearing:

> There is a conundrum. We wish to do a lot better. We are building ambitiously to do a lot better and to engage on an improvement trajectory, but to aim too specifically at a particular target, if that is where we go, could result in some perverse outcomes, and we have to guard against those. The answer to your question is that it is under consideration but no firm decision has been made.

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230 ibid.
231 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *Literacy and Numeracy Achievement (February 2009)*, Letter to the Committee, received 9 January, 2014, p.7
232 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *Transcript of evidence*, Melbourne, 25 February 2014, p.3
233 ibid., p.4
234 ibid., p.10
Committee findings and recommendations

Setting performance targets

The Department advised at the public hearing that it is looking to improve the overall performance of the system and the educational outcomes of Victorian school students.

Successive governments have sought the same goal. The Committee notes that the Department’s current policy framework is focused on improving the effectiveness of teachers and providing greater autonomy to individual schools to manage their own performance improvement in an effort to bring about whole system improvement.

School performance data, online resources, and professional development are the support resources which the Department will be making available to schools to improve outcomes. The Department also advised that greater school autonomy must be matched by appropriate accountability for outcomes and it is currently working on a revised School Performance Framework.

The Committee notes, however, that the Department’s comments on performance improvement were accompanied with some concerns about setting targets and performance measures for schools which could lead to distorted behaviour by schools in an effort to meet specific performance targets.

The Committee suggests that the Department could consider implementing some form of certification or assurance program to effectively oversight and validate what schools are reporting on across a range of indicators. This could assist in highlighting any distortions which the Department might be concerned about and which could be reviewed or investigated.

Outcome indicators in DEECD’s 2013-17 Strategic Plan

The Department’s new Strategic Plan (DEECD 2013-17 Strategic Plan) states that the priorities and strategies outlined in the plan will contribute towards the Department’s ‘10 year goal of making Victoria a world leader in learning and development.’ The priorities set out over the four year period of the plan ‘represent the key areas where improvement will drive significant change, all of which will be underpinned by continuous improvement in the delivery of our core services.’

Further, the Committee notes that the plan refers to a shift in the Department’s efforts from ‘a strong focus on qualitative to more quantitative analysis’ and improved use of data to undertake ‘sophisticated performance monitoring and identify what works best.’ The Plan also states that there will be a shift in efforts from a ‘focus on inputs’ to ‘accountability for outcomes’.

235 Department of Education and Early Childhood Development, DEECD 2013-17 Strategic Plan, Melbourne, August 2013, p.4
236 ibid., p.6
The outcome indicators for 2013-14 set out in the Strategic Plan to assess achievement are: 237

- Children developmentally ‘on track’ on the Australian Early Development Index (AEDI) language and cognitive skills domains
- Students meeting the expected standard in national and international literacy and numeracy assessment
- Students meeting the expected standard in other key learning areas such as Science, Arts, History and ICT
- Year 12 or equivalent completion rates of young people
- VET course completions
- Certificate III or above completions

The Committee considers that phrases such as ‘on track’ and ‘expected standard’ need to be quantified and described in a more detailed and specific way to provide more meaningful measures of performance. Also, three of these outcome indicators refer to completion rates which do not reflect qualitative outcomes.

The Department notes in the Strategic Plan that the outcome indicators will be reviewed and updated annually and that over time focus will be put into developing ‘lead or interim outcome indicators for overall system performance and population sub-groups’. 238

Overall, the Strategic Plan contains much detail about the strategies to be pursued over the next four years in working towards the Department’s 10-year vision, but there appears to be less detail in describing how those strategies will be assessed and measured.

FINDING: The Department of Education and Early Childhood Development has put a large amount of resources and effort into delivering programs and initiatives directed at improving student outcomes with no articulation of performance indicators or measures to assess the effectiveness of these activities and efforts.

FINDING: The Department of Education and Early Childhood Development appears to be unsure about whether setting long-term achievement targets, as recommended by the Auditor-General in his 2009 report, will assist in improving performance or could lead to distortions in the system. The Committee does not consider this to be a sufficient argument against establishing meaningful and measurable interim and longer-term performance targets for literacy and numeracy achievement in Victorian government schools.

FINDING: Performance monitoring without meaningful measures, which encompass both quantitative and qualitative educational outcomes and targets, is just monitoring general trends.

237 ibid., p.10
238 ibid.
RECOMMENDATION 23: The Department of Education and Early Childhood Development consider developing both interim and longer-term targets for literacy and numeracy achievement in Victoria. Such targets should comprise realistic progressive improvement targets and also longer-term aspirational targets against which the performance of the government school system can assessed.

RECOMMENDATION 24: The Department of Education and Early Childhood Development ensure that its performance management framework takes into account both quantitative and qualitative educational outcomes and that its analysis of performance improvement includes both overall system performance and also individual and collective performance (i.e. specific groupings or cohorts of schools and/or students).

4.9.5 Evaluating interventions – audit findings

The Auditor-General noted variations in the extent to which the Department used the results of program reviews and evaluations. For example, some reviews were part of a formalised continuous improvement approach (Teacher Coaching initiatives) whilst others were more ad hoc (the Early Years programs) with only some recommendations adopted and no evaluation of the ongoing relevance of the programs.\(^{239}\)

The Department’s 2004 review of its Early Years literacy and numeracy programs found that 20 per cent of eligible students were missing out on the Reading Recovery Program and that 25 per cent of students in the Program were not receiving the recommended amount of one-on-one attention.\(^{240}\)

The Auditor-General reported that participation in the Reading Recovery Program had fallen from 76 per cent of primary schools when it was first introduced in 1984 to 61 per cent in 2008 which suggested that many students (more than 3,500 Year One students) with poor literacy skills were not participating in the program. Further, the Department had not identified any alternative one-on-one interventions being provided to those students.\(^{241}\)

In relation to Early Years numeracy, the Department’s Review also recommended that a one-on-one intervention be developed for students with poor numeracy skills. However this recommendation was not adopted.\(^{242}\)

The Auditor-General found that while some of the departmental recommendations had been adopted, the effectiveness and ongoing relevance of the Early Years programs had not been evaluated.\(^{243}\)

\(^{239}\) Victorian Auditor-General’s Office, Literacy and Numeracy Achievement, February 2009, p. 58
\(^{240}\) ibid., p.59
\(^{241}\) ibid.
\(^{242}\) ibid.
\(^{243}\) ibid.
As part of its recommendation on implementing an evidence-based approach to continuous improvement, the Auditor-General recommended that the Department should:\(^{244}\)

» identify and address any issues that may limit the effectiveness of the Early Years programs and one-on-one interventions in schools; and

» continue successful initiatives for as long as feedback from evaluations indicate they are needed.

### 4.9.6 Department response to the audit recommendation

In the Government Response in December 2009, the Department stated that it had undertaken an audit of one-on-one interventions for students not making expected progress in literacy in Year One. The audit found that, while Reading Recovery was the preferred intervention strategy, other alternative programs had been found to have the potential to deliver high quality outcomes.\(^ {245}\)

The Department stated that improvement opportunities had been identified and would be implemented during the next planning and budget cycle focusing on:\(^ {246}\)

» a better understanding of the resources required to deliver effective support; and

» advising schools on the effectiveness of intervention programs and the resources required to implement them.

In addition, the Department stated that the following evaluations would be completed:\(^ {247}\)

» *Teaching and Learning Coaches Initiative* (due for completion in December 2009);

» *Literacy and Numeracy Pilot 2009-10* (due for completion in March 2011); and

» *Literacy Improvement Team Initiative* (due for completion in December 2011).

### 4.9.7 Actions implemented to date

The Committee requested details from the Department about:

» the subsequent developments and outcomes of the audit and also the alternative intervention programs which have been implemented in government schools since the audit was completed;

» the outcomes and actions which had been taken following the evaluations it had highlighted in its 2009 response; and

» any other reviews or evaluations which had been undertaken to inform performance improvement since the audit report was tabled.

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\(^{244}\) ibid., p.62

\(^{245}\) Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2008-09*, December 2009, p.18

\(^{246}\) ibid.

\(^{247}\) ibid.
Outcomes of the audit of one-on-one literacy interventions

The Department advised that the audit had identified the need to support schools by providing further diagnostic assessment tools to facilitate one-on-one interventions and targeted teaching. These tools have been published and are accessible to schools through FUSE which is a Department sponsored digital repository and sharing space. The Department stated that the tools ‘will be placed into the Online Platform that is being developed as part of the Birth to 18 assessment strategy.’ Also individual students requiring Year 1 literacy intervention and a profile of students within the school requiring additional support can be identified through the English Online Interview tool.248

In addition the Department stated that ‘research monographs’ to address the needs of students in literacy intervention were commissioned and published.249

Results of Departmental evaluations undertaken 2009 to 2011

The Department’s 2009 response indicated that the following evaluations were due for completion between December 2009 and December 2011:

» the Teaching and Learning Coaches Initiative;
» the Literacy and Numeracy Pilot 2009-10; and
» the Literacy Improvement Team Initiative.

The Department advised the Committee that the evaluations showed that coaching practices were only effective in improving literacy and numeracy achievement when they are: evidence-based; collaborative; driven by school leadership; and supported teachers in their day-to-day work.250

These findings have been used to inform the Department’s approach as part of the National Partnership on Improving Literacy and Numeracy of which the ‘Coaching Initiative’ is a key initiative.251

The Coaching Initiative involved coaches undertaking focused observations of teaching and learning interactions, and working with teachers to improve classroom practice through evaluation and feedback. Coaches focused on developing teachers as effective independent practitioners able to contribute to high performing communities.252

The guidance material provided on the Department’s website indicates that the coaching is most effective when it is implemented as a whole-of-school approach and requires that schools develop and implement an effective school-wide strategy which.253

» aligns coaching with school improvement planning and accountability;

248 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Literacy and Numeracy Achievement (February 2009), Letter to the Committee, received 9 January, 2014, p.8
249 ibid.
250 ibid.
252 ibid.
253 ibid.
provides organisational structures which facilitate coaching;
» position coaches as respected teacher leaders;
» fosters a team ethos;
» demonstrates a deep interest in the work of the coach; and
» demonstrates professional trust in and respect for the work of the coach.

The website also describes the attributes of an effective coach and the factors which should underpin an appropriate evidence-based pedagogical approach, for example based on an assessment of student need and capability; contributing to a shift in school culture; and building sustainable teacher capacity through collaboration.254

Other departmental evaluations

The Department identified a number of evaluations which it had undertaken since the Auditor-General’s report had been tabled. Some of these have already been mentioned and discussed, such as the Literacy and Numeracy Pilot in Low-SES schools and the Literacy Improvement Teams Initiative. Other evaluations were advised as follows:255

» evaluation of DEECD Literacy Lessons Intervention Pilot;
» evaluation of Improving Literacy and Numeracy National Partnership – an independent evaluation was commissioned by DEECD;
» National Partnerships Primary Mathematics Specialists Initiative – conducted by RMIT University;
» Primary Mathematics and Science Specialists Initiative – interim findings undertaken by the Australian Council for Educational Research (ACER); and
» Energising Science and Mathematics Education in Victoria strategy – consultant review commissioned by DEECD.

The details of the findings of these evaluations and the actions implemented as a result of these evaluations were not provided in the Department’s response to the Committee.

The Department did advise that it had undertaken two significant research projects investigating student achievement, with a particular focus on literacy and numeracy outcomes, through a funded research partnership with the Melbourne Graduate School of Education. These are:256

» Assessment and Learning Partnerships: The influence of teaching practices on student achievement – This research project analysed large scale student data and linked these with teacher strategies, materials and resources. The research found that where improvement occurred in student test scores in numeracy and reading comprehension over a six-month period, improvement was focused at the bottom end of the scale or the development of low-order skills and not at levels of higher-order skills. As a result of these findings, a range of teaching intervention strategies recommended by teaching specialists were identified at

254 ibid.
255 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Literacy and Numeracy Achievement (February 2009), Letter to the Committee, received 9 January, 2014, p.10
256 ibid.
each of the developmental levels and have been made available to teachers to enable improvement monitoring across all levels.

High performing schools in Victoria: literacy and numeracy - This research project investigated strategies schools could use to improve the teaching of literacy and numeracy skills. Ten Victorian schools which consistently achieve exceptional gains in NAPLAN literacy and numeracy scores were compared against other schools with similar demographics and challenges.

Through interviews with the school leadership, the project identified the policies, procedures and practices these schools believed contributed to their success. Generally, a focus on creating a culture of accountability and high expectations was the key factor considered to make the schools more supportive and more successful. The Department states that the most notable strategies across all schools in relation to literacy and numeracy teaching and learning was: the use of literacy and numeracy coaches and consultants, intensive use of student data to monitor progress; and support from differentiated learning and professional learning teams.

The Department advised that:

> The findings from these two research projects ‘strongly support the policy directions being pursued by the Government through the ‘Towards Victoria as Learning Community’ school reform agenda and in particular, the priorities and actions that focus on intentional development of school teachers and leadership as outlined in ‘From New Directions to Action: World class teaching and school leadership’

The results of these two research projects have not been made public as yet.

With respect to Departmental review of programs and interventions to ensure that programs which are successful in terms of their outcomes are continued, the Department advised that it accepted the principle that literacy and numeracy interventions should be sustained for as long as they are required. The Secretary of the Department noted:

> However, this is in the context of the Victorian Government’s commitment to school autonomy, which empowers schools through the Student Resource Package (SRP) to resource and implement those literacy and numeracy interventions that best meet the needs of students.

At the hearing, the Secretary of the Department advised that individual programs are evaluated but the link between those programs and overall system performance as measured through NAPLAN testing and international assessments is not easy to identify. Each program or initiative is only one part of a larger amount of activity all directed at improving performance.

The Committee was advised that the evidence of individual programs having an impact on overall measures is limited, but the evidence as to what works by way of system interventions from around the world is clear. The Secretary advised the Committee that it was not considered likely that the Department would identify

257 ibid.
258 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Letter to the Committee, received 14 April 2014, p.5
one individual program which of itself is making a difference. Rather it is a
collection of many interventions effectively combined, together with improvements
to the fundamental quality of teaching and school leadership, which will make the
difference.\textsuperscript{259}

So whilst the individual impact of programs is reviewed, ‘\textit{the focus at the moment…
is in lifting the performance of the entire system through improved teaching, improved
school leadership as well as better resources into those schools},’\textsuperscript{260}

Further, the Department expects that the new School Performance Framework will
provide a better understanding of what is being achieved in schools and how it is
being achieved.\textsuperscript{261}

### Committee findings and recommendations

The Committee considers that a framework which provides for the collection of
data required to monitor and evaluate programs and initiatives is critical to the
effective use of resources. Such monitoring and evaluation also enables informed
decision-making and continuous improvement through modification and fine
tuning where necessary.

There is limited hard data about which specific activities and programs are having
the most positive and substantial impacts on learning outcomes. In addition, the
Department suggests that it is up to individual schools to determine what suits
their situation best and to continue to implement whatever programs they choose
from the resources made available by the Department. It is not clear whether there
is any systematic oversight and review by the Department of the effectiveness of the
programs being implemented by schools.

The Department has indicated its commitment to system improvement in terms of
student outcomes and is seeking continuous improvement over the next 10 years. A
critical part of achieving this improvement is improved monitoring and evaluation
of what works in terms of desired outcomes and change and what is less effective
and therefore should be abandoned or modified. The Committee suggests this is a
role for the central administrator i.e. the Department.

**FINDING:** The Department of Education and Early Childhood Development has
undertaken some evaluation and research in relation to specific initiatives
aimed at improving literacy and numeracy outcomes. However there does
not appear to be a systematic approach to evaluation which seeks to identify
clear links between programs and initiatives implemented and the outcomes
achieved in schools.

**FINDING:** There appears to be limited analysis and evaluation of both the
system as a whole and of particular groupings of schools and students to
determine where resources and effort has provided the greatest dividends in
terms of student achievement.

\textsuperscript{259} ibid., p.4
\textsuperscript{260} Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, \textit{Transcript of evidence}, Melbourne,
25 February, 2014, p.4
\textsuperscript{261} ibid.
RECOMMENDATION 25: The Department of Education and Early Childhood Development:

(a) establish a structured framework for the system-wide evaluation of major literacy and numeracy support programs and interventions; and

(b) ensure that evaluations undertaken seek, as far as practicable, to directly link interventions and actions with measurable outcomes, supported by hard evidence and data in relation to student achievement.

4.10

Student literacy and numeracy achievement data

Audit Recommendation 7.2: DEECD should improve the value of the student literacy and numeracy achievement data for monitoring progress, by:

» promptly introducing the Victorian Student Number and using it to monitor the progress of individual students and student cohorts, and to evaluate the impact of improvement initiatives

» assessing the literacy and numeracy skills of all students starting Prep

» improving the usefulness of teacher judgement assessments, in conjunction with the VCAA, by more accurately differentiating the range in student progress that is assessed through these judgements

» working with VCAA to review and upgrade the AIM On Demand student assessment system.

In reviewing student achievement data as part of the audit, the Auditor-General noted that the value of student achievement data could be improved to assist in: tracking individual students; collecting early baseline data for individual students; improving the usefulness of teacher assessment data; and improving the tools available for monitoring student progress.

The Auditor-General recommended that DEECD should improve the value of student literacy and numeracy achievement data by putting in place a number of measures, which are discussed below. The Department’s response as provided in the Government Response supported this recommendation in part/principle.

The actions taken in response to each of the following components of the audit recommendation are discussed below:

» introduction of a unique student identifier;

» assessing the literacy and numeracy skills of students commencing school;

» improving the usefulness of teacher judgement assessments; and

» On Demand testing and assessment.

262 Victorian Auditor-General’s Office, Literacy and Numeracy Achievement, February 2009, p.7
263 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2008-09, December 2009, p.19
4.10.1 Introduction of a unique student identifier – audit findings

The Auditor-General’s 2003 audit report, *Improving literacy standards in government schools*, recommended that the Department develop a system of unique student identification to improve the accuracy and integrity of data collection and improve tracking of individual students.\(^{264}\)

The 2009 audit report noted that development of a Victorian Student Number (VSN) had commenced. The Auditor-General recommended that it be finalised as soon as possible.\(^{265}\)

4.10.2 Department response to the audit recommendation

The Department stated that the assignment of VSNs to students in Victorian schools was scheduled to be completed by December 2009 and would be extended to students enrolled in Registered Training Organisations in 2010. Once implemented, the Department stated that it intended to use the number to refine the targeting of resources to improve student outcomes.\(^{266}\)

4.10.3 Actions implemented to date

The Committee requested an update from the Department in relation to the implementation of the VSN across the State school system. The Committee also requested information about how the system is used to monitor and track the progress of individual students and student cohorts and to assess the effectiveness of specific literacy and numeracy interventions.

The Department advised that the Government has legislated the implementation of the VSN for all students in both government and non-government schools in Victoria. The number also applies to all students undertaking vocational education and training (VET) with a TAFE, Registered Training Organisation or Adult and Community Education provider (referred to as VET providers).\(^{267}\)

The data provided through the VSN is used by the Department to reconcile results and participation data in large-scale assessment programs such as NAPLAN.\(^{268}\)

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\(^{264}\) Victorian Auditor-General’s Office, *Literacy and Numeracy Achievement*, February 2009, p.60

\(^{265}\) ibid., p.62

\(^{266}\) Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2008-09*, December 2009, p.19

\(^{267}\) Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, *Literacy and Numeracy Achievement (February 2009)*, Letter to the Committee, received 9 January, 2014, p.9

\(^{268}\) ibid.
The Department also advised that it has recently established an “advanced analytics environment” within its Enterprise Reporting and Business Intelligence (ERBI) data warehouse providing a linked database of government school and student data using the VSN. The first phase of this project has linked the following data:\footnote{269}

- student details;
- enrolments;
- NAPLAN; VCE; VET and VCAL;
- student absence;
- VELS assessment;
- Attitudes to School Survey;
- Staff Opinion Survey; and
- School Entrant Questionnaire.

According to the Department, this facility is expected to enable the Department to undertake sophisticated analysis and to more effectively monitor the literacy and numeracy performance of government schools and student cohorts.\footnote{270}

### 4.10.4 Committee findings and recommendations

The Committee notes the work being undertaken by the Department to improve its analytical capability through its ERBI data warehouse. The improvements being pursued support a more strategic and comprehensive approach to the way the Department combines and integrates its data, however no specific timeframes were referred to for this advanced analytical capability.

\begin{quote}
\textbf{FINDING:} The Committee acknowledges the implementation of the Victorian Student Number by the Department of Education and Early Childhood Development as a unique student identifier from the start of school.
\end{quote}

\begin{quote}
\textbf{FINDING:} The Committee notes the work being undertaken by the Department of Education and Early Childhood Development to enhance the analytical capability of its database.
\end{quote}

\begin{quote}
\textbf{RECOMMENDATION 26:} The Department of Education and Early Childhood Development establish a timetable for the development and implementation of enhancements to analytical capabilities in relation to the Department’s Enterprise Reporting and Business Intelligence data warehouse to ensure timely management and implementation of the project.
\end{quote}

\footnote{269} ibid. 
\footnote{270} ibid.
4.10.5 Assessing the literacy and numeracy skills of students starting school – audit findings

In his 2009 report, the Auditor-General noted actions underway in the Department to introduce new assessments for English for students in Prep to Year Two and numeracy in the early years of schooling. The report stated that DEECD was planning to introduce the new assessments in 2009 and ‘to monitor and analyse the system-level data collected from both assessments.’

The Auditor-General found that whilst the Department was taking action to improve the methods and systems in place to support student assessment, the critical deficiency was the absence of an assessment of the literacy and numeracy skills of students when they commenced school. The Auditor-General recommended that the literacy and numeracy skills of all students be assessed on commencing Prep year level.

4.10.6 Department response to the audit recommendation

The Department indicated in its 2009 response to the audit report that the ‘English Online Interview’ would provide detailed assessment information against the English VELS for students in Prep to Year Two. It was intended that this assessment would be used for Prep to Year Two students in October 2009 and implemented with Prep students at the beginning of 2010.

The Department also stated that the VCAA ‘On Demand Assessment Program’ provides schools with the opportunity of undertaking literacy and/or numeracy assessments for all students from Year Three.

4.10.7 Actions implemented to date

As noted earlier in this Chapter, the Department advised that the English Online Interview is an entry level assessment for all students commencing Prep.

With respect to numeracy assessment, the Department advised that it has supported the uptake of the Maths Online and Fractions and Decimals Online Interview tools.

4.10.8 Committee findings and recommendations

The Committee notes that the entry level assessment in literacy for students commencing school is mandatory but there is no mandatory equivalent assessment for numeracy skills.

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271 Victorian Auditor-General’s Office, Literacy and Numeracy Achievement, February 2009, pp.60-1
272 ibid., p.61
273 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2008-09, December 2009, p.19
274 ibid.
275 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Literacy and Numeracy Achievement (February 2009), Letter to the Committee, received 9 January, 2014, p.9
276 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, handout Secretary’s presentation provided at the public hearing, Melbourne, 25 February 2014, p.15
The Committee considers the assessment and recording of baseline data equally important for both literacy and numeracy achievement and improvement. Early assessment assists in identifying students in need at the earliest opportunity and provides a starting point for assessing improvement and learning gains in achievement from a base point which can also be used for analysis and review across schools and cohorts of students.

**FINDING:** The establishment of baseline assessment data is considered as equally important for the numeracy skills of students entering Prep as the literacy skills of those students.

**FINDING:** As recommended in Section 4.4.4, the Committee considers that the Department of Education and Early Childhood Development should be implementing a program similar to the English Online Interview assessment to assess the numeracy skills of all students starting Prep, as was recommended by the Auditor-General in his 2009 report.

### 4.10.9 Student assessment methods and systems – audit findings

In his report, the Auditor-General reviewed the student assessment data methods and systems used by the Department comprising teacher judgements and VCAA online assessment systems.

**Improving the usefulness of teacher judgement assessments**

The Auditor-General noted that teacher judgement data was the only centrally collected record of achievement available for all students from Prep through to Year 10, and the main source of reporting student progress to parents.

The Auditor-General found that teacher judgements did not have continuous data sets as the curriculum had changed twice over the period 1998 to 2007 and the way in which numeracy was assessed had also changed during this period. The report also noted that teacher judgements were not made against standardised criteria and:

> …have a very narrow data distribution, indicating that they were made against insufficient curriculum progression points for accurately differentiating student achievement….Moreover, the progress of the highest- and lowest-achieving students is not measured well as teachers tend to be conservative in their judgements.

The audit concluded that the usefulness of teacher assessment data (together with other assessment tools) could be improved to provide greater differentiation of the information on student progress and achievement and to provide teachers and schools with the necessary information to diagnose and identify learning needs and to more effectively target effort and resources.

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277 Victorian Auditor-General’s Office, Literacy and Numeracy Achievement, February 2009, p.61
278 ibid., p.27
279 ibid., p.61
Achievement Improvement Monitor (AIM) On Demand assessment system

The Auditor-General noted that VCAA’s online assessment system was used by schools for diagnostic assessment of a student’s learning needs in literacy and numeracy and was being used by the Department to evaluate the progress of students in literacy and numeracy teacher coaching support initiatives.

Whilst useful for these purposes, the Auditor-General noted that the existing system had been developed ten years prior and considered that the relevance and usefulness of the system could be improved through a ‘review and upgrade of its purpose, content and software.’

Department response to the audit recommendation

The Department’s response as included in the Government Response partially supported the audit recommendations in relation to improving student assessment methods.

Improving the usefulness of teacher judgement assessments

In its 2009 response the Department stated that VCAA supports teacher judgements through a variety of tests available through its On Demand Assessment program. VCAA have also introduced progress tests to help teachers to conduct assessments to complement judgements made through classroom assessments. The Department states that both the progress tests and computer adaptive tests can support teachers in accurately differentiating student performance.

Achievement Improvement Monitor (AIM) On Demand assessment system

In relation to the upgrade of VCAA online assessment system, the Department responded that VCAA had established an On Demand Project Board comprising staff from both VCAA and the Department. The main purpose of the new Board will be to ensure the continued development of the On Demand Assessment Program.

The Department also advised that VCAA had completed an independent evaluation of the AIM On Demand tests and one of the recommendations of the evaluation was that changes be made to the software to enhance the use of the program in schools. The response indicated that a business analyst had been engaged to investigate the technology options available to improve the system.

280 ibid.
281 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2008-09, December 2009, p.19
282 ibid.
283 ibid., pp.19-20
4.10.11   

Actions implemented to date

**Improving the usefulness of teacher judgement assessments**

The Committee asked the Department to provide an update of any further actions which had been undertaken to improve the usefulness of teacher judgement data for students from Prep through to Year 10 in order to track the literacy and numeracy performance of individual students through their schooling.

The Department advised that in 2013 the Victorian Essential Learning Standards (VELS) were replaced by AusVELS, the new Australian Curriculum standards. AusVELS is being progressively implemented taking account of Victorian priorities and approaches to teaching and learning. AusVELS comprises an eleven level structure over Prep to Year 10 and has been designed to ensure that schools and teachers are not required to manage two different curriculum and reporting frameworks during its implementation.  

In addition, the Department has established developmental continua for English, Mathematics and EAL (English as an Additional Language) to assist teachers to identify the range of student learning levels in their classes and also to monitor individual student progress towards specific AusVELS achievement standards.

The Department advised that teachers regularly monitor the performance of individual students using a range of methodologies including VCAA on demand testing, conferencing, running records, moderation of samples of work with their peers and third party assessments. Teachers consolidate these assessments into a professional judgement of learning attainment against the AusVELS standards at the end of each semester. These judgements are used to vertically track the progress of students through their schooling.

The Department advised that these assessments all assist teachers to accurately differentiate student performance and that ‘teachers are best placed to make an on balance judgement about student performance.’

**On Demand testing and assessment**

The Committee asked the Department to provide an update on the outcomes of the review of the On Demand Assessment Program and to advise whether any changes had been implemented to make the Program more useful to teachers and more effective as an assessment tool for student performance.

With respect to the review and upgrade of VCAA On Demand testing, the Department advised that the testing regime had been recalibrated to the new AusVELS achievement scale. In addition, computer adaptive tests have been extended to include items for Year 2 and Year 10 students which provide a useful resource for teachers.

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284 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Literacy and Numeracy Achievement (February 2009), Letter to the Committee, received 9 January, 2014, p.9
286 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Literacy and Numeracy Achievement (February 2009), Letter to the Committee, received 9 January, 2014, p.9
287 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, handout Secretary's presentation provided at the public hearing, Melbourne, 25 February 2014, p.14
288 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Literacy and Numeracy Achievement (February 2009), Letter to the Committee, received 9 January, 2014, p.9
4.10.12 Committee findings and recommendations

As already noted throughout this Chapter, the Department has indicated that there are numerous online assessment tools available to teachers to make assessments about the literacy and numeracy skills of individual students at any point in time. The Department has indicated that teachers use these assessment tools and other techniques to make professional judgements about student progress for the purpose of formal reporting at the end of each semester.

The type of student achievement data collected, and the controls over the accuracy and integrity of the data collected, are integral to the effective monitoring and tracking of student progress and educational outcomes.

The Committee considers that the implementation of the VSN, the development and implementation of AusVELS, the development of learning continua for English and Mathematics, NAPLAN testing and the enhancements which the Department is making to its reporting systems should allow adequate structures for the collection and analysis of student achievement data in Victorian government schools in a variety of formats and combinations.

The Department collects a wide array of information about student achievement. Most important is how the information is sorted, collated and analysed to make meaningful assessments about achievement which can then be used to effectively allocate resources and to steer the organisation towards its intended goals.

The Committee considers that in order to effectively measure performance and implement a continuous improvement approach which is purposeful and meaningful requires the Department to:

» set clear literacy and numeracy achievement objectives and targets;

» identify the critical data required to evaluate the effectiveness of major improvement programs and interventions; and

» develop regular and systematic performance reporting to enable:

› results to be monitored and for modifications or changes to be made where necessary;

› targeted interventions to be effectively monitored and assessed; and

› literacy and numeracy support programs and interventions to be sustained for as long as results support their continuation.

FINDING: The Department of Education and Early Childhood Development has an important role to play in managing the government school sector in Victoria not only as 'system architect' but also as 'navigator and chief superintendent' in oversighting the performance of the system in working towards the achievement of its ten-year vision for education in Victoria.

FINDING: The achievement of long-term visions require interim targets and milestones which can be monitored to track progress made and make adjustments where necessary.
FINDING: The Department of Education and Early Childhood Development has the capability to collect all the necessary data upon which the literacy and numeracy performance of students in government schools can be measured and assessed. What is required is a systematic approach to monitoring, evaluation and performance assessment.

RECOMMENDATION 27: In order to effectively measure performance and implement a more strategic continuous improvement approach, the Department of Education and Early Childhood Development needs to:

(a) set clear literacy and numeracy achievement objectives and targets;
(b) identify the critical data required to evaluate the effectiveness of major improvement programs and interventions; and
(c) develop regular and systematic performance reporting to enable:
   • results to be monitored and for modifications or changes to be made where necessary;
   • targeted interventions to be effectively monitored and assessed; and
   • literacy and numeracy support programs and interventions to be sustained for as long as results support their continuation.

RECOMMENDATION 28: In light of the range of initiatives and reforms being implemented by the Department of Education and Early Childhood Development to drive performance and achieve improved educational outcomes in Victoria, the Auditor-General consider undertaking an audit of the Department’s progress at regular intervals (say every three years: 2016-17; 2019-20; and 2022-23).

4.11 Committee’s overall assessment of the progress made in implementing the audit recommendations

The evidence provided to the Committee through this follow-up Inquiry indicates that literacy and numeracy skills are considered fundamental by the Department and ‘strong performance is essential to increasing the capacity of the Victorian workforce and to supporting a vibrant economy.’

The Committee found that the Department has continued to implement a range of initiatives and programs aimed at improving literacy and numeracy achievement in Victorian schools through improved teacher capacity, improved student assessment, and targeted intervention strategies and programs. A number of these actions have addressed the issues and recommendations identified in the Auditor-General’s 2009 report. Of most significance are the outcomes of these continued efforts in terms of student academic achievement.

289 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, handout Secretary’s presentation provided at the public hearing, Melbourne, 25 February 2014, p.2
Significant work has taken place in the Department over the last couple of years in relation to setting new policy directions and system reform. Policy documents issued by the Department in November 2012 and October 2013 articulate the main goal for the Victorian education system to be performing in the global top tier in the next ten years. The Department aims to achieve large gains in literacy and numeracy performance over this period.

The Committee was advised that, in pursuing this goal, individual school principals will have greater autonomy to determine how best to improve their own school performance with the Department taking the role of 'system architect, centre of excellence and manager of system performance.'

The Committee notes that the Department has a significant amount of data available in relation to student achievement and individual school performance in Victoria. The Department indicated that it is in the process of implementing a revised School Performance Framework.

The Committee considers that in significantly lifting Victoria’s educational performance over the next ten years, DEECD needs to ensure that it:

» clearly articulates literacy and numeracy achievement objectives, progressive targets and outcomes for literacy and numeracy achievement in Victorian schools;
» collects and reviews relevant performance data;
» undertakes analysis and investigation of discrepancies, unexpected deviations or particularly poor performance, so that effective remedial assistance or action can be implemented where necessary and in a timely manner; and
» undertakes regular evaluation to ensure that major literacy and numeracy programs and initiatives are effective in achieving their specific objectives and improving outcomes for targeted students.

290 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, handout Secretary’s presentation provided at the public hearing, Melbourne, 25 February 2014, p.18
CHAPTER 5

MAINTAINING THE INTEGRITY AND CONFIDENTIALITY OF PERSONAL INFORMATION

5.1

Introduction

The public sector regularly gathers and uses personal information as part of its day-to-day activities. The Auditor-General’s 2009 report, *Maintaining the Integrity and Confidentiality of Personal Information*, examined whether the confidentiality and integrity of personal information was being adequately protected by the Victorian public sector.

Personal information is information about an individual which can be used to identify that person. Personal information can be stored and communicated in many forms, including hardcopy and electronic formats. Public sector agencies must put effective information security measures in place to safeguard the confidentiality and integrity of this information.

The audit focused on the role played by central agencies in managing information security policy across the public sector and also examined whether three selected departments had put in place and complied with all relevant information security measures.

At the time of the Auditor-General’s report, the Department of Treasury and Finance (DTF) and the Department of Premier and Cabinet (DPC) had responsibility for information security matters within the Victorian public sector. Responsibility for information security policy was transferred to the Department of State Development, Business and Innovation (DSDBI) as part of machinery of government changes in July 2013.

The Auditor-General completed a related performance audit on the whole of Victorian Government (WoVG) security of ICT systems and data in November 2013. Specifically, the *WoVG Information Security Management Framework* performance audit evaluated the impact of the new information security policy, standards and practices on the Victorian Government’s ICT systems and data. This recent audit helped to inform the Committee’s assessment of the progress made by public sector agencies in responding to the Auditor-General’s original recommendations and findings regarding the security of personal information.

This chapter examines the actions taken by DSDBI and Victorian Government departments in response to the Auditor-General’s report. Due to the potentially sensitive nature of the subject matter, the Committee has provided general information about the information security practices of individual agencies where appropriate, rather than providing a detailed description of the practices. For the same reason, the Committee has also exercised its own discretion to not identify some information sources.

5.2 Audit findings and recommendations

The Auditor-General’s report had a strong focus on the governance arrangements for information security. The Auditor-General identified shortcomings with the level of central direction and coordination being provided with respect to information security across the public sector. In response, the Auditor-General found that the central agencies responsible for information security needed to play a stronger leadership role.\(^{293}\)

The Auditor-General’s report also uncovered weaknesses in the protection of personal information within the three departments considered for the purpose of the audit. The Auditor-General partly attributed this to the fact that the information security policies, standards and guidance in place across the public sector were incomplete and largely confined to ICT security measures.\(^{294}\)

The Auditor-General made a total of three recommendations which covered the central agency governance of information security and also the governance and protections put in place by individual agencies. Key elements of these recommendations included:\(^{295}\)

- mandating whole-of-government information security policies and standards;
- monitoring the implementation of, and the compliance with, information security policies and standards;
- ensuring all public sector agencies have assigned responsibility for information security to persons at appropriate levels; and
- putting in place a range of measures within each agency to protect personal information.

5.3 Recent developments

The Victorian Government introduced the Privacy and Data Protection Bill 2014 into the Parliament in June 2014 in order to ‘strengthen the protection of individuals’ private information held by the Victorian public sector’.\(^{296}\)

This Bill proposes significant changes to the current information security arrangements. It seeks to create a new protective data security regime, which would replace the existing information security policy, standards and guidelines discussed in this chapter.

Of note, the Attorney-General, the Hon. Robert Clark MP, stated that the Bill:\(^{297}\)

\[\ldots\text{addresses a number of the data security issues identified by the Victorian Auditor-General in his 2009 Report on Maintaining the Integrity and Confidentiality of Personal Information, including measures to ensure that government handles personal information securely and consistently.}\]

\(^{293}\) Victorian Auditor-General’s Office, Maintaining the Integrity and Confidentiality of Personal Information, November 2009, pp.viii-ix

\(^{294}\) ibid., pp.vii-viii

\(^{295}\) ibid., pp.x-xi

\(^{296}\) The Hon. Robert Clark MP, Attorney-General, New Framework for privacy and data protection and information sharing (Media release, 12 June 2014)

\(^{297}\) ibid.
As the Bill was introduced after the Committee had gathered its evidence for the Inquiry, the departmental responses set out in this chapter reflect the information security arrangements at the time the evidence was collected, rather than under these new arrangements. Where relevant, the Committee has described a number of the proposed reforms contained in the Bill.

At the time the Committee adopted this report, the Bill had been passed by the Parliament and was awaiting Royal Assent.

5.4 Central agency governance

Recommendation one of the Auditor-General’s report concerned the management of information security across the Victorian public sector by DTF and DPC. This recommendation consisted of a number of elements, each of which are considered separately below. Both DTF and DPC supported this broad recommendation in the Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10 (the Government Response). 298

The Auditor-General did not comment specifically on the progress made with respect to implementing each element of this first recommendation. Instead, the Victorian Auditor-General’s Office observed that there had been some maturation of the information security arrangements across the Victorian public sector. However, the Office noted that a number of shortcomings still existed, particularly in the areas of compliance monitoring and staff training. 299

5.4.1 Role clarity on information security

Audit Recommendation 1.1: The Department of Treasury and Finance and the Department of Premier and Cabinet should clarify their respective roles and responsibilities for information security, to better coordinate their activities, and to address the functions of the disbanded OCIO and its supporting committees. 300

At the time the Auditor-General conducted the audit, DTF was responsible for information security policy, standards and guidelines. It gained responsibility for this area following the abolishment of the Office of the Chief Information Officer (OCIO) in 2006. 301 DPC also had some responsibilities for information security at the time of the audit report.

The Auditor-General’s report found that it was not clear which department had overall responsibility for information security. In response, the report recommended that DTF and DPC clarify their roles and responsibilities with respect to information security and ensure that all aspects of information security which had been previously carried out by the OCIO be addressed. 302

298 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, pp 141, 218
299 Ms Ellen Holland, Assistant Auditor-General, Financial Audit, Victorian Auditor-General’s Office, Transcript of evidence, Melbourne, 27 February 2014, p.8
300 Victorian Auditor-General’s Office, Maintaining the Integrity and Confidentiality of Personal Information, November 2009, p.x
301 ibid., p.6
302 ibid., p.x
Department response to the audit recommendation

DTF and DPC accepted this aspect of the recommendation in the Auditor-General’s report and noted that they would review their respective roles.\(^303\) In the Government Response, both departments stated that they were working to clarify their respective responsibilities.\(^304\)

Actions implemented to date

In July 2013, responsibility for information security policy was transferred to the Minister for Technology.\(^305\) DSDBI is the lead public sector agency with respect to information security and the Department’s role includes:\(^306\)

- being responsible for the information security policy, standards and guidelines;
- providing information security advice and guidance to agencies;
- helping to distribute the cyber alerts issued by the Commonwealth Cyber Security Operations Centre to Victorian government agencies; and
- tabling annual reports on information security with the relevant governance bodies.

DSDBI has also put in place three governance bodies to oversee information security across the Victorian public sector, namely:\(^307\)

- the Information Security Advisory Group, a forum designed to consider and review security matters;
- the Chief Information Officers Council, a forum for discussing broader security matters; and
- the Deputy Secretaries Sub-Committee, a forum responsible for overseeing the information security program.

There are also a number of related information security areas for which responsibility has been assigned within the Victorian Government. In particular, the Attorney-General is responsible for overseeing the Information Privacy Act 2000, the Minister for Police and Emergency Services is responsible for overseeing the Commissioner for Law Enforcement Data Security Act 2005 and the Premier has a number of personnel security functions.\(^308\)

Future developments

The Privacy and Data Protection Bill 2014 proposes a number of changes to the current allocation of roles and responsibilities for information security within the Victorian Government.

\(^{303}\) ibid., p.xiv
\(^{304}\) Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, pp.141, 218
\(^{306}\) Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 11 December 2013, p.1
\(^{307}\) ibid.
\(^{308}\) The Hon. Robert Clark MP, Attorney-General, Letter to the Committee, received 7 August 2014, Attachment, p.2
Under the new regime, the Department of Justice would be the lead agency for the data security framework.\textsuperscript{309} The new Commissioner for Privacy and Data Protection, which sits under the Attorney-General’s portfolio, will have ‘responsibility for the oversight of the privacy and data protection regime in Victoria’.\textsuperscript{310} This includes responsibility for developing the new protective data security framework, discussed below in Section 5.4.2.

DSDBI would retain its role implementing Victoria’s Cyber Security Strategy, which is currently under development. DSDBI would also be responsible for implementing ‘whole-of-government operational responses to the data security framework, particularly focused on cyber security’.\textsuperscript{311}

The Department of Premier and Cabinet would retain its personnel security functions.\textsuperscript{312}

\textbf{Committee findings and recommendations}

The Committee notes that the roles and responsibilities for information security in the Victorian Government were clarified following the release of the Auditor-General’s report. At the time the Committee collected its evidence, DSDBI was the lead agency responsible for the information security policy, standards and guidelines. A number of discrete policy areas and functions relating to information security also sit within other portfolios.

The Committee did not have sufficient information to be able to make a full assessment of whether DSDBI has fully addressed the functions of the former OCIO. However, the Committee notes that the Department has put in place a number of governance structures to oversee and coordinate information security across the Victorian public sector.

The Committee notes that the roles and responsibilities for information security will undergo a number of changes upon the enactment of the Privacy and Data Protection Bill 2014. In light of this, the Committee encourages the Department of Justice to ensure that the roles and responsibilities for information security are clearly delineated under the new arrangements.

\textbf{FINDING:} The roles and responsibilities for information security across the Victorian public sector were clarified following the Auditor-General’s report. The Department of State Development, Business and Innovation is currently responsible for the information security policy, guidelines and standards.

\textbf{FINDING:} The roles and responsibilities for information security will undergo changes due to the introduction of the Privacy and Data Protection Bill 2014.

\begin{footnotesize}
\begin{enumerate}
\item ibid.
\item The Hon. Robert Clark MP, Attorney-General, \textit{New Framework for privacy and data protection and information sharing} (Media release, 12 June 2014)
\item The Hon. Robert Clark MP, Attorney-General, Letter to the Committee, received 7 August 2014, Attachment, p.2
\item ibid.
\end{enumerate}
\end{footnotesize}
RECOMMENDATION 29: The Department of Justice ensure that the roles and responsibilities for information security are clearly delineated following the enactment of the Privacy and Data Protection Bill 2014.

5.4.2 Information security policy, standards and guidance

Audit Recommendation 1.2: The Department of Treasury and Finance and the Department of Premier and Cabinet should expedite the release of a comprehensive, integrated suite of standards and guidance that address all aspects of information security including protective security, and which are based on risk and relevant to local conditions.\(^{313}\)

At the time the audit was undertaken, the relevant policy providing guidance on information security across the Victorian public sector was the 2005 *Information Security Management Policy* (the 2005 Policy). The Auditor-General criticised this policy for being too narrowly confined to ICT security.\(^{314}\)

The 2005 Policy was also intended to be supported by a range of information security standards. However, the Auditor-General’s report identified that a full suite of these policies and standards had not been put in place and this had resulted in agencies operating with insufficient guidance.\(^{315}\)

As a result of these findings, the Auditor-General recommended that a comprehensive set of information standards and guidance be released as soon as possible and that they address all aspects of information security.\(^{316}\)

**Department response to the audit recommendation**

DTF and DPC did not expressly state whether they accepted this aspect of the recommendation in the initial response to the Auditor-General’s report. However, the Department noted that it would continue to review the Victorian Government’s information security strategy against relevant information security standards.\(^{317}\)

**Actions implemented to date**

DTF released a new information security policy, standards and guidelines in late 2012. The key documents are the *Information Security Management Policy* (SEC POL 01) and the *Information Security Management Framework* (SEC STD 01).\(^{318}\)

\(^{313}\) Victorian Auditor-General’s Office, *Maintaining the Integrity and Confidentiality of Personal Information*, November 2009, p.x

\(^{314}\) ibid., p.7

\(^{315}\) ibid., p.11

\(^{316}\) ibid., p.x

\(^{317}\) ibid., p.xiv

The new regime requires specified agencies to develop their own Information Security Management Framework. The "Information Security Management Framework" also provides that agencies should progressively work towards using the security frameworks in place at the Australian Government level, as adapted to the Victorian situation. These Australian standards include the "Information Security Manual," which is developed by the Defence Signals Directorate.

DSDBI informed the Committee that all relevant agencies have implemented the Information Security Management Framework. However, it noted that there are varying levels of "maturity and consistency" of the security policies, standards and guidelines between agencies.

Importantly, the Department noted that it is a matter for specified agencies to make a risk-based assessment about what information security controls they implement within their agency. Mr Jeff Warren, Senior Information Security Specialist at DSDBI explained:

...the decision by each agency to make investments and increase their maturity is up to each agency, based on the risk management framework. The compliance model is not about, 'You must implement a certain control.' It is a risk-based decision based on each agency, with their executives making that decision as to where they invest and what controls they view as adequate.

Protective security aspects of the standards

The Information Security Management Policy states that the information policy, standards and guidelines includes the 'related personnel security and physical security' aspects of information security. DSDBI also noted that the Australian Government's "Information Security Manual" contains detailed information security controls in this respect.

The Department explained to the Committee that it is only responsible for the information security aspects of protective security in the Victorian public sector and that there is a range of other arrangements in place with respect to the broader area of protective security. These arrangements include:

- physical security policy and standards, which are overseen by DTF;
- Australian Government security clearances, which are managed by DPC;
- two public sector employee codes of conduct which include information protection obligations, overseen by the Victorian Public Sector Commission; and

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320 ibid., p.2
321 Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 11 December 2013, p.4
322 Mr Jeff Warren, Senior Information Security Specialist, Department of State Development, Business and Innovation, Transcript of evidence, Melbourne, 24 February 2014, p.5
323 ibid.
325 Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 4 April 2014, Attachment B, p.5
326 ibid.
327 ibid.
» the *Information Privacy Act 2000* and the *Health Records Act 2001*, which contain legally binding security obligations overseen by the Health Services Commissioner and the Victorian Privacy Commissioner.

The Committee sought information from departments about what protective security measures had been put in place to protect personal information and found a range of measures being employed by different departments. These included physical access controls, criminal record checking as part of the pre-employment process and clean desk policies.  

### Future developments

The Committee notes that the Privacy and Data Protection Bill 2014 proposes the creation of a new Victorian protective data security framework and related standards. These are designed to replace the existing information security policy, standards and guidelines.

The Attorney-General told the Committee that five ‘interdependent elements underpin protective data security’, namely governance, information security, ICT security, personnel security and physical security.

The Attorney-General also noted that it was anticipated that the new Victorian protective data security standards will consist of the following components:

» standards that set out a *high level statement explaining what the key principle is*;

» a statement of objectives which explain the intent of the standards;

» controls providing advice on how to meet the standards; and

» guides and a tool kit to assist public sector agencies to implement the standards.

The new Commissioner for Privacy and Data Protection is responsible under the legislation for developing this framework and issuing the standards. The Bill provides that the framework, must be ‘as consistent as possible’ with prescribed information security standards.

### Committee findings and recommendations

The Committee welcomes the progress that has been made since the Auditor-General’s report in introducing a comprehensive information security framework for the Victorian public sector. The Committee notes that the current framework is risk-based and incorporates protective security measures related to information security.

The current information security policy, standards and guidelines is intended to be replaced by the Victorian protective data security framework and standards as part of the reforms in the Privacy and Data Protection Bill 2014. The Committee

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328 See for example Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 4 April 2014, Attachment B, p.5; Dr Pradeep Philip, Secretary, Department of Health, Letter to the Committee, received 8 April 2014, Attachment A, pp.1-2; Mr Greg Wilson, Secretary, Department of Justice, Letter to the Committee, received 8 April 2014, Attachment D, pp.2-3
329 The Hon. Robert Clark MP, Attorney-General, Letter to the Committee, received 7 August 2014, Attachment, p.1
330 ibid.
331 ibid.
332 Privacy and Data Protection Bill 2014 (Vic), s.85(2)
understands that the new regime encompasses all aspects of data protection security, consistent with the Auditor-General’s recommendation.

Given the changes that are proposed, the Committee encourages the Commissioner for Privacy and Data Protection to ensure that public sector agencies are provided effective guidance and support to implement the new regime.

**FINDING:** An information security policy and accompanying standards and guidelines was introduced in late 2012. However, the Victorian Government is proposing to replace the existing policy, standards and guidelines with a new Victorian protective data security regime.

**RECOMMENDATION 30:** The Commissioner for Privacy and Data Protection ensure that public sector agencies are provided with adequate guidance and support to implement the proposed Victorian protective data security regime.

5.4.3 Application of information security policies

Audit Recommendation 1.3: The Department of Treasury and Finance and the Department of Premier and Cabinet should mandate that all public sector agencies adopt the whole-of-government information security policies and standards.333

The Auditor-General identified that the 2005 Policy only covered 11 Victorian Government departments and four inner budget agencies.334 The report identified that this limited application of the policy had reduced its overall benefit and accordingly the Auditor-General recommended that the information security policies and standards should be mandated across all public sector agencies.335

**Department response to the audit recommendation**

DTF and DPC did not expressly state whether they accepted this recommendation in their response in the Auditor-General’s report. Rather, it was noted that the Victorian Government Risk Management Framework required all agencies to manage risks effectively and that a new Ministerial Direction had mandated a risk-based approach to information security.336

**Actions implemented to date**

The current information security policy, standards and guidelines apply to 20 Victorian Government agencies.337 All Victorian Government departments are covered, as well as selected agencies.

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333 Victorian Auditor-General’s Office, Maintaining the Integrity and Confidentiality of Personal Information, November 2009, p.x.
334 ibid., p.7
335 ibid., pp.x,7
336 ibid., p.xiv
The 2013 WoVG Information Security Management Framework audit report reconsidered this issue. It identified that the outer agencies that are not required to comply with the information security policy and standards were not receiving specific guidance on information security matters from DSDBI. The Auditor-General stated that this conflicted with recommendations made in the 2009 report.338

In response, the Auditor-General recommended that DSDBI extend the application of the information security policy and standards to public sector agencies in cases ‘where the consequences of a security failure are significant for the state’.339

DSDBI accepted this recommendation and has agreed to expand the number of agencies covered by the information security policy and standards.340 The Department informed the Committee that it would work with DPC during 2014 to identify the additional agencies to be covered by the policy and standards.341

Future developments

The Attorney-General told the Committee that the proposed protective data security regime applies to the whole of Victorian Government, with a limited number of exceptions.342 Those bodies excluded from the regime include councils, universities and public hospitals.343

Committee findings and recommendations

The Committee notes that the proposed protective data security regime will apply to all public sector agencies, with a number of limited exceptions.

**FINDING:** At present, 20 public sector agencies are subject to the information security policy and standards currently in place. However, it is proposed that the new protective data security regime will apply to all public sector agencies, with a limited number of exceptions.

5.4.4 Oversight of information security

Audit Recommendation 1.4: *The Department of Treasury and Finance and the Department of Premier and Cabinet should establish clear oversight to monitor implementation of information security policies and standards and compliance with the reporting requirements.*344

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338 Victorian Auditor-General’s Office, WoVG Information Security Management Framework, November 2013, p.x
339 ibid., p.7
340 Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 11 December 2013, p.4
341 Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 4 April 2014, Attachment B, p.1
342 The Hon. Robert Clark MP, Attorney-General, Letter to the Committee, received 7 August 2014, Attachment, p.4
343 Privacy and Data Protection Bill 2014, s.84(1)
344 Victorian Auditor-General’s Office, Maintaining the Integrity and Confidentiality of Personal Information, November 2009, p.8
The Auditor-General found that there had been ‘no effective oversight and coordination of information security’ across the public sector. In response, the Auditor-General recommended that an oversight arrangement be put in place to monitor the implementation of the information security policy and standards, as well as assess compliance with the reporting requirements.

Department response to the audit recommendation

DTF and DPC agreed with this recommendation in the Auditor-General’s report and noted that the current reporting arrangements would be reviewed in light of the matters raised by the Auditor-General.

Actions implemented to date

DSDBI told the Committee that the department ‘does not have a compliance role’ and that it ‘does not make an assessment as to the adequacy of each agency’s individual controls’. Instead, agencies are required to annually complete a self-assessment compliance report detailing compliance with the Information Security Management Framework and any planned improvements to information security.

DSDBI receives a summary of these self-assessment compliance reports and submits these to both the Information Security Advisory Group and the Chief Information Officers Council. The Department reports any failures to submit a report to the Chief Information Officers Council and to the Deputy Secretaries Sub-Committee.

The Auditor-General reviewed selected self-assessment reports as part of the WoVG Information Security Management Framework audit report and identified a number of weaknesses in both the template of the report and the practices of agencies. For example, the Auditor-General found that the questions in the template were broad and he also noted that not all agencies covered by the Framework had submitted their reports.

Future developments

The Committee notes that the Privacy and Data Protection Bill 2014 proposes that the Commissioner for Privacy and Data Protection will be responsible for implementing and monitoring compliance with respect to protective data security. The legislation provides that the Commissioner may ‘conduct monitoring and assurance activities, including audits, to ascertain compliance with data security standards’.

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345 ibid., p.13
346 ibid., p.x
347 ibid., p.xv
348 Mr Jeff Warren, Senior Information Security Specialist, Department of State Development, Business and Innovation, Transcript of evidence, Melbourne, 24 February 2014, p.6
349 Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 11 December 2013, p.4
350 Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 11 December 2013, p.4; Mr Jeff Warren, Senior Information Security Specialist, Department of State Development, Business and Innovation, Transcript of evidence, Melbourne, 24 February 2014, p.6
352 Privacy and Data Protection Bill 2014, s.103(2)(c)
Committee findings and recommendations

The Committee notes that the current information security policy, standards and guidelines rely on agencies to self-assess their compliance with the information security policy and standards. DSDBI does not have an active compliance role with respect to the policy and standards.

The Committee received evidence from Mr David Watts, the Acting Privacy Commissioner and the Victorian Commissioner for Law Enforcement Data Security, about monitoring and oversight with respect to information security. He observed that agency self-assessment of these matters could be problematic, depending on the level of risk posed by agencies.353

The Committee considers that stronger monitoring and oversight is desirable for agencies that hold large amounts of sensitive personal information or for agencies with identified weaknesses in their information security practices. To this end, the Committee welcomes the proposed monitoring role for the Commissioner for Privacy and Data Protection. The Committee considers that this reform promises to provide greater assurance that information security is being effectively addressed within the Victorian public sector.

**FINDING:** The Department of State Development, Business and Innovation does not have an active role in monitoring agency compliance with the information security policy and standards. Instead, individual agencies must annually complete a self-assessment compliance report.

**FINDING:** The Committee considers that the proposed monitoring role for the Privacy and Data Protection Commissioner with respect to the Victorian protective data security regime will enhance the oversight arrangements in place for information security.

5.4.5 Communicating emerging risks

Audit Recommendation 1.5: *The Department of Treasury and Finance and the Department of Premier and Cabinet should establish a process to identify and communicate emerging information security risks to the sector.*354

The Auditor-General noted that DTF and DPC had failed in their responsibility to provide policy advice on emerging risks regarding information security in government. In response to this finding, the Auditor-General recommended that a process be put in place to identify and communicate these emerging risks across the public sector.355

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353 Mr David Watts, A/g Privacy Commissioner and Victorian Commissioner for Law Enforcement Data Security, *Transcript of evidence*, Melbourne, 24 February 2014, pp.4-5
354 Victorian Auditor-General’s Office, *Maintaining the Integrity and Confidentiality of Personal Information*, November 2009, p.x
355 ibid., pp.viii, x
Department response to the audit recommendation

DTF and DPC accepted the need to strengthen the existing forums which were in place to consider emerging information security risks.\textsuperscript{356} In the Government Response, DTF advised that it had established an Information Security Advisory Group made up of inner-budget departments and agencies and that the Group’s role included acting as a ‘central clearing house for emerging information security issues and risks.’\textsuperscript{357}

Actions implemented to date

DSDBI advised the Committee that the Information Security Advisory Group continues to play a role in identifying and communicating emerging information security risks to public sector agencies. The Group meets 10 times per year and has a standing agenda item for discussing information security threats, alerts and issues.\textsuperscript{358}

In addition, the Department receives regular cyber alerts from Australian Government national security agencies and distributes these alerts to specified agencies in accordance with set guidelines.\textsuperscript{359} However, the Auditor-General’s WoVG Information Security Management Framework report noted that there was a lack of communication to outer WoVG agencies about information security matters.\textsuperscript{360}

Future developments

The Attorney-General told the Committee that although the Privacy and Data Protection Bill did not expressly establish a process for identifying and communicating emerging information security risks, it was expected that this issue would be considered by the new Commissioner for Privacy and Data Protection.\textsuperscript{361}

Committee findings and recommendations

The Committee notes that the Information Security Advisory Group provides a regular forum in which emerging information security threats are identified and communicated to departments and agencies that participate in this Group.

The Committee notes that it will be a matter for the proposed Commissioner for Privacy and Data Protection to consider how emerging threats will be communicated to all public sector agencies under the new protective data security regime.

\textbf{FINDING:} Emerging information security threats are currently identified and communicated to those public sector agencies that participate in the Information Security Advisory Group.

\textsuperscript{356} ibid., p.xv
\textsuperscript{357} Department of Treasury and Finance, \textit{Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10}, October 2010, p.218
\textsuperscript{358} Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 11 December 2013, p.6
\textsuperscript{359} Victorian Auditor-General’s Office, \textit{WoVG Information Security Management Framework}, November 2013, p.17
\textsuperscript{360} ibid., p.10
\textsuperscript{361} The Hon. Robert Clark MP, Attorney-General, Letter to the Committee, received 7 August 2014, Attachment, p.4
5.5 Departmental governance

Audit Recommendation 2: All public sector agencies should assign responsibility for information security practices both to senior management, and to line management at appropriate levels throughout the organisation.362

The Auditor-General examined the governance structures that had been put in place by the selected departments to see whether they provided sufficient protection for personal information.

The Auditor-General found that the governance of information security within these departments could be improved and recommended that all departments allocate responsibility for information security to appropriate senior management and line management levels throughout the organisation.363

5.5.1 Department response to the audit recommendation

DTF and DPC agreed in principle with this recommendation at the time of the Auditor-General’s report and noted that the implementation of the recommendation would be informed by the maturity levels within departments and their own assessments of the risk within their organisation.364

All departments supported this recommendation in the Government Response.365

5.5.2 Actions implemented to date

The Committee sought information from all nine Victorian government departments regarding their departmental governance structures for overseeing information security. All departments had a governance structure in place. However, a number of departments were reviewing their current structure, or were in the process of transitioning to new arrangements.

Most departments have one or more committees responsible for overseeing information security and all departments have allocated responsibility for information security to senior management within their organisation. Table 5.1 below provides an overview of the governance structures in the departments.

Most departments also confirmed to the Committee that roles and responsibilities for information security practices have been assigned to line management positions throughout their departments.366

362 Victorian Auditor-General’s Office, Maintaining the Integrity and Confidentiality of Personal Information, November 2009, p.x
364 Ibid., p.xv
365 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, pp. 9, 37, 55, 78, 97, 114, 141, 158, 171, 219
366 Dr Pradeep Philip, Secretary, Department of Health, Letter to the Committee, received 8 April 2014, Attachment A, p.1;
Department of Premier and Cabinet, Information Security Management System (ISMS) Framework, n.d., p.8;
Mr David Martine, Secretary, Department of Treasury and Finance, Letter to the Committee, received 10 April 2014, Attachment 2, p.1;
Ms Gill Callister, Secretary, Department of Human Services, Letter to the Committee, received 17 March 2014, p.1;
Mr Dean Yates, Secretary, Department of Transport, Planning and Local Infrastructure, Letter to the Committee, received 4 April 2014, Attachment D, p.2;
Mr Greg Wilson, Secretary, Department of Justice, Letter to the Committee, received 8 April 2014, Attachment D, p.1
### Table 5.1

#### Departmental governance structures for information security

<table>
<thead>
<tr>
<th>Department</th>
<th>Governance structure</th>
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<tbody>
<tr>
<td><strong>Education and Early Childhood Development</strong></td>
<td>Currently three senior staff are responsible for consulting on information security policy updates, strategy developments and assurance activities. However, the Department is proposing to establish a new information management and ICT governance body to replace these current arrangements. The Department is in the process of determining the membership of this body.</td>
</tr>
</tbody>
</table>
| **Environment and Primary Industries**           | The Department is in the process of establishing its governance framework following the merger of the former Department of Sustainability and Environment and the former Department of Primary Industries. The new governance structure consists of:  
  - the Senior Executive Group, which is ultimately responsible for all departmental decisions and actions;  
  - the Information Management Strategy Committee, which will be responsible for making decisions on information management issues; and  
  - a number of operational sub-committees which will play an operational role in information management in the Department. |
| **Health**                                       | A sub-committee of the Department’s Executive is responsible for overseeing information security. The sub-committee has representation from each division and is supported by an advisory committee.                                                                                                                                                               |
| **Human Services**                               | An Information Management and Technology Committee assists the Secretary to meet the Department’s information security oversight and governance responsibilities.                                                                                                                                                                                                 |
| **Justice**                                      | The Security Executive is responsible for overseeing the protective security policy and practices in the Department. The Architecture and Information Security Committee is the governance body responsible for overseeing ICT enterprise architecture and ICT information security.                                                                                                  |
| **Premier and Cabinet**                          | The Deputy Secretary of the Government and Corporate Group is the sponsor for information security management and the Executive Leadership Team is responsible for approving the Department’s information security matters.                                                                                                           |
| **State Development, Business and Innovation**   | The Department Information Security Committee oversees information security matters and it meets three to four times a year. The Committee is supported by the Chief Information Security Officer.                                                                                                                                                                         |
| **Transport, Planning and Local Infrastructure** | The Department has an interim ICT governance body and is establishing a new ICT Governance Committee which will report to the Department’s Executive Committee.                                                                                                                                    |
| **Treasury and Finance**                         | The Secretary and the Deputy Secretary, Corporate and Market Engagement have senior leadership responsibility for information security. The Chief Information Security Officer ensures compliance with policy, standards and legislation and provides strategic guidance on information security. There are also three committees involved in the management of information security throughout the Department, namely the Knowledge Management Committee, the Audit Committee and the Information Management Taskforce. |
DSDBI informed the Committee that it had commissioned an information security expert to review current governance structures and oversight. This review was underway at the time the Department provided its response to the Committee’s initial questionnaire.

Future developments

The Attorney-General told the Committee that the Privacy and Data Protection Bill 2014 addresses this recommendation, stating that it will make the heads of public sector agencies:

> ...accountable for (among other things) compliance with protective data security standards, for ensuring that a security risk profile assessment is undertaken for their agency or body, and for the development of a protective data security plan for their agency or body which addresses the applicable standards.

5.5.3 Committee findings and recommendations

The Committee is encouraged that all departments have governance structures in place to oversee information security in their organisation. The Committee notes that some of these structures are relatively new or under development due to machinery of government changes.

The Committee notes that it is difficult to make an assessment as to whether all departments have assigned responsibilities for information security at appropriate levels throughout their organisation. However, the Committee notes that the governance structures included representation from senior management and most departments confirmed that roles and responsibilities for information security practices have been assigned to line management positions.

**FINDING:** Public sector departments have governance structures in place to oversee information security in their organisation, which include representation from senior management. The Committee was also advised by most departments that roles and responsibilities have been assigned to line management positions.

5.6 Departmental information security practices

The Auditor-General’s report examined the information security practices put in place by selected departments. The Auditor-General made a recommendation consisting of eight different elements which were designed to improve the protection of personal information within public sector agencies.

This recommendation was either supported or supported in principle by all departments in the Government Response with the exception of one department. The Department of Health did not support the element of the recommendation.

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367 Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 11 December 2013, p.7
368 The Hon. Robert Clark MP, Attorney-General, Letter to the Committee, received 7 August 2014, Attachment, p.4
requiring agencies to conduct random periodic checks of the controls in place at third party service providers over personal information.\(^{369}\) This part of the recommendation is discussed further in Section 5.6.7 below.

As explained in Section 5.4.2 above, the *Information Security Management Framework* provides that specified agencies should progressively work towards using the security frameworks in place at the Australian Government level, as adapted to the Victorian situation.\(^{370}\) DSDBI informed the Committee that the practices outlined in the Auditor-General’s recommendation are reflected in the Australian Government’s *Information Security Manual* and/or the current information security policy, standards and guidelines.\(^{371}\) However, it is a matter for specified agencies to make a risk-based assessment about which controls in the *Information Security Manual* they consider are suitable for their circumstances.\(^{372}\) These controls include those pertaining to staff training, monitoring staff compliance and monitoring logs and records of access.

The Committee sought information from all nine Victorian Government departments regarding their information security practices. This section provides an overview of the responses by these departments to each of the elements in the Auditor-General’s recommendation.

### 5.6.1 Risk management

*Auditor Recommendation 3.1: To adequately protect the integrity and confidentiality of citizens’ personal information each public sector agency should develop more robust risk management practices, which demonstrate that annual risk attestations are based on substantiated evidence that information controls are effectively addressing risks.*\(^{373}\)

At the time of the Auditor-General’s report, agencies managed their information security risks under the *Victorian Government Risk Management Framework*. This Framework supports a best practice approach to managing risks in the public sector and it requires agencies to complete annual risk attestations.\(^{374}\)

The Auditor-General identified that the annual risk attestations provided under the *Victorian Government Risk Management Framework* were not based on evidence that the information security risks had been adequately mitigated.\(^{375}\) In response, the Auditor-General recommended that agencies develop stronger risk management practices.\(^{376}\)

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\(^{369}\) Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10*, October 2010, p.39


\(^{371}\) Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 4 April 2014, Attachment B, pp.3-4; Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 11 December 2013, pp.3, 11-12

\(^{372}\) Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 4 April 2014, Attachment B, p.3; Mr Jeff Warren, Senior Information Security Specialist, Department of State Development, Business and Innovation, *Transcript of evidence*, Melbourne, 24 February 2014, p.5

\(^{373}\) Victorian Auditor-General’s Office, *Maintaining the Integrity and Confidentiality of Personal Information*, November 2009, p.xi

\(^{374}\) ibid., p.18

\(^{375}\) ibid.

\(^{376}\) ibid., p.xi
Actions implemented to date

DSDBI advised the Committee that the information policy, standards and guidelines had been updated to ensure that they were risk based and consistent with the Victorian Government Risk Management Framework.\(^{377}\)

Those agencies that are required to develop their own Information Security Management Framework must also produce an ICT risk assessment report as part of this process.\(^{378}\) A number of current information security standards also relate to risk, namely.\(^{379}\)

» SEC STD 02 Critical Information Infrastructure Risk Management;
» SEC STD 03 Information Security – Penetration Testing; and
» SEC GUIDE 02 Business Impact Levels and Other Criteria.

The responses to the Committee demonstrate that a range of risk management practices have been put in place by the departments to identify and manage information security risks. Examples of these practices include risk management registers and risk management plans for new projects.\(^{380}\)

Future developments

Under the Privacy and Data Protection Bill 2014, agencies will be required to conduct a ‘security risk profile assessment’ and develop a protective data security plan within two years of the Commissioner for Privacy and Data Protection issuing protective data security standards.\(^{381}\) The Bill also requires the plans to be reviewed where there is a ‘significant change in the operating environment or the security risks relevant to the agency or body’ or otherwise, every two years.\(^{382}\)

Committee findings and recommendations

The Committee considers that risk management is an essential component of managing information security. It is vital that agencies identify and put in place controls to manage the risks that exist with respect to information security.

The Committee notes that all the departments considered for the purpose of this Inquiry reported that they had risk management processes in place with respect to information security. Furthermore, the current information security policy, standards and guidelines provide the basis for how departments should manage information security risks.

Based on the level of detail available in the departmental responses, the Committee does not consider it is able to make an informed assessment of the adequacy of these arrangements. However, the Committee emphasises the need for departments to maintain strong risk management practices going forward.

\(^{377}\) Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 11 December 2013, p.12
\(^{379}\) Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 11 December 2013, p.12
\(^{380}\) Source withheld
\(^{381}\) Privacy and Data Protection Bill 2014 (Vic), s.89(1)
\(^{382}\) ibid., s.89(4)
FINDING: Public sector departments have implemented risk management practices with respect to information security and the information security policy, standards and guidelines provide the current basis for managing information security risks.

5.6.2 Staff training

Audit Recommendation 3.2: To adequately protect the integrity and confidentiality of citizens’ personal information each public sector agency should [i]nclude in staff training, the importance of information security; the range of threats to information security and the vulnerabilities of electronic and hardcopy records and physical security in workplaces.383

The Auditor-General explained that human error is a leading contributor to information security breaches within organisations and that it is vital that there is a strong information security culture within agencies to reduce this risk.384

The Auditor-General found that there was not a consistent awareness of the importance of information security amongst the three departments considered as part of the audit.385 In response, the Auditor-General made a recommendation about the types of matters that should be included in staff training on information security.

The Auditor-General considered that this training should cover the broad scope of information security and be delivered on a regular basis. In addition, the Auditor-General commented that staff attendance at the training and their awareness of information security should be monitored.386

Actions implemented to date

Nearly all the departments have established a training program to improve the awareness of their staff with respect to information security. The one department that did not have training currently in place advised the Committee that it was working towards offering information security training and awareness for all staff in 2014.387

The responses indicate that departments differ in their approaches to how information security training is delivered (see Table 5.2 below). In particular, some departments make information security training mandatory for staff, whereas a number of departments only offer the training on an optional basis.

383 Victorian Auditor-General’s Office, Maintaining the Integrity and Confidentiality of Personal Information, November 2009, p.xi
384 ibid., p.20
385 ibid.
386 ibid., p.21
387 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Letter to the Committee, received 9 January 2014, p.2
Table 5.2  

<table>
<thead>
<tr>
<th>Department</th>
<th>Mode of training</th>
<th>Training audience</th>
<th>Participation requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and Early Childhood Development</td>
<td>Planning to implement an eLearning module on information security training in 2014.</td>
<td>All staff</td>
<td>Compulsory</td>
</tr>
<tr>
<td>Environment and Primary Industries</td>
<td>Face-to-face sessions and the intranet.</td>
<td>All staff</td>
<td>Not specified</td>
</tr>
<tr>
<td>Health</td>
<td>Online learning module and quiz.</td>
<td>All staff</td>
<td>Optional</td>
</tr>
<tr>
<td>Human Services</td>
<td>A security awareness hub on the intranet.</td>
<td>All staff</td>
<td>Optional</td>
</tr>
<tr>
<td>Justice</td>
<td>eLearning module and in the past a face-to-face session was delivered.</td>
<td>All staff</td>
<td>Compulsory</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>Online training module.</td>
<td>New staff</td>
<td>Not specified</td>
</tr>
<tr>
<td>State Development, Business and Innovation</td>
<td>Face-to-face sessions and online.</td>
<td>All staff</td>
<td>Optional</td>
</tr>
<tr>
<td>Transport, Planning and Local Infrastructure</td>
<td>Not specified.</td>
<td>New staff and contractors</td>
<td>Not specified</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>eLearning module.</td>
<td>All staff as part of induction training</td>
<td>Compulsory</td>
</tr>
</tbody>
</table>

(a) Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Letter to the Committee, received 9 January 2014, p.2  
(b) Mr Adam Fennessy, Secretary, Department of Environment and Primary Industries, Letter to the Committee, received 13 January 2014, Attachment A, p.5  
(c) Dr Pradeep Philip, Secretary, Department of Health, Letter to the Committee, received 5 December 2013, p.4  
(d) Ms Gill Callister, Secretary, Department of Human Services, Letter to the Committee, received 12 December 2013, p.4  
(e) Mr Greg Wilson, Secretary, Department of Justice, Letter to the Committee, received 10 December 2013, p.2  
(f) Mr Andrew Tongue, Secretary, Department of Premier and Cabinet, Letter to the Committee, received 20 December 2013, p.1  
(g) Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 11 December 2013, pp.13-14  
(h) Mr Dean Yates, Secretary, Department of Transport, Planning and Local Infrastructure, Letter to the Committee, received 17 January 2014, Attachment 2, p.2  
(i) Mr David Martine, Secretary, Department of Treasury and Finance, Letter to the Committee, received 10 April 2014, Attachment 2, p.2  

**Committee findings and recommendations**

The Committee notes that most departments have put in place arrangements to provide information security training to new or existing staff. However, the Committee is concerned that not all departments currently require their staff to undertake this training.

The Committee considers that the public sector’s culture is a crucial defence in protecting personal information. Accordingly, the Committee recommends that information security training be compulsory for staff in public sector agencies that regularly collect or store personal information and that this training should be offered periodically. This measure would help to ensure that public sector employees understand their responsibilities for protecting personal information.

**FINDING:** Most public sector departments have arrangements in place to provide information security training to new or existing staff. However, not all departments currently make it mandatory for staff to undertake information security training.
5.6.3 Monitoring staff compliance

Audit Recommendation 3.3: To adequately protect the integrity and confidentiality of citizens’ personal information each public sector agency should [r]egularly monitor compliance by staff with information security policies, standards and required practices.\(^{388}\)

The Auditor-General’s report found that the selected agencies were not monitoring compliance by staff with information security requirements.\(^{389}\) In response, the Auditor-General recommended that this monitoring be carried out with respect to information security policies, standards and practices.\(^{390}\)

Actions implemented to date

The majority of departments advised that line managers or relevant business areas are responsible for monitoring staff compliance with information security policies, standards and required practices. For example, one department submitted, ‘Access to the shared business drives are monitored at the business unit level to ensure individual staff have access only on a “need to know” basis.’\(^{391}\)

However, a number of departments had put in place alternative methods to monitor staff compliance. For example, one department told the Committee it had implemented this recommendation through conducting ‘clean desk audits, face-to-face meetings and examination of logs and records of access on a regular basis.’\(^{392}\)

Another department told the Committee that it was working to enhance this aspect of its practices after an internal review identified that it ‘had not consistently monitored compliance with information security policies, standards and required practices.’\(^{393}\)

Committee findings and recommendations

The Committee notes that all departments appear to have arrangements in place to monitor staff compliance with information security policy, standards and required practices and that work is under way in one department to enhance its practices. However, it is unclear from the evidence how actively or effectively this monitoring is carried out within departments.

\(^{388}\) Victorian Auditor-General’s Office, Maintaining the Integrity and Confidentiality of Personal Information, November 2009, p.xi

\(^{389}\) ibid., p.22

\(^{390}\) ibid., p.xi

\(^{391}\) Source withheld

\(^{392}\) Source withheld

\(^{393}\) Source withheld
The Committee encourages departments to remain vigilant in ensuring that monitoring is consistently carried out. The Committee also considers that increased staff awareness of information security policies through training (Recommendation 31 above) will enhance compliance with these policies.

**FINDING:** Public sector departments have a range of arrangements in place to monitor staff compliance with information security policy, standards and required practices. However, it is unclear to what extent this monitoring is actively carried out.

### 5.6.4 Information inventory

**Audit Recommendation 3.4:** To adequately protect the integrity and confidentiality of citizens’ personal information each public sector agency should conduct an inventory of all the information they store, process and communicate, assess its criticality, classify the information; and determine, and put in place, the minimum controls needed to protect it. 394

The Auditor-General’s report identified the need for departments to have a complete and accurate record of the information they possess in order to ensure that appropriate controls are in place for protecting it. 395 Accordingly, the Auditor-General recommended that all departments carry out an inventory of the personal information they possess and put in place appropriate information security controls. 396

**Actions implemented to date**

DSDBI has published a guideline for agencies on the implementation of the *Information Security Management Framework*. The guideline notes that the creation of an inventory of significant information assets is necessary as part of a department’s risk assessment process. 397

All departments confirmed that they maintain an inventory of the significant information assets within their organisation. 398 One department advised the Committee that it was in the process of adopting an information classification policy and assigning ownership of information assets as part of its new information strategy. 399

395 ibid., p.21
396 ibid., p.xi
398 Mr Adam Frennessy, Secretary, Department of Environment and Primary Industries, Letter to the Committee, received 13 January 2014, Attachment A, p.5; Ms Gill Callister, Secretary, Department of Human Services, Letter to the Committee, received 12 December 2013, p.4; Mr Greg Wilson, Secretary, Department of Justice, Letter to the Committee, received 10 December 2013, p.2; Mr Dean Yates, Secretary, Department of Transport, Planning and Local Infrastructure, Letter to the Committee, received 17 January 2014, Attachment 2, p.2; Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 4 April 2014, Attachment B, p.6; Mr David Marine, Secretary, Department of Treasury and Finance, Letter to the Committee, received 10 April 2014, Attachment 2, p.3; Mr Andrew Tongue, Secretary, Department of Premier and Cabinet, Letter to the Committee, received 20 December 2013, p.1; Dr Pradeep Phillip, Secretary, Department of Health, Letter to the Committee, received 8 April 2014, p.3; Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Letter to the Committee, received 14 April 2014, p.3
399 Source withheld
Committee findings and recommendations

The Committee found that departments have established an inventory of their significant information assets in order to ensure that information is appropriately managed and protected. The Committee encourages departments to maintain the currency of their information inventory and ensure that adequate controls are put in place to protect the information contained within the inventory.

FINDING: Public sector departments have established an inventory of their significant information assets in order to ensure that this information is appropriately managed and protected.

ICT security

Audit Recommendation 3.5: To adequately protect the integrity and confidentiality of citizens' personal information each public sector agency should [a]ssess the threats and vulnerabilities, both internal and external, to their ICT systems, implement appropriate controls to address them and regularly monitor that the controls are in place and operating as required.  

The Auditor-General identified a range of weaknesses with the computer controls put in place in selected departmental databases that stored personal information.  

For example, the Auditor-General’s Office was able to access databases and view personal information due to vulnerabilities with the existing controls.  

In response, the Auditor-General recommended that departments assess the threats and vulnerabilities to their ICT systems and put in place the necessary controls and monitoring to ensure that personal information cannot be compromised.

Actions implemented to date

All the departments told the Committee that they have measures in place to identify and address the threats and vulnerabilities to their ICT systems.  

These measures differ between departments and include penetration testing and vulnerability scans. Some departments take responsibility for the security of their ICT systems whereas others obtain these services from an external service provider.

400 Victorian Auditor-General’s Office, Maintaining the Integrity and Confidentiality of Personal Information, November 2009, p.xi
401 ibid., pp.24–5
402 ibid., p.24
403 ibid., p.xi
404 Mr David Martine, Secretary, Department of Treasury and Finance, Letter to the Committee, received 10 April 2014, Attachment 2, p.3; Mr Dean Yates, Secretary, Department of Transport, Planning and Local Infrastructure, Letter to the Committee, received 4 April 2014, Attachment D, p.5; Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 4 April 2014, Attachment B, p.5; Mr Andrew Tongue, Secretary, Department of Premier and Cabinet, Letter to the Committee, received 3 April 2014, p.1; Mr Greg Wilson, Secretary, Department of Justice, Letter to the Committee, received 10 December 2013, p.3; Ms Gill Gallister, Secretary, Department of Human Services, received 17 March 2014, p.4; Dr Pradeep Philip, Secretary, Department of Health, Letter to the Committee, received 5 December 2013, p.3; Mr Adam Fennessy, Secretary, Department of Environment and Primary Industries, Letter to the Committee, received 13 January 2014, Attachment A, p.5; Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Letter to the Committee, received 9 January 2014, p.3
Two departments told the Committee that they were working to enhance their current ICT security arrangements.\(^\text{405}\)

The Auditor-General’s 2013 report, *WoVG Information Security Management Framework*, found that although selected agencies were conducting penetration testing on their ICT systems, not all agencies were conducting adequate testing and not all the issues identified through testing had been addressed.\(^\text{406}\) The Auditor-General also identified instances of internal vulnerability with respect to ICT security.\(^\text{407}\)

**Committee findings and recommendations**

The Committee notes that all departments have measures in place to identify and address threats and vulnerabilities to their ICT systems.

**FINDING:** Public sector departments have measures in place to identify and address ICT threats and vulnerabilities.

### 5.6.6 Monitoring access and changes to personal information

**Audit Recommendation 3.6:** *To adequately protect the integrity and confidentiality of citizens’ personal information each public sector agency should [r]egularly monitor logs and records of access and changes to information.*\(^\text{408}\)

The Auditor-General found that departments were not able to identify if there had been any changes to the information stored within personal information databases or who was accessing these databases. This was a result of access and changes either not being logged or routinely reviewed.\(^\text{409}\) Accordingly, the Auditor-General recommended that departments routinely examine their logs and records of access and changes to information.\(^\text{410}\)

**Actions implemented to date**

Most departments maintain logs of access and changes to key databases/records containing personal information.\(^\text{411}\) Several departments told the Committee that they were either trialling, or had purchased technology to enable access and changes to information to be monitored.\(^\text{412}\) Two departments noted that they undertook this monitoring themselves or with assistance from CenITex.\(^\text{413}\) Two departments informed the Committee that they largely rely on access controls, rather than monitoring, to prevent unauthorised access to information.\(^\text{414}\)

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\(^{405}\) Sources withheld  
\(^{407}\) Ibid., p.26  
\(^{408}\) Victorian Auditor-General’s Office, *Maintaining the Integrity and Confidentiality of Personal Information*, November 2009, p.xi  
\(^{409}\) Ibid., p.25  
\(^{410}\) Ibid., p.xi  
\(^{411}\) Source withheld  
\(^{412}\) Source withheld  
\(^{413}\) Source withheld  
\(^{414}\) Source withheld
Committee findings and recommendations

The Committee notes that while most departments retain logs of access to sensitive personal information, the evidence suggests that not all departments have been regularly reviewing or monitoring these logs.

The Committee is encouraged that a number of departments are trialling or using technology to enable them to monitor the logs and records they maintain. The Committee considers that this technology offers strong potential to enhance the current information security arrangements within departments.

**FINDING:** Most public sector departments keep logs to record access and changes to sensitive personal information. However, the evidence suggests that not all departments regularly review these logs of access.

5.6.7 Third party service providers

Audit Recommendation 3.6: *To adequately protect the integrity and confidentiality of citizens' personal information each public sector agency should establish agreements with third party service providers to clearly specify minimum standards of security over information handled, at least equal to those required of the public sector, and that provide for regular certification of compliance with the standards.*

Audit Recommendation 3.7: *To adequately protect the integrity and confidentiality of citizens’ personal information each public sector agency should conduct periodic random checks of the controls in place at third party service providers over citizens’ personal information.*

Victorian government agencies are able to share personal information with third parties in a manner consistent with the Victorian privacy laws. These third parties may include non-government organisations that deliver services on behalf of agencies or ICT providers that deliver services and host information for agencies.

The report found that the selected departments required non-government organisations to have implemented information security standards that meet the public sector requirements. However, the Auditor-General identified that these departments had not taken the additional steps to ensure that the third parties were actually complying with these requirements by requesting independent certification or carrying out spot checks.

The Auditor-General also considered the arrangements put in place with ICT service providers or hosts. The Auditor-General identified that improvements could be made to the agreements in place with ICT service providers with respect to personal information. The report also found that the selected departments had not monitored compliance by requiring independent certification or undertaking spot checks.

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416 ibid.
417 ibid., p.22
418 ibid., p.23
419 ibid., pp.23-4
In response to these issues, the Auditor-General recommended two measures, namely: 420

» that agencies should have agreements in place with third party service providers setting out the standards for protecting personal information and requiring them to provide independent certification that these arrangements have been met; and

» that agencies should conduct random checks on third party service providers to ensure that they comply with the information security requirements in the agreements.

Actions implemented to date

DSDBI told the Committee that it is a requirement under the Information Security Management Framework that agencies ensure that third party service providers comply with the Framework and the Information Security Management Policy. 421

The Department noted that the standard procurement contracts for the Victorian Government enables agencies to include information security clauses in the contracts of third party service providers. 422 Most departments confirmed to the Committee that third party service providers are required to comply with information security standards.

Departments had a range of practices in place to monitor the compliance of their service providers with these agreements. For example, practices ranged from commissioning independent audits to conducting testing of ICT systems.

Table 5.3 below provides a summary of the arrangements that departments have in place with third party service providers to protect personal information. The Committee notes that two departments informed the Committee that they do not provide personal information to third party providers.

**Table 5.3**

<table>
<thead>
<tr>
<th>Department</th>
<th>Third party agreements</th>
<th>Ensuring compliance with agreements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department 1</td>
<td>Contracts with third party service providers specify minimum standards of information security.</td>
<td>Contracts include the right to conduct periodic random checks on third party service providers. The Department stated that it does not conduct random checks on the controls in place at third party service providers, instead relying on contractual mechanisms to ensure compliance.</td>
</tr>
<tr>
<td>Department 2</td>
<td>The Department undertakes a Privacy Impact Statement, and if required, a Cloud Security checklist, when engaging third party service providers.</td>
<td>The Department undertakes penetration testing on third party service providers on an annual basis.</td>
</tr>
</tbody>
</table>

420 ibid., p.xi

421 Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 4 April 2014, Attachment B, pp.4-5

422 ibid., p.4
<table>
<thead>
<tr>
<th>Department</th>
<th>Third party agreements</th>
<th>Ensuring compliance with agreements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department 3</td>
<td>A third party information security policy and standard applies to all third party service provider contracts.</td>
<td>KPMG has been engaged to review selected contracts for compliance.</td>
</tr>
<tr>
<td>Department 4</td>
<td>The Department uses a standard contract for procuring non-complex services which includes clauses regarding information security.</td>
<td>The Department noted that it rarely has cause for third parties to hold citizen’s private information and accordingly has not implemented this measure.</td>
</tr>
<tr>
<td>Department 5</td>
<td>Not specified.</td>
<td>Significant third party service provider systems are independently audited regarding compliance with relevant policies and standards.</td>
</tr>
<tr>
<td>Department 6</td>
<td>Relevant tenders contain standard wording regarding information security requirements. Service providers are also given a detailed fact sheet on information security as part of the Service Agreement Information Kit.</td>
<td>The Department has the right to conduct a site visit as necessary. However, the Department informed the Committee that generally these are not performed unless concerns are raised. Instead, third parties complete a questionnaire to verify that appropriate controls are in place.</td>
</tr>
<tr>
<td>Department 7</td>
<td>The standard government eServices Register contract is used by the Department, which includes information security requirements.</td>
<td>An assessment of third party service providers is carried out by the Department on an annual basis.</td>
</tr>
<tr>
<td>Department 8</td>
<td>The Department has a memorandum of understanding with its major third party service provider, CenITex, specifying that it must comply with the department’s information security standards.</td>
<td>The Department does not perform periodic random checks on CenITex. However, CenITex is required to annually provide a management assertion letter regarding the controls it has in place. The Department also commissioned an independent audit of the management assertion letter in 2012-13.</td>
</tr>
<tr>
<td>Department 9</td>
<td>Not applicable as the Department does not possess personal information relating to service delivery.</td>
<td>The Department undertakes penetration testing and vulnerability scanning on third party service providers on an annual basis.</td>
</tr>
</tbody>
</table>

Source: Source withheld and departments have been listed in random order

**Future developments**

The Committee notes that the Privacy and Data Protection Bill 2014 contains provisions with respect to third party service providers. The Bill provides that the security risk profile assessments carried out by departments must include an assessment of the public sector data held or used by contracted service providers. The Bill also provides that the protective data security plans developed for an agency needs to consider compliance by contracted service providers with the standards put in place by the Commissioner for Privacy and Data Protection.

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423 Privacy and Data Protection Bill 2014, s.89(2)
424 ibid., s.89(3)
Committee findings and recommendations

The Committee notes that most departments require third party service providers to meet specified information security requirements. However, the Committee did not have access to the relevant agreements to be able to assess whether they fully complied with the Auditor-General’s recommendation.

Most departments conduct some form of monitoring to ensure that third party service providers comply with relevant information security requirements.

The Committee considers it is important that agencies that regularly share sensitive or large volumes of personal information with third party service providers have effective monitoring arrangements in place with respect to information security. Consistent with the Auditor-General’s recommendation, this monitoring should take the form of regular independent certification of compliance and periodic random checks. The Committee also considers that it may be worthwhile for the Auditor-General to consider re-auditing this area in the future.

**FINDING:** Most departments require third party service providers to meet specified information security requirements and have also put in place some form of monitoring arrangement with respect to information security.

**RECOMMENDATION 32:** Public sector agencies that regularly share personal information with third party service providers put in place suitable monitoring arrangements to gain assurances that the necessary information security controls are in place.

**RECOMMENDATION 33:** The Auditor-General consider re-auditing the status of information security arrangements with third party service providers in the future.

5.7 Committee’s overall assessment of the progress made in implementing the audit recommendations

The Committee considers that there has been an improvement in the information security arrangements in place for the Victorian public sector since the Auditor-General’s report was published in November 2009. A key development since that report was the introduction of a new information security policy, standards and guidelines in late 2012. The Committee considers that this framework responded to a number of elements within the Auditor-General’s recommendations.

The Committee believes that some additional work is still required before all departments have effectively responded to the Auditor-General’s third recommendation on departmental information security practices. However, the Committee acknowledges that all departments have been working to progressively implement the 2012 information security policy, standards and guidelines based on their own circumstances.
The Committee notes that the Privacy and Data Protection Bill 2014 sets out a new approach to the broader area of data protection and security. The Bill will introduce a new protective data security regime in Victoria, overseen by the Commissioner for Privacy and Data Protection.

The Committee notes that the reforms set out in the Bill took into account the Auditor-General’s report. The Committee considers that these new arrangements should enhance the current protections in place for personal information in the public sector.

Looking to the future, the Committee notes that information security will continue to be a key risk which all governments must manage. Accordingly, the Committee urges the Victorian public sector to remain vigilant and prepared to respond to existing and emerging information security threats.
CHAPTER 6

MANAGEMENT OF THE COMMUNITY
SUPPORT FUND

6.1

Introduction

The Community Support Fund (CSF) is a statutory trust fund designed to deliver a proportion of gambling revenues back into the community. The Fund was established in 1991 and receives 8.3 per cent of the revenue from gaming machines located in hotels.425

At the time of the Auditor-General’s report, CSF funds were distributed to portfolio departments and then delivered back to the community through grants programs. The legislation governing the CSF provides that these funds must be spent in accordance with the purpose of the Fund—monies must first be used to address problem gambling and thereafter can be used to benefit a range of areas, including drug treatment and rehabilitation, youth programs, sport, recreation and the arts.426

The Auditor-General’s 2009 report, Management of the Community Support Fund, considered whether the CSF was being effectively managed and whether selected grant programs were complying with the relevant legislation and grant management frameworks. The Auditor-General made two recommendations to the former Department of Planning and Community Development (DPCD) regarding these issues.

Administration of the Fund was transferred to the Department of Treasury and Finance (DTF) as part of machinery of government changes in early 2011.427 There have also been a number of changes to how the funds from the CSF are distributed since the publication of the Auditor-General’s report. These changes have been taken into account by the Committee when assessing the adequacy of the Department’s response to the recommendations.

This chapter examines the actions taken by DTF in response to the Auditor-General’s report. The Committee has also selected three agencies which are responsible for administering CSF-funded grant programs to assess whether their grant programs comply with the Auditor-General’s recommendations.

6.2

Audit findings and recommendations

The Auditor-General made two detailed recommendations to the former DPCD regarding the management of the CSF and the grant management frameworks in place under the Fund.

426 Gambling Regulation Act 2003 (Vic), Part 3, Division 1, s.10.3.3
427 Mr David Martine, Secretary, Department of Treasury and Finance, Letter to the Committee, received 10 April 2014, Attachment 1a, p.3
The Auditor-General found that the CSF’s overall benefits to the Victorian community could not be properly assessed. This was because the Fund lacked clear objectives and the Department had not carried out any monitoring, evaluation or reporting on the Fund’s overall achievements. In response, the Auditor-General recommended establishing clear objectives for the Fund and introducing an overarching monitoring and evaluation framework.

The Auditor-General’s first recommendation also included a range of measures designed to enhance the management of the CSF, including implementing a new policy framework for the Fund and developing key performance indicators (KPIs).

The second recommendation made by the Auditor-General focused on the grant management frameworks in place for CSF-funded grant programs. The Auditor-General considered that these grant management frameworks were sound and that applications had been properly assessed by the administering agencies. However, the Auditor-General identified a number of ways to improve these frameworks. This included strengthening follow-up procedures for acquitting grants and requiring the reasons for any departures from the grant guidelines to be documented.

6.3 Management of the Community Support Fund

The Auditor-General’s report had a strong focus on how effectively the CSF was being managed by the former DPCD. The Auditor-General made a detailed recommendation in response to this issue and each element of this recommendation is discussed separately below.

DPCD did not expressly state whether or not it accepted the Auditor-General’s recommendation in its response published in the Auditor-General’s report. However, the Department supported this recommendation in the Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10 (the Government Response) and outlined relevant actions it planned to take. These actions are discussed in the sections below.

6.3.1 Objectives and guidelines

Audit Recommendation 1.1: DPCD should in conjunction with the cross-government working group establish clear objectives and updated guidelines for the CSF as part of developing the CSF policy framework.

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428 Victorian Auditor-General’s Office, Management of the Community Support Fund, November 2009, p.viii
429 ibid., p.x
430 ibid.
431 ibid., p.ix
432 ibid., p.x
433 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, p.118
434 Victorian Auditor-General’s Office, Management of the Community Support Fund, November 2009, p.x
The Auditor-General’s report found that the CSF did not have any ‘agreed, enduring objectives’ which could be used to monitor or measure the performance of CSF-funded grants programs. According to the report, the Auditor-General recommended that the former DPCD establish clear objectives for the Fund.

At the time of the Auditor-General’s report there were also overall CSF guidelines in place which outlined the legislative and administrative framework for the Fund. The Auditor-General recommended updating these guidelines because they had become out-dated.

**Department response to the audit recommendation**

In the Government Response, the former DPCD noted that it had endorsed a CSF policy document setting out clear objectives for the Fund and had also developed guidelines for the Fund.

**Actions implemented to date**

Following the administration of the Fund being transferred to DTF, the Treasurer approved a new policy framework for the CSF in September 2012. The Committee understands that separate guidelines are no longer in place for the CSF and that this framework is the key policy document guiding the application of CSF monies.

The policy framework outlines high level objectives and corresponding priorities for the Fund which are summarised in Table 6.1 below. Mr Shaun Condron, Acting Deputy Secretary, Market Engagement and Corporate at DTF, acknowledged that the ‘community driven projects’ objective for the Fund remained relatively broad in the policy framework:

> If it is kept fairly broad, the minister can then approve projects which he feels meet those objectives, within the relevant points that are listed in the legislation—as I mentioned, they are around drug education and treatment, financial counselling, youth programs, sport and recreation, arts and tourism…

The Department informed the Committee that ‘significant changes’ had been made to how the CSF monies are distributed since the publication of the Auditor-General’s report. The different approach appears to have influenced how the Department has responded to the Auditor-General’s recommendation.
At the time of the report, the majority of CSF funds were allocated by the CSF Committee of Cabinet towards small grants for non-government organisations.\textsuperscript{442} DTF noted that both the Auditor-General and relevant departments considered that a framework to assist decision-making was needed in those circumstances to help direct the allocation of funds.\textsuperscript{443}

\begin{table}[h]
\centering
\caption{The objectives and priorities of the Community Support Fund}
\begin{tabular}{|l|l|l|}
\hline
\textbf{High level objectives} & \\
\hline
Alignment with legislation & Contributing to the provision of community driven projects & Returning a direct benefit to entire communities \\
\hline
\textbf{Priority areas under these objectives} & \\
\hline
» Addressing problem gambling by supporting the Victorian Responsible Gambling Foundation. & » Improving community infrastructure. & » Ensuring grant management is best practice. \\
& » Allocating funding for the advancement of the community. & » Improving community participation. & » Streamlining the administration of grants. \\
& & » Addressing the needs of communities that have higher needs, fast-paced population growth and/or entrenched disadvantage. & » Ensuring transparent and accountable practices. \\
& & » Working with local councils and communities to address new and emerging needs. & » Implementing regular reporting for program outcomes. \\
\hline
\end{tabular}
\end{table}

\textit{Source: Mr David Webster, Acting Secretary, Department of Treasury and Finance, Letter to the Committee, received 6 December 2013, Attachment 1: Policy framework, p.1}

However, the Department noted that changes to the funding approach now mean that approximately 77.5 per cent of the CSF revenue is allocated directly to priority funding areas, rather than to grant programs.\textsuperscript{444} These priority areas are:\textsuperscript{445}

» \textit{problem gambling} - $37.5 million is allocated each year from the CSF to the Victorian Responsible Gambling Foundation, which was established in 2013 to address problem gambling; and

» \textit{drugs and alcohol} - the Victorian Government will allocate $40 million per year to drug and alcohol treatment and prevention programs, beginning with a $30 million allocation in 2013-14.

The remainder of the CSF funding is used to support community-driven projects and is allocated to agencies which administer grant programs consistent with the CSF’s objectives.\textsuperscript{446}

Although the Department told the Committee that it believed it had implemented the Auditor-General’s recommendation by including the Fund’s objectives and priorities in the new policy framework, it also noted that the shift in the funding

\begin{table}[h]
\centering
\begin{tabular}{|l|}
\hline
\textsuperscript{442} ibid., p.6 \\
\textsuperscript{443} ibid., p.1 \\
\textsuperscript{444} ibid., p.6 \\
\textsuperscript{445} ibid., p.3 \\
\textsuperscript{446} ibid. \\
\hline
\end{tabular}
\end{table}
approach had meant ‘an overarching objective to guide funding decisions is less relevant.’\footnote{Mr David Martine, Secretary, Department of Treasury and Finance, Letter to the Committee, received 10 April 2014, Attachment 1a, p.6; Mr David Martine, Secretary, Department of Treasury and Finance, Letter to the Committee, received 10 April 2014, Attachment 1, p.3}

### Committee findings and recommendations

The Committee considers that DTF has implemented this recommendation in principle by including high level objectives and corresponding priorities for the CSF in the policy framework.

However, the Committee considers that there would be benefit in DTF reviewing the objectives in the CSF policy framework to ensure that they satisfactorily address the Auditor-General’s recommendation.

#### FINDING: The Department of Treasury and Finance has included objectives and priorities for the Community Support Fund in the policy framework for the Fund.

#### RECOMMENDATION 34: The Department of Treasury and Finance review the objectives and priorities contained in the policy framework for the Community Support Fund, with a view to clarifying what the Fund is designed to achieve for the community.

### Policy framework

**Audit Recommendation 1.2:** DPCD should in conjunction with the cross-government working group introduce the CSF policy framework as soon as possible to enable better targeting of future CSF expenditure, and ongoing assessment and reporting on the fund’s overall performance.\footnote{Victorian Auditor-General's Office, Management of the Community Support Fund, November 2009, p.x}

The Auditor-General’s report noted that a 2008 inter-departmental review of the CSF had recommended that a new policy framework be introduced post-2012 to reflect planned changes to gambling policy principles at that date.\footnote{Ibid., p.7} The Auditor-General’s report recommended introducing this policy framework as soon as possible.\footnote{Ibid., p.x}

**Department response to the audit recommendation**

In the Government Response, the former DPCD stated that a CSF policy document had been endorsed in November 2009 which included a policy framework for the Fund.\footnote{Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, p.118}
**Actions implemented to date**

As discussed in Section 6.3.1 above, DTF developed a new policy framework for the CSF in September 2012. The Secretary of the Department told the Committee that the Department was satisfied with the current framework.\(^{452}\)

The Department provided the Committee with a copy of the framework, which is a two page document addressing the following areas:\(^{453}\)

- the Fund’s objectives;
- the approval process for funding requests;
- the application process for funding requests;
- an overview of what areas cannot be funded by the CSF; and
- the monitoring and reporting framework for the CSF.

The Department told the Committee that the CSF policy framework will be reviewed and updated as required. The evidence suggests that the framework has not been updated since its introduction.\(^{454}\)

**Committee findings and recommendations**

The Committee considers that DTF has implemented this recommendation in principle by introducing a new policy framework for the CSF. The new policy framework provides a broad overview of the key aspects of the Fund.

The Committee also notes the memoranda of understanding (MOUs) put in place with grant administering agencies contain further detail regarding the use of CSF monies and detailed reporting requirements.

FINDING: The Department of Treasury and Finance introduced a new policy framework for the Community Support Fund in September 2012 which guides the application of the Fund’s monies.

6.3.3

**Key performance indicators**

Audit Recommendation 1.3: *DTCD should in conjunction with the cross-government working group include key performance indicators linked to CSF outcomes in the Memoranda of Understanding (MOU) with administering agencies.*\(^{455}\)

The Auditor-General examined the MOUs that were put in place between the former DPCD and agencies administering CSF-funded grants programs. The Auditor-General’s report found that the KPIs included in the MOUs were largely output or activity focused and did not focus on whether program objectives were

\(^{452}\) Mr David Martine, Secretary, Department of Treasury and Finance, Transcript of evidence, Melbourne, 25 February 2014, p.11

\(^{453}\) Mr David Webster, Acting Secretary, Department of Treasury and Finance, Letter to the Committee, received 6 December 2013, Attachment 1: Policy framework, pp.1-2

\(^{454}\) ibid., p.9

\(^{455}\) Victorian Auditor-General’s Office, Management of the Community Support Fund, November 2009, p.x
being met. Accordingly, the Auditor-General recommended linking KPIs to the achievement of program objectives.

**Department response to the audit recommendation**

In the Government Response, the former DPCD stated that performance measures had been developed and would be incorporated into new MOUs for the 2011-12 to 2014-15 funding period.

**Actions implemented to date**

DTF advised that performance measures are developed and agreed for each grant program and incorporated into the relevant MOU. Administering agencies are responsible for evaluating the performance of programs as outlined in the MOU.

The Department noted that these performance measures relate to the objectives and goals of the relevant grant program, rather than linking to the broader CSF objectives. The Secretary of DTF told the Committee that it would be difficult to establish overarching KPIs for the Fund:

> Given the nature of the fund—it is quite dispersed and there are a lot of smaller grants spread across a whole range of different departments— … to lump it all up and have one or two key performance indicators that sit above is quite complex …

The Committee notes that the Department has developed a proposed *Performance Monitoring and Reporting Framework* which is currently being trialled. This Framework contains a number of activity measures relevant to the broader objectives of the Fund. This is discussed in more detail in Section 6.3.6 below.

**Committee findings and recommendations**

The Committee notes that KPIs are included in the MOUs for each grant program to enable the performance of individual programs to be evaluated.

The Committee believes it would enhance the transparency of the Fund if overarching KPIs were introduced. However, the Committee notes that any overarching KPIs should be meaningful and not add a disproportionate reporting burden on grant recipients. To this end, the Committee considers it necessary to wait for the outcome of DTF’s trial of the new monitoring and reporting framework. The results of the trial will help to determine whether this framework would be beneficial.

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456 ibid., p.9
457 ibid., p.x
458 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10*, October 2010, p.118
459 Mr David Webster, Acting Secretary, Department of Treasury and Finance, Letter to the Committee, received 6 December 2013, p.10
460 ibid.
461 Mr David Martine, Secretary, Department of Treasury and Finance, *Transcript of evidence*, Melbourne, 25 February 2014, p.10
462 Mr David Martine, Secretary, Department of Treasury and Finance, Letter to the Committee, received 10 April 2014, Attachment 1a, p.5
FINDING: The Department of Treasury and Finance has included key performance indicators in the memorandum of understanding for each grant program.

6.3.4 Reporting requirements

Audit Recommendation 1.4: DPCD should in conjunction with the cross-government working group make the reporting requirements in the MOUs consistent with those needed by the CSF Committee of Cabinet to adequately monitor CSF-funded projects.\(^{463}\)

At the time of the Auditor-General’s report, the MOUs in place for the CSF grant programs required the former DPCD to regularly report to the CSF Committee of Cabinet about the performance and expenditure of the grant programs. Administering agencies were also required to provide the Department with six-monthly progress reports.\(^{464}\)

The Auditor-General found that these reporting requirements had been inconsistently applied and needed to be clarified and rationalised.\(^{465}\) Accordingly, the Auditor-General recommended amending the reporting requirements set out in the MOUs.\(^{466}\)

Department response to the audit recommendation

In the Government Response, the former DPCD stated that the reporting requirements of existing programs had been amended and that new reporting requirements would be incorporated into the MOUs established for the 2011-12 to 2014-15 funding period.\(^{467}\)

Actions implemented to date

The CSF Committee of Cabinet no longer exists under the current governance arrangements for the Fund.\(^{468}\) Instead, administering agencies are now required to report annually to DTF and also provide progress reports to the Department at the intervals agreed to in their respective MOUs.\(^{469}\)

Agencies are also required to conduct an evaluation of the program and provide a report to DTF at the completion of the Funding period. The report should include a financial analysis, performance information and information about the impact of the program.\(^{470}\)

\(^{463}\) Victorian Auditor-General’s Office, Management of the Community Support Fund, November 2009, p.x
\(^{464}\) ibid., p.9
\(^{465}\) ibid., pp.9-10
\(^{466}\) ibid., p.x
\(^{467}\) Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, p.118
\(^{468}\) Mr David Webster, Acting Secretary, Department of Treasury and Finance, Letter to the Committee, received 6 December 2013, p.7
\(^{469}\) ibid., Attachment – Memorandum of Understanding, p.8
\(^{470}\) ibid., pp.8-10
DTF told the Committee that these reporting requirements allow the Department ‘to monitor and manage departmental performance in delivering CSF funded programs.’\(^{471}\)

### Committee findings and recommendations

The Auditor-General’s recommendation is no longer directly relevant because the CSF Committee of Cabinet does not exist under current governance arrangements. However, the Committee considers that based on the available evidence, the Department has put in place suitable reporting requirements to allow it to oversee the CSF-funded projects.

**FINDING:** The Auditor-General’s recommendation is no longer directly relevant as the governance arrangements for the Community Support Fund have changed since the Auditor-General’s report was published. Since assuming responsibility for the Fund, the Department of Treasury and Finance has put in place new reporting requirements for the grant programs funded by the Community Support Fund.

#### 6.3.5 Cash balance of the Fund

**Audit Recommendation 1.5:** DPCD should in conjunction with the cross-government working group develop a longer-term strategy to progressively reduce the cash balance of the CSF that involves identifying opportunities to fund new initiatives consistent with priorities contained in the post-2012 CSF policy framework.\(^{472}\)

At the time of the audit, the CSF’s cash balance was well above the $20 million balance identified to be prudent by the former DPCD.\(^{473}\) The Auditor-General identified that this had resulted in a high level of ‘uncommitted capacity’ in the Fund.\(^{474}\) Accordingly, the Auditor-General recommended that a long-term strategy be introduced to reduce the cash balance of the Fund.

**Department response to the audit recommendation**

In the Government Response, the former DPCD stated that it was working to reduce the CSF to a prudent balance and that expenditure caps and forward expenditure for the Fund were reviewed annually.\(^{475}\)

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471 Mr David Martine, Secretary, Department of Treasury and Finance, Letter to the Committee, received 10 April 2014, Attachment 1, p.4
472 Victorian Auditor-General’s Office, Management of the Community Support Fund, November 2009, p.x
473 ibid., p.13
474 ibid.
475 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, p.118
Actions implemented to date

The balance of the CSF has progressively increased from $30.2 million to $60.8 million during the two year period from June 2011 to June 2013. The Committee sought an explanation from DTF as to why it was holding a high cash balance in light of the Auditor-General’s recommendation.

DTF told the Committee that it had given consideration to the cash balance of the Fund and decided to maintain the balance at a level of approximately 20 per cent of outstanding commitments for the Fund.

The Department explained to the Committee that it believed this level was consistent with the prudential management of the Fund, in light of a downturn in revenue and the need to ensure that the Fund can meet its outstanding commitments over the forward estimates period.

DTF went on to note that it ‘does not believe the cash balance of the CSF is too high in relation to outstanding commitments and therefore should not be progressively run down.’

The Department provided the Committee with its revenue and expenditure forecast for the CSF over the forward estimates period (Table 6.2). The Department stated that while the balance was forecast to increase in 2016-17, this would reduce as new CSF-funded programs gain approval and commence.

<table>
<thead>
<tr>
<th>Table 6.2</th>
<th>Community Support Fund revenue and expenditure forecast for 2013-14 to 2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013-14</td>
</tr>
<tr>
<td>Opening balance</td>
<td>($) million</td>
</tr>
<tr>
<td>Revenue</td>
<td>60.8</td>
</tr>
<tr>
<td>Expenditure</td>
<td>101.8</td>
</tr>
<tr>
<td>Closing balance</td>
<td>54.5</td>
</tr>
</tbody>
</table>

Source: Mr David Martine, Secretary, Department of Treasury and Finance, Letter to the Committee, received 10 April 2014, Attachment 1, p.2

DTF noted that it reviews the cash balance twice a year and consistently monitors the overall finances of the CSF to ensure that the Fund is managed from a whole of government perspective.
Committee findings and recommendations

The Committee notes that the Department has made a considered decision to change its approach to managing the CSF cash balance since assuming responsibility for the Fund. Furthermore, the Committee notes that the Department has a process in place to review the cash balance of the Fund twice a year to ensure that it is being managed appropriately.

Accordingly, the Committee is satisfied with the alternative action that has been taken by DTF in response to the Auditor-General’s recommendation.

**FINDING:** The Department of Treasury and Finance has taken alternative action in response to the Auditor-General’s report. The Department now maintains the cash balance of the Community Support Fund at a level of approximately 20 per cent of outstanding commitments for the Fund.

### 6.3.6 Monitoring and evaluation framework

**Audit Recommendation 1.6:** DPCD should in conjunction with the cross-government working group introduce the monitoring and evaluation framework for the CSF as soon as possible prior to 2012.\(^{482}\)

At the time of the Auditor-General’s report, individual grant programs funded from the CSF were evaluated. However, the Auditor-General noted that there was no overarching monitoring and evaluation framework in place for the CSF which was linked to the objectives of the Fund.\(^{483}\)

The Auditor-General’s report noted that a 2008 inter-departmental review of the CSF had identified the need for a monitoring and evaluation framework to be introduced to assess the Fund’s overall achievements.\(^ {484}\) The Auditor-General recommended that this framework be developed as soon as possible.

**Department response to the audit recommendation**

In the Government Response, the former DPCD stated that it had endorsed a Monitoring and Evaluation Framework and that this would be implemented for the 2011-12 to 2014-15 funded programs.\(^ {485}\)

**Actions implemented to date**

As noted in Section 6.3.1 above, the majority of the CSF is allocated to the Victorian Responsible Gambling Foundation and drug and alcohol treatment programs. The Department told the Committee that these commitments have existing monitoring and evaluation arrangements in place.\(^ {486}\)

\(^{482}\) Victorian Auditor-General’s Office, Management of the Community Support Fund, November 2009, p.x
\(^{483}\) ibid., p.14
\(^{484}\) ibid.
\(^{485}\) Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, p.118
\(^{486}\) Mr David Martine, Secretary, Department of Treasury and Finance, Letter to the Committee, received 10 April 2014, Attachment 1a, p.3
The community benefits derived from the problem gambling and the drug and alcohol programs can be monitored and assessed through existing means, and duplication of this process would not be efficient or add any further value.

With respect to the CSF-funded grant programs, DTF told the Committee that it evaluates the outcomes of each program using the KPIs and the evaluation approach contained in individual MOUs. The Department explained that there is currently no overarching monitoring and evaluation framework in place for the Fund because a ‘one-size-fits-all’ approach would be inappropriate.

Despite not having an overarching framework in place, the Department explained that it had been trialling a Performance Monitoring and Reporting Framework for CSF-funded grant programs. DTF noted that the Framework had been designed to better communicate what the CSF achieves for the community.

The Department provided the Committee with a copy of the Framework, which provides a template for collecting data linked to the broader objectives of the CSF. This data includes:

- the number of volunteers involved in projects and the number of hours worked;
- the number of community members involved in the governance of projects;
- the number of employment opportunities created by projects; and
- the contribution that the projects make to community infrastructure.

DTF noted that a decision was made to trial the program because reservations had been expressed about the additional work burden which could result from the new reporting requirements. The Department did not specify when a decision was expected to be made on the outcome of the trial.

The Department also stated that if the performance measures from each of the areas funded by the CSF were considered collectively this would provide a picture of the overall contribution that these programs make towards the Fund’s objectives.

Committee findings and recommendations

The Committee considers it is important that information on the outcomes of CSF-funded grant programs, which ranged in expenditure between $15,000 and $11 million in 2012-13, is available to enable the Parliament and the community to assess the overall performance of the Fund.

The Committee considers that the Department should work to enhance the current accountability of the Fund by collectively publishing information about the overall performance of the CSF. This could be achieved by either:

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487 Mr David Martine, Secretary, Department of Treasury and Finance, Letter to the Committee, received 10 April 2014, Attachment 1, p.4
488 Mr David Webster, Acting Secretary, Department of Treasury and Finance, Letter to the Committee, received 6 December 2013, p.12
489 Mr David Martine, Secretary, Department of Treasury and Finance, Letter to the Committee, received 10 April 2014, Attachment 1a, p.5
490 ibid., p.7
491 ibid., p.5
492 Mr David Martine, Secretary, Department of Treasury and Finance, Letter to the Committee, received 10 April 2014, Attachment 1, p.4
implementing the *Performance Monitoring and Reporting Framework* that is currently being trialled by DTF and reporting the results; or

» publishing a document which consolidates what each of the CSF-funded programs have achieved.

**FINDING:** The Department of Treasury and Finance has a monitoring and evaluation framework in place for individual grant programs.

**RECOMMENDATION 35:** The Department of Treasury and Finance collectively publish information on the overall performance of the Community Support Fund.

### 6.4 Agency management of grant programs

Recommendation two of the Auditor-General’s report focused on how selected agencies had managed CSF-funded grant programs. This recommendation consisted of a number of elements and called on the former DPCD to work in consultation with administering agencies to enhance their grant management frameworks.

The Committee sought assurance from DTF that administering agencies had implemented all elements of this recommendation. However, the Department was unable to provide this assurance to the Committee, noting that it was the responsibility of each portfolio agency to comply with the grant management standards and the financial management accountabilities that are in place for the Victorian public sector.\(^{493}\)

In order to determine whether administering agencies had implemented this recommendation, the Committee decided to seek information about three CSF-funded grant programs from the administering agencies, namely:

» the Community Facility Funding Program administered by the Department of Transport, Planning and Local Infrastructure (DTPLI);

» the Community Advancement Fund administered by the Department of Premier and Cabinet (DPC); and

» the Victorian Community Support Grants – Community Commitments program administered by the Department of State Development, Business and Innovation (DSDBI).

These programs were chosen by the Committee because they are administered by different departments and have been in place for a number of years. The three grant programs also range in value, with $1 million expended as part of the Community Advancement Program in 2012-13, while $11 million was expended for the Community Facility Funding Program’s 2012-13 funding round.\(^{494}\)
The following sections provide an overview of whether each element of the Auditor-General’s recommendation has been addressed by the administering agencies for these selected grant programs. The overarching role of DTF with respect to this recommendation is discussed in Section 6.4.5 below.

### 6.4.1 Departures from guidelines

Audit Recommendation 2.1: **DPCD in consultation with administering agencies should enhance their grant management frameworks by requiring the rationale for any departures from the program guidelines in relation to individual grants to be clearly documented and properly approved.**

The Auditor-General identified several examples of grants arising from election commitments where agencies had departed from their grant management frameworks without fully documenting the reasons for this deviation. The Auditor-General found that documenting the reasons for departures from the guidelines would strengthen the ‘transparency and accountability’ of the grant programs.

#### Department response to the audit recommendation

In the Government Response, the former DPCD stated that it followed the Better Grants by Design Guide in managing the CSF-funded grant programs and this required all decisions to be appropriately documented. The Department also noted that it had updated the MOUs with administering agencies to refer to this Guide.

#### Actions implemented to date

The administering agencies informed the Committee that there had been no departures from the grant guidelines for the selected grant programs during the time they had managed the programs.

Both DSDBI and DTPLI told the Committee that in the event that a departure from the grant guidelines was proposed, this would need to be clearly documented and approved.

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496 ibid., p.20
497 ibid., pp.20-21
498 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10*, October 2010, p.119
499 ibid.
500 Mr Andrew Tongue, Secretary, Department of Premier and Cabinet, Letter to the Committee, received 3 April 2014, Attachment B, p.1; Department of Transport, Planning and Local Infrastructure, *Audit review: Management of the Community Support Fund (2009)*, supplementary evidence received 25 February 2014, p.4; Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 4 April 2014, Attachment C, p.2
501 Department of Transport, Planning and Local Infrastructure, *Audit review: Management of the Community Support Fund (2009)*, supplementary evidence received 25 February 2014, p.4; Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 4 April 2014, Attachment C, p.2
DPC advised the Committee that the Premier has the discretion whether or not to approve each Community Advancement Fund request and that briefings are provided to the Premier for each individual request.  

Committee findings and recommendations

The evidence to the Committee suggests that the selected agencies have implemented the Auditor-General’s recommendation as any proposed departure from the grant guidelines would be documented and approved. The Committee notes that all agencies informed the Committee that they have adhered to the grant guidelines in approving grants.

**FINDING:** There have been no reported departures from the guidelines for the selected grant programs. The selected departments assured the Committee that any proposed departure from the grant guidelines would be documented and approved.

6.4.2 Retention amounts and funding ratios

Audit Recommendation 2.2: DPCD in consultation with administering agencies should enhance their grant management frameworks by developing criteria and/or guidelines to assist decision makers determine appropriate retention amounts and funding ratios for individual grants.

In one of the grants schemes examined in the report, the Auditor-General found there was no criteria in place to guide decision makers on what the appropriate retention amount should be for approved grants. The Auditor-General recommended developing criteria and/or guidelines to guide decision makers on the appropriate retention amounts and funding ratios for grants.

Department response to the audit recommendation

In the Government Response, the former DPCD stated that the Better Grants by Design Guide had guidance on retention amounts and funding ratios and that guidance similar to this would be included in future MOUs.

Actions implemented to date

DTF advised the Committee that it is the responsibility of administering agencies to ensure that appropriate funding ratios and retention amounts are in place.

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502 Mr Andrew Tongue, Secretary, Department of Premier and Cabinet, Letter to the Committee, received 3 April 2014, Attachment B, p.1
503 Victorian Auditor-General’s Office, Management of the Community Support Fund, November 2009, p.x
504 ibid., p.21
505 ibid., p.x
506 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, p.119
507 Mr David Webster, Acting Secretary, Department of Treasury and Finance, Letter to the Committee, received 6 December 2013, p.15
Only one of the selected departments had implemented this recommendation. DTPLI noted that its grant guidelines provide for 10 per cent of the grant monies to be retained and funding must be matched in accordance with specified funding ratios.\footnote{Department of Transport, Planning and Local Infrastructure, Audit review: Management of the Community Support Fund (2009), supplementary evidence received 25 February 2014, p.5}

DPC noted that retention amounts and funding ratios were not used for the Community Advancement Fund because of the nature of the program.\footnote{Mr Andrew Tongue, Secretary, Department of Premier and Cabinet, Letter to the Committee, received 3 April 2014, Attachment B, p.1} DSDBI stated that specific funding ratios were not used for the Community Commitments program because a range of specified projects were funded.\footnote{Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 4 April 2014, Attachment C, p.2}

Committee findings and recommendations

The Committee notes that only one department has guidelines in place to assist decision makers to determine the appropriate retention amounts and funding ratios for individual grants.

The remaining two departments indicated that this recommendation was not relevant because of the nature of the programs.

FINDING: One department has guidelines in place to assist decision makers to determine the appropriate retention amounts and funding ratios for individual grants. The Committee notes that of the remaining two departments, one indicated it does not use funding ratios or retention amounts, and the other indicated it does not use funding ratios, due to the nature of the grant programs.

6.4.3 Acquittal processes

Audit Recommendation 2.3: \textit{DPCD in consultation with administering agencies should enhance their grant management frameworks by strengthening follow-up procedures for the timely completion and submission of acquittal reports by recipients, including processes for documenting these activities.}\footnote{Victorian Auditor-General’s Office, Management of the Community Support Fund, November 2009, p.x}

The Auditor-General found that in most cases he examined, the acquittal process for grants had been completed appropriately. However, the report identified isolated cases of poor administrative practice with respect to the acquittal processes.\footnote{ibid., p.21} In response, the Auditor-General recommended strengthening the follow-up procedures for completing the acquittal process.\footnote{ibid., p.x}
Department response to the audit recommendation

In the Government Response, the former DPCD stated that guidance on follow-up procedures for acquittal would be incorporated into new MOUs.514

Actions implemented to date

DTF noted that administering agencies are responsible for following up the submission of acquittal reports for individual grants, while the Department is responsible for reporting on and acquitting the overall funding provided to agencies.515

DTPLI advised the Committee that it had strengthened the procedures and documentation for following up grant acquittals in response to the Auditor-General’s report.516

DSDBI told the Committee that all follow-up procedures are documented and grant recipients must submit a final report to the Department.517

DPC stated that Community Advancement Fund payments do not usually require a formal acquittal to be submitted for each grant or donation. The Committee was also advised that the Department provides a bi-annual acquittal report to DTF outlining the allocation of funds.518

Committee findings and recommendations

The Committee notes that two of the three selected departments, namely DTPLI and DSDBI, document follow-up procedures with respect to acquittal reports.

The Committee was told by DPC that this recommendation was not relevant in the context of the Community Advancement Fund program as recipients are not required to submit a formal acquittal to the Department.

FINDING: Two of the selected departments document the follow-up procedures with respect to acquittal reports. The other selected department indicated that it does not require recipients to submit a formal acquittal due to the nature of the program.

514 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, p.119
515 Mr David Webster, Acting Secretary, Department of Treasury and Finance, Letter to the Committee, received 6 December 2013, p.16
516 Department of Transport, Planning and Local Infrastructure, Audit review: Management of the Community Support Fund, supplementary evidence received 25 February 2014, p.6
517 Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 4 April 2014, Attachment C, pp.2-3
518 Mr Andrew Tongue, Secretary, Department of Premier and Cabinet, Letter to the Committee, received 3 April 2014, Attachment B, pp.1-2
6.4.4 Procedures for precluding applicants from grants

Audit Recommendation 2.4: DPCD in consultation with administering agencies should enhance their grant management frameworks by establishing procedures to preclude further grants to applicants who have failed to abide by the terms and conditions of funding.\(^{519}\)

The Auditor-General found an instance of weak administrative practice whereby two grants were provided to a recipient despite the fact that they had not met the terms and conditions of funding for a previous grant.\(^{520}\)

In response, the Auditor-General identified that there would be value in ensuring applicants who had not previously complied with all funding obligations for high value grants were precluded from further grants.\(^{521}\)

**Department response to the audit recommendation**

In the Government Response, the former DPCD stated that guidance on precluding further grants to applicants who have not met the terms and conditions of funding would be incorporated into new MOUs.\(^{522}\)

**Actions implemented to date**

DTF informed the Committee that it expects agencies to assess grant applicants and make appropriate financial decisions when approving grant proposals.\(^{523}\)

DTPLI noted that its grant guidelines preclude organisations from future funding projects if they have not submitted final acquittal documentation for any grants provided by the Department.\(^{524}\) Furthermore, the Department explained that a council's 'track record' of abiding by the terms and conditions of funding is a relevant consideration when assessing project proposals.\(^{525}\) DSDBI noted that the past performance of applicants is generally considered when making decisions about which projects to fund.\(^{526}\)

DPC told the Committee that it carries out a thorough assessment of each request for funding and that it undertakes probity checks and makes a financial assessment of organisations seeking funding. The Department also noted that most grants or donations to organisations are one off payments.\(^{527}\)

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520 ibid., p.21
521 ibid., p.22
522 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10*, October 2010, p.119
523 Mr David Webster, Acting Secretary, Department of Treasury and Finance, Letter to the Committee, received 6 December 2013, p.17
525 ibid.
526 Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 4 April 2014, Attachment C, p.3
527 Mr Andrew Tongue, Secretary, Department of Premier and Cabinet, Letter to the Committee, received 3 April 2014, Attachment B, p.2
Committee findings and recommendations

The Committee notes that one of the three selected departments, namely DTPLI, has express guidelines in place that preclude organisations from future funding if they have not abided by the terms and conditions of funding.

DSDBI and DPC both consider relevant probity issues regarding applicants prior to approving funding.

**FINDING:** The three selected departments consider probity issues when assessing grant applicants. One department has express guidelines in place precluding applicants from future funding if they have not complied with the terms and conditions of past funding.

6.4.5 The oversight role played by the Department of Treasury and Finance

The Auditor-General’s second recommendation was primarily directed at the former DPCD. It stated that that the Department in consultation with administering agencies should enhance their grant management frameworks by establishing a number of procedures.\(^{528}\)

As outlined above, the former DPCD had commenced implementing this recommendation at the time of the Government Response. The Department’s intended actions included incorporating several elements of the Auditor-General’s recommendation into future MOUs.\(^{529}\)

The Committee had assumed that DTF would continue this work and sought confirmation from the Department that this recommendation had been implemented by the administering agencies. However, DTF told the Committee that its role was different to that of the former DPCD:\(^{530}\)

> ...it should be noted that unlike DTF’s current role in relation to the management of the CSF, at the time of the Auditor-General’s Report on the Management of the Community Support Fund in November 2009, DPCD was not only responsible for the management of the overall Fund, it was also responsible for implementing a broad range of CSF funded grant programs/initiatives.

> The questions below relate to what was then DPCD’s function in implementing grant programs. DPCD no longer exists and its functions have been transferred to other departments including the Department of State Development, Business and Innovation, Department of Transport, Planning and Local Infrastructure and the Department of Premier and Cabinet.

The Committee implied from this response that DTF considered that it was the responsibility of the administering agencies to implement this recommendation.

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529 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10*, October 2010, p.119

530 Mr David Webster, Acting Secretary, Department of Treasury and Finance, Letter to the Committee, received 6 December 2013, p.14
In subsequent correspondence DTF outlined to the Committee a range of measures that are in place to ensure that CSF-funded grant programs adhere to sound financial and grant management standards, including:\textsuperscript{531}

» an auditing power which can be invoked if necessary;

» an expectation that all agencies will use the Better Grants by Design Guide, a best practice guide for government grant programs; and

» the requirement to comply with the Victorian Public Sector Financial Management Framework.

The Department also stated:\textsuperscript{532}

\begin{quote}
DF is confident that the current accountability requirements for portfolio agencies in receipt of CSF funding via the MOU process and the Better Grants by Design Guide are comprehensive and effective.
\end{quote}

\section*{Committee findings and recommendations}

The Committee notes the view expressed by DTF that there are sound accountability requirements in place for agencies in receipt of CSF funding. The Committee also notes that the Auditor-General’s second recommendation concerning the agency management of the grant programs appears to have been implemented to differing extents by the selected agencies.

DTPLI has addressed all aspects of the recommendation in their grant management framework for the Community Facility Funding Program. DPC and DSDBI have not implemented all aspects of the recommendation due to the nature of their grant programs.

\subsection*{6.5 Committee’s overall assessment of the progress made in implementing the audit recommendations}

The Committee notes that while there has been some progress in implementing the Auditor-General’s recommendations, not all elements of the recommendations appear to have been addressed in the manner envisaged by the Auditor-General.

The Committee considers that the response to this report demonstrates the potential for there to be different interpretations between the Auditor-General’s Office and the responsible department with respect to how recommendations should be implemented.

DTF’s response indicates that it believes it has implemented the Auditor-General’s recommendation concerning the management of the CSF. Further, the Department’s response suggests that it did not consider that it, as the managing agency, had a responsibility to ensure that administering agencies implemented the Auditor-General’s recommendation concerning the management of CSF-funded grant programs.

\textsuperscript{531} Mr David Martine, Secretary, Department of Treasury and Finance, Letter to the Committee, received 10 April 2014, Attachment 1, pp.6-7

\textsuperscript{532} Ibid., p.7
The Committee considers that the fact that DTF took over responsibility for the CSF after the audit report was published may have contributed to this situation. The Committee notes that the initial Government Response to the report by the former DPCD had set out a range of planned actions in response to the recommendations. However, these actions do not appear to have carried over when responsibility for the CSF was transferred to DTF.

As discussed in Chapter Two of the report, the Committee believes that the potential for this situation to occur could be minimised if agencies were required to identify any outstanding recommendations from performance audit reports that need to be implemented at the time of machinery of government changes. If necessary, agencies should also enter into a dialogue with the Victorian Auditor-General’s Office to ensure that they fully understand the basis of the recommendations and can respond appropriately.
CHAPTER 7
SECURITY OF INFRASTRUCTURE CONTROL SYSTEMS FOR WATER AND TRANSPORT

7.1 Introduction

The Victorian community is reliant on the stable delivery of essential services such as water and transport. Computer-based control systems are used to operate the infrastructure associated with these essential services and it is vital that these systems are appropriately protected and secured to prevent any disruption to services.

The Auditor-General’s 2009 report, *Security of Infrastructure Control Systems for Water and Transport*, considered whether the infrastructure control systems at several water and transport operators were being adequately secured and also whether effective oversight was being provided by the relevant portfolio agencies.

The audit was a timely examination of this issue, with the report identifying that the increasingly interconnected nature of infrastructure control systems had resulted in a growing threat of unauthorised persons or organisations accessing or interfering with the supply of essential services.\(^{533}\)

This chapter begins by outlining the roles and responsibilities for the water and transport sectors. It then goes on to examine the Auditor-General’s recommendations and the actions taken by the relevant oversight agencies and operators in response to those recommendations.

7.2 Roles and responsibilities for the water and transport sectors

Water and transport operators are primarily responsible for the security of their infrastructure control systems and the continuity of their business.\(^{534}\) However, the Victorian Government has a role to play regarding the protection of essential services by overseeing operators and regulating these sectors through legislative and administrative arrangements.\(^{535}\)

This section outlines which government agencies are responsible for overseeing the water and transport sectors and provides a brief overview of these sectors.

7.2.1 The water sector

At the time of the Auditor-General’s report, the former Department of Sustainability and Environment (DSE) was responsible for overseeing water operators. However, responsibility for water operators was transferred to the Department of Environment and Primary Industries (DEPI) in 2013 when

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\(^{533}\) Victorian Auditor-General’s Office, *Security of Infrastructure Control Systems for Water and Transport*, October 2010, p.8

\(^{534}\) Ibid., p.2

\(^{535}\) Ibid.
DSE and the Department of Primary Industries merged as part of machinery of government changes.\textsuperscript{536}

The Victorian water sector consists of 19 water corporations which supply water and sewerage services across the state. These water corporations are state-owned and are governed by boards appointed by the Minister for Water pursuant to the \textit{Water Act 1989}.\textsuperscript{537}

\subsection*{7.2.2 The transport sector}

The former Department of Transport (DOT) was responsible for overseeing transport operators at the time of the Auditor-General's report. However, responsibility for transport operators was transferred to Public Transport Victoria (PTV) upon its establishment as a statutory authority in 2012.\textsuperscript{538}

There is a high level of private sector delivery of public transport services in Victoria. PTV enters into franchise or service agreements with transport operators to provide public transport services in metropolitan and regional Victoria. These agreements cover train, tram and bus services in Victoria.\textsuperscript{539}

\subsection*{7.3 Audit findings and recommendations}

The Auditor-General's report concluded that there was a high risk of unauthorised access to water and transport infrastructure control systems because operators were not properly securing their systems.\textsuperscript{540} Further, the report identified that the former DSE and DOT were not fully aware of the shortcomings associated with the infrastructure control systems of operators.\textsuperscript{541}

The Auditor-General found that neither oversight agency had effectively monitored or guided operators regarding the protection of their infrastructure control systems.\textsuperscript{542} The Auditor-General also noted that operators lacked clarity about the respective roles and responsibilities for protecting infrastructure control systems.\textsuperscript{543}

The Auditor-General made three recommendations in response to these findings, namely: \textsuperscript{544}

\begin{itemize}
  \item operators should review the security of their infrastructure control systems;
  \item DSE should increase the monitoring and advice it provides to water operators; and
\end{itemize}

\begin{flushleft}
\textsuperscript{536} Department of Environment and Primary Industries, \textit{2013 Annual Report}, September 2013, p.2
\textsuperscript{538} Mr Dean Yates, Secretary, Department of Transport, Planning and Local Infrastructure, Letter to the Committee, received on 20 January 2014, Attachment 1, p.1
\textsuperscript{540} Victorian Auditor-General’s Office, \textit{Security of Infrastructure Control Systems for Water and Transport}, October 2010, p.viii
\textsuperscript{541} ibid.
\textsuperscript{542} ibid.
\textsuperscript{543} ibid.
\textsuperscript{544} ibid., p.x
\end{flushleft}
» DOT should create an appropriately qualified and experienced information communications technology (ICT) security team to provide advice to transport operators.

The Auditor-General noted that these recommendations were applicable to all operators of critical infrastructure, essential service providers and oversight agencies.545

7.4 Operator security

Audit Recommendation 1: Operators should rigorously review the security of their infrastructure control systems against the relevant state and international security standards and implement improvements, where required.546

The Auditor-General examined the security, governance and response capabilities put in place by selected water and transport operators.547 Operators were assessed against the relevant legislation, policy, standards and best practice for the security of infrastructure control systems.548

The Auditor-General found that the infrastructure control systems for critical infrastructure were not secure because the security frameworks put in place by operators would not have prevented unauthorised access to these systems.549 For example, the Auditor-General found shortcomings with the firewalls, separation of networks and remote access arrangements of a number of operators.550 In response, the Auditor-General recommended that operators review and improve the security of their infrastructure control systems.551

7.4.1 Department response to the audit recommendation

The Auditor-General’s recommendation to review the security of infrastructure control systems was directed at water and transport operators. However, operators were not asked to formally respond to the Auditor-General’s report. In this regard, the Committee notes that there may have been benefit in addressing this recommendation to the oversight agencies to require them to seek the cooperation of operators with respect to the review of standards.

Both the former DOT and DSE supported this recommendation in their response to the audit report set out in the Government Response to the Auditor-General’s Reports issued during 2010-11 (the Government Response).552

In the Government Response, the former DSE noted that it would work with water operators to build their awareness and capacity to manage risks to infrastructure control systems and facilitate information sharing across the sector.553

545 ibid.
546 ibid.
547 ibid., p.6
548 ibid.
549 ibid.
550 ibid., p.9
551 ibid., p.x
552 Department of Treasury and Finance, Government Response to the Auditor-General’s Reports issued during 2010-11, June 2012, p.137
553 ibid.
The former DOT stated that it had been working with transport operators to improve the security of critical infrastructure control systems and would continue these efforts into the future. The Department also stated that it would review infrastructure control system security during 2011-12.

**7.4.2 Actions implemented to date**

This section outlines the measures that have been put in place by the responsible oversight agencies and operators in response to the Auditor-General’s recommendation concerning operator security.

**The water sector**

DEPI advised the Committee that following on from the Auditor-General’s report, water operators have been working to improve their information security arrangements by placing a stronger focus on risk management activities and ensuring that their employees have the necessary expertise in ICT security.

Mr Luke Wilson, Acting Secretary of DEPI, expressed confidence in the progress that had been made by the operators since the Auditor-General’s report, stating, ‘I believe our water sector is now well positioned to ensure security in ICT and continuity of water and sewerage services.’

The Department noted that some water operators have chosen to become accredited under international risk and information security standards, while other water operators are working towards meeting these standards.

The Department detailed how the current regulatory framework for water operators informs the approach to infrastructure control system security by water operators. Water operators are required to comply with a 2012 *Statement of Obligations* which sets out the requirements for how water corporations should perform their functions and covers a range of matters including ‘governance, risk management, asset management, emergency management and business continuity.’

The *Statement of Obligations* contains a number of requirements which assist operators to more effectively plan and report on the security of their ICT and infrastructure control systems. These include:

- creating an emergency management plan for all hazard related incidents and emergencies, including major ICT incidents; and
- providing annual risk reports to the Secretary of DEPI.

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554 ibid.
555 ibid.
556 Mr Luke Wilson, A/g Secretary, Department of Environment and Primary Industries, Transcript of evidence, Melbourne, 24 February 2014, p.3
557 ibid., p.2
558 Mr Adam Fennessy, Secretary, Department of Environment and Primary Industries, Letter to the Committee, received 3 April 2014, Attachment A, p.1
559 Mr Adam Fennessy, Secretary, Department of Environment and Primary Industries, Letter to the Committee, received 13 January 2014, Attachment B, p.6
560 ibid., p.2
DEPI outlined a range of actions it had taken in response to the Auditor-General’s report to build the capability of water operators to manage their ICT security risks. These actions included:\(^{561}\)

» developing the *Information and Communications Technology Security Management Guideline for Victorian Water Corporations*, which is a guide for water corporations on how to ensure that critical infrastructure risks are effectively managed;

» developing an ICT Security Self-Assessment Tool which assists water corporations to identify their ICT risks; and

» holding Risk Management Forums to enable risk managers from the water corporations to share information and discuss risk management.

The Department advised the Committee that the guidance material and checklists it has developed for water operators comply with the relevant Australian and international standards.\(^{562}\)

The Committee was told that there are also a number of processes in place whereby operators review the security of their infrastructure control systems. For example, all water operators are required to prepare and participate in ‘a training exercise to test the operation of the risk management plan’ by virtue of the *Terrorism (Community Protection) Act 2003*.\(^{563}\) DEPI advised that six of the 19 water corporations have conducted their exercise based on an ICT security issue to date.\(^{564}\)

The Department also advised the Committee that operators conduct penetration testing annually, whereby independent experts attempt to gain access to computer systems in order to identify any weaknesses with their security systems.\(^{565}\)

DEPI explained to the Committee that the regularity with which water operators review the security of their infrastructure control systems is based on ‘identified risks, the criticality of their infrastructure and the size of the organisation.’\(^{566}\)

Accordingly, while some water corporations undertake annual security reviews of their infrastructure control systems, other may undertake security reviews as required (e.g. upon the identification of a new risk or the introduction of a new security control).\(^{567}\) Section 7.5.1 discusses the arrangements that the Department has in place to oversee the adequacy of these measures.

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561 ibid., pp.2-3
562 Mr Luke Wilson, A/g Secretary, Department of Environment and Primary Industries, *Transcript of evidence*, Melbourne, 24 February 2014, p.3
563 *Terrorism (Community Protection) Act 2003* (Vic), s.33(1)
564 Mr Adam Fennessy, Secretary, Department of Environment and Primary Industries, Letter to the Committee, received on 13 January 2014, Attachment B, p.3
565 Mr Luke Wilson, A/g Secretary, Department of Environment and Primary Industries, *Transcript of evidence*, Melbourne, 24 February 2014, p.4
566 Mr Adam Fennessy, Secretary, Department of Environment and Primary Industries, Letter to the Committee, received 3 April 2014, Attachment A, p.1
567 ibid.
The transport sector

PTV informed the Committee that transport operators have made significant progress in improving the security of their infrastructure control systems following on from the Auditor-General’s report. Mr Ian Dobbs, Chairman of PTV, explained:568

I think it is fair to say that when VAGO originally carried out this audit … the operators were probably in a relatively immature state. It is also fair to say that during the past few years since that audit there has been a huge amount of work done by the operators not only to develop plans but also processes around security and information security. I think they have become increasingly mature. Do I think that they are best practice yet? No, I think there is still some way to go, but I think the report, if you like, at this stage would be to say that good progress has been made and a lot of extra planning and process work has been done.

PTV informed the Committee that operators review the security of their ICT systems as part of developing and updating risk management plans.569 The Authority stated that these plans are generally reviewed and updated on an annual basis and they cover a range of areas including emergency and crisis management, disaster recovery, business continuity, security and terrorism.570

The Authority assured the Committee that all transport operators have assigned the responsibility for securing infrastructure control systems to designated individuals or groups within their organisation.571 For example, Metro Trains has a discrete team that is responsible for operational control systems.572

PTV noted that operators are required to undertake a thorough system of testing and provide the results of these tests to the Authority.573 For example, operators conduct penetration testing to identify system weaknesses as well as emergency management exercises.574

Proposed future actions

The Victorian Government is in the process of reforming the emergency management arrangements for critical infrastructure. A new policy, the Critical Infrastructure Resilience Interim Strategy, sets out the future approach to critical infrastructure resilience in Victoria.575

DEPI informed the Committee that all water corporations will be required to identify and reassess the risks they face at an individual and a sector level as a result of this new policy.576 Both the Department and the State Crisis and Resilience

568 Mr Ian Dobbs, Chairman, Public Transport Victoria, Transcript of evidence, Melbourne, 26 February 2014, p.3
569 ibid., p.2
570 ibid., pp.2-3
571 ibid., p.4
572 Mr Mark Wild, Chief Executive Officer, Public Transport Victoria, Transcript of evidence, Melbourne, 26 February 2014, p.4
573 Mr Ian Dobbs, Chairman, Public Transport Victoria, Transcript of evidence, Melbourne, 26 February 2014, p.3
574 ibid., p.3
576 Mr Adam Fennessy, Secretary, Department of Environment and Primary Industries, Letter to the Committee, received 13 January 2014, Attachment B, p.3
Council, the body responsible for developing and coordinating emergency management policy, will monitor this process.⁵⁷⁷

PTV told the Committee that it will take on the responsibilities envisaged for oversight agencies in the Interim Strategy and that it will also work with operators to ensure that the new approach is implemented.⁵⁷⁸

### 7.4.4 Committee findings and recommendations

The Committee considers that progress has been made by the water and transport sectors to improve the security of their infrastructure control systems since the release of the Auditor-General’s report.

For example, the Committee notes that work has been undertaken to: raise the awareness of ICT security risks with operators; operators regularly review the security of their infrastructure control systems as part of their risk management processes and recurrent testing; and operators are ensuring that they have the appropriate expertise within their organisations to enhance their management of ICT security.

**FINDING:** Operators and oversight agencies have taken steps to improve the security of water and transport infrastructure control systems since the Auditor-General’s report was published.

### 7.5 Agency oversight

The responsibility for the security of infrastructure control systems rests primarily with the operators. However, government agencies have an oversight role and the Auditor-General’s report examined how effectively the former DSE and the former DOT carried out this role with respect to water and transport operators.

The Auditor-General found that neither department was sufficiently aware of the risks to the systems of operators nor had they effectively ensured that operators were managing those risks.⁵⁷⁹

The Auditor-General made separate recommendations to each department and these recommendations are considered separately below.

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⁵⁷⁷ ibid.
⁵⁷⁸ Mr Ian Dobbs, Chairman, Public Transport Victoria, Letter to the Committee, received 22 April 2014, p.1
7.5.1 The water sector

Audit Recommendation 2: The Department of Sustainability and Environment should:

» increase its monitoring of operator ICT and infrastructure control system risk, and business continuity management

» use suitably qualified and experienced staff from within the department to provide advice to operators on infrastructure control system security and risk, and business continuity management. 580

The Auditor-General recommended that the former DSE should review its approach to monitoring water operators as a result of the weaknesses identified by the audit with the security of the water operator’s infrastructure control systems. 581

The Auditor-General also identified that the former DSE was not providing expert advice to operators about the security of their infrastructure control systems or the management of cyber risks. 582 Arising from this, the Auditor-General recommended that the Department provide operators with advice regarding infrastructure control system security, risk and business continuity management 583

Department response to the audit recommendation

The former DSE did not explicitly state whether it accepted or rejected this recommendation at the time of the Auditor-General’s report. However, the Department stated that it did not support this recommendation in the Government Response. The Department commented that it was the responsibility of water operators to manage the risks to infrastructure security systems while the Department’s role was to ‘monitor and oversee the compliance and performance of the water entities.’ 584

Actions implemented to date

This section outlines the actions taken by DEPI in response to the two aspects of the Auditor-General’s recommendation, namely the monitoring of operators and the provision of advice to operators.

Monitoring of operators

DEPI told the Committee that it has a range of measures in place to monitor the security of the infrastructure control systems managed by the water sector. These measures include: 585

» collecting strategic risk information from water corporations to enable the Department to develop an overall risk profile of the sector;

580 ibid., p.x
581 ibid., p.27
582 ibid., p.ix
583 ibid., p.x
584 Department of Treasury and Finance, Government Response to the Auditor-General’s Reports issued during 2010-11, June 2012, p.157
585 Mr Adam Fennessy, Secretary, Department of Environment and Primary Industries, Letter to the Committee, received 13 January 2014, Attachment B, pp.2-3, 5
» having emergency risk assessment methodology as set out in the *Emergency Response Notification Protocol* established to ensure that water operators report any significant ICT incidents to the Department; and

» chairing the Security and Continuity Networks so that water corporations and various representatives from other public sector agencies can discuss matters related to ICT security as part of a standing agenda item.

A number of the measures outlined in Section 7.4 above, such as the emergency management exercises and the annual risk reports from water operators, also contribute to the Department’s monitoring role with respect to infrastructure control system security.

DEPI has a written protocol in place with the operators which sets out when operators must notify the Department about a security incident.586 The Department noted that there have not been any major compliance or security issues that have resulted in the Department needing to take action to date.587

DEPI explained that if any issues were to arise regarding security breaches or an operator not complying with a legislative or regulatory requirement, the Department has the ability to conduct an independent audit of the water operators and require them to remedy any issues.588

The Department informed the Committee that although it had not conducted any independent audits to date, it had commissioned the Essential Services Commission to conduct an audit on the ICT security of water operators.589

DEPI explained that this audit is due to be completed in 2014 and will provide the Department with independent assurances that operators have put in place the necessary controls to manage their ICT risks.590

The Department told the Committee that the independent audit was timely in 2014 because an appropriate period of time had passed since the release of the Auditor-General’s report to allow the operators to build their capacity and awareness of ICT security.591

**Provision of advice to operators**

DEPI told the Committee that the departmental staff working with water operators have strong skills and experience in risk management, asset management and the water sector.592

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586 Mr Andrew Fennessy, Executive Director, Rural Water Programs, Department of Environment and Primary Industries, *Transcript of evidence*, Melbourne, 24 February 2014, p.5
587 Mr Adam Fennessy, Secretary, Department of Environment and Primary Industries, Letter to the Committee, received 13 January 2014, Attachment B, p.6
588 ibid., pp.5-6
589 Mr Luke Wilson, A/g Secretary, Department of Environment and Primary Industries, *Transcript of evidence*, Melbourne, 24 February 2014, p.3
590 ibid., p.3
591 Mr Luke Wilson, A/g Secretary, Department of Environment and Primary Industries, *Transcript of evidence*, Melbourne, 24 February 2014, p.4; Mr Andrew Fennessy, Executive Director, Rural Water Programs, Department of Environment and Primary Industries, *Transcript of evidence*, Melbourne, 24 February 2014, p.7
592 Mr Andrew Fennessy, Executive Director, Rural Water Programs, Department of Environment and Primary Industries, *Transcript of evidence*, Melbourne, 24 February 2014, p.7
The Department noted that it currently sources information and expertise about ICT security externally and ensures that experts review any ICT security advice being provided to water operators. For example, the Department told the Committee that it works closely with the Australian Government Attorney-General’s Department, which has a Computer Emergency Response Team.

DEPI provided a number of examples where it has provided guidance or support to water operators. For example, the Department has:

» written to the managing directors of the water operators about ICT security risks promoting the use of guidance material created by the Department; and

» encouraged education and information sharing with respect to infrastructure control system security at various forums for water operators.

However, the Department noted that the governance arrangements for water corporations do not envisage the Department providing detailed advice to water operators on operational issues.

Committee findings and recommendations

The Committee notes that despite the fact that the former DSE did not support this recommendation, a number of actions have been taken by DEPI which are consistent with the Auditor-General’s recommendation.

DEPI’s response indicates that it acknowledges it has a monitoring role to play with respect to water operators. However, the Department’s monitoring role appears to be largely reactive, rather than being pro-active in identifying and responding to potential security issues.

The Committee considers that the planned audit by the Essential Services Commission will enhance the monitoring that the Department currently carries out. The response by the Department does not give any indication as to whether it plans to schedule periodic compliance audits in the future. Given the constantly evolving nature of ICT security, the Committee considers that it would be beneficial for audits to be conducted periodically to provide the Victorian Government with the necessary assurances that operators are effectively responding to new risks that emerge.

The response by DEPI also makes it clear that it does not consider that it has a role in providing detailed advice to water operators about operational issues. The Department provided evidence that it offers high level guidance and support on issues such as risk management and ICT security.

The Committee notes that the Department appears to have experienced staff in the areas of risk and asset management to provide guidance and support to operators in these areas. The Committee also notes the decision by the Department to rely on external parties to obtain expert advice on ICT security for critical infrastructure.

593 ibid., p.7
594 ibid.
595 Mr Adam Fennessy, Secretary, Department of Environment and Primary Industries, Letter to the Committee, received 13 January 2014, Attachment B, pp.5-6
596 Mr Andrew Fennessy, Executive Director, Rural Water Programs, Department of Environment and Primary Industries, Transcript of evidence, Melbourne, 24 February 2014, p.8
FINDING: The Department of Environment and Primary Industries has put in place a number of measures to monitor operators and ensure that expert advice is provided on risk management and ICT security.

RECOMMENDATION 36: The Department of Environment and Primary Industries conduct, or commission, periodic independent audits of water operators to verify that their infrastructure control systems meet the relevant security standards.

The transport sector

Audit Recommendation 3: The Department of Transport should establish an ICT security team. It should be comprised of suitably qualified and experienced staff to provide advice to operators on infrastructure control system security and risk, and business continuity management.597

The Auditor-General identified that the former DOT was not providing expert advice to operators about the security of their infrastructure control systems or managing cyber risks.598 In response, the Auditor-General recommended that the Department create an ICT security team to advise transport operators on infrastructure control system security, risk and business continuity management.599

Although the Auditor-General did not make a recommendation to the Department regarding its monitoring of transport operators in the report, the Committee chose to consider this matter as part of the current Inquiry because a key finding in the audit report was the fact that oversight agencies were not adequately identifying infrastructure control system security issues.600

Department response to the audit recommendation

The former DOT supported this recommendation and noted that it had appointed a Chief Information Security Officer and established an ICT security team made up of suitably qualified and experienced people.601

Actions implemented to date

This section considers how PTV has responded to the Auditor-General’s recommendation regarding the establishment of an ICT security team to provide advice to operators. It also outlines what monitoring the Authority carries out as part of its oversight role.

597 Victorian Auditor-General’s Office, Security of Infrastructure Control Systems for Water and Transport, October 2010, p.x
598 ibid., p.ix
599 ibid., p.x
600 ibid., p.23
601 Department of Treasury and Finance, Government Response to the Auditor-General’s Reports issued during 2010-11, June 2012, p.138
**Provision of advice**

Since assuming responsibility for transport operators, PTV told the Committee that it had established the Office of the Chief Information Officer in response to this recommendation. The Committee notes that this Office has an information security and management function within the Authority and, as discussed below, it also has an oversight function.

PTV informed the Committee that the Office of the Chief Information Officer is headed up by a credible professional in the field and that the Office is independent from existing teams.

The Authority explained that it is consulted on, and provides input into, any proposed changes to the transport network by transport operators. This is done through a project steering committee which considers all proposals from operators to ensure they are consistent with relevant policies and standards.

PTV also conducts regular maintenance and renewal meetings with operators to discuss any ongoing maintenance or operational issues with respect to the transport network.

**Monitoring of operators**

PTV noted that it has the power under its franchise agreements with operators to audit operators and access any aspect of their operations. The Authority told the Committee that it had begun taking a more active role to obtain assurances that operators are meeting their security obligations. Mr Dobbs, Chairman of PTV, explained:

> We have tried to develop a culture in the organisation in such a way that rather than just sitting back and taking for granted that people are doing things, the right thing, we increasingly actually go to the operators and ensure that is happening.

PTV stated that it expects all operators to meet the relevant standards on information security management and that it has planned a series of audits in 2014 which will enable it to assess what progress the operators have made towards meeting these standards. These audits will be undertaken by the Office of the Chief Information Officer.

The Authority told the Committee that it has protocols in place to ensure that it is notified of any security breaches and that it works with operators to ensure these breaches are addressed.
Committee findings and recommendations

The Committee considers that PTV has addressed the Auditor-General’s recommendation by establishing the Office of the Chief Information Officer, which has an information security function and will also conduct independent audits of transport operators.

In addition, PTV presents itself with opportunities to monitor and provide advice to transport operators through regular meetings with operators where all proposals, maintenance and operational issues are considered.

The Committee also welcomes the fact that PTV has the capacity to internally undertake audits of transport operators on a regular basis and will commence carrying out these audits in 2014.

**FINDING:** Public Transport Victoria has established the Office of the Chief Information Officer to oversee operator ICT security and has regular meetings with operators to consider new proposals, maintenance and operational issues.

7.6 Committee’s overall assessment of the progress made in implementing the audit recommendations

The Committee considers that operators and oversight agencies from the water and transport sectors have made significant progress towards actioning the recommendations in the Auditor-General’s report.

In particular, the Committee notes that both the operators and oversight agencies have placed a strong emphasis on identifying and managing the risks associated with infrastructure control systems and ICT security. The Committee notes that one agency, PTV, is more ‘hands-on’ and pro-active in overseeing operators’ compliance activities.

Given the critical nature of essential services to the Victorian community, the Committee considers that it is important that oversight agencies independently assess that operators are meeting the relevant security standards. To this end, the Committee welcomes the planned audits of the security arrangements for water and transport operators in 2014 and believes that these audits should be carried out on a periodic basis.

Both DEPI and PTV acknowledged that ongoing vigilance is required to protect infrastructure control systems due to the evolving nature of the technologies and threats. Accordingly, the Committee encourages both the oversight agencies and operators to continue to place a strong focus on infrastructure control system security going into the future.
CHAPTER 8

TAking ACTION ON PROBLEM GAMBLING

8.1 Introduction

A large percentage of Victorian adults engage in some form of legal gambling. Approximately $5.4 billion was spent on gambling in Victoria in 2012-13, and of this amount:

- $2.5 billion was spent on electronic gaming machines in hotels and clubs;
- $1.5 billion was spent at the Melbourne Casino;
- $824.9 million was spent on wagering;
- $529.8 million was spent on lotteries; and
- $14.0 million was spent on “Club Keno”.

In 2010, the Auditor-General noted that whilst most people gamble responsibly, an estimated 29,000 Victorian adults are classified as “problem gamblers” with a further 97,000 deemed to be moderate risk gamblers.

In October 2006, the former Government released a five-year strategy directed at the promotion of responsible gambling in Victoria including standards of probity in the industry and support for people with gambling problems. This strategy, Taking Action on Problem Gambling (the Strategy), was based on public health and social regulation models in an effort to address gambling related harm.

The Auditor-General reviewed the Strategy in July 2010 in the report, Taking Action on Problem Gambling. The objective of the audit was to assess:

- the rationale and evidentiary basis underlying the initiatives contained in the Strategy;
- the management of the implementation of the Strategy by the Department of Justice and the Victorian Commission for Gambling and Liquor Regulation (formerly the Victorian Commission for Gambling Regulation); and
- whether the Strategy had been effective in achieving its intended outcomes and objectives.

The focus of the audit was on gambling via Electronic Gaming Machines (EGMs) as these are attributed with causing the most gambling-related harm in Victoria.

This chapter examines the actions taken by the Department of Justice (the Department) and the Victorian Commission for Gambling and Liquor Regulation (VCGLR) in response to the audit recommendations. Whilst the implementation period and funding for the Strategy have since ended, the issues remain relevant.

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612 Victorian Commission for Liquor and Gambling Regulation, Annual Report 2012-2013, p.11
613 Victorian Auditor-General’s Office, Taking Action on Problem Gambling, July 2010, p.vii
614 ibid.
615 ibid., p.8
616 ibid.
and the actions being taken by the Department and the VCGLR to address these issues remain an important area of public policy in Victoria.

8.1.1 Recent developments

Implementation of the Strategy came to an end in 2010-11. In February 2012, the Government amalgamated gambling and liquor regulation under one entity, establishing the VCGLR. The new Commission combines the functions of the former Victorian Commission for Gambling Regulation (VCGR) with the functions of the Director of Liquor Licensing and Responsible Alcohol Victoria, business unit within the Department of Justice.617

The Government also established the Victorian Responsible Gambling Foundation (the Foundation) which commenced operations from 1 July 2012. The objectives of the Foundation are to reduce the prevalence and severity of problem gambling and to foster responsible gambling in Victoria.

The Department of Justice works together with these two entities to determine policy, undertake research, conduct training, ensure regulatory compliance, and develop educational and other harm minimisation and problem gambling treatment programs to ensure that gambling in Victoria is managed in a socially responsible manner.

The Committee was advised by the Department of Justice that responsibility for addressing the Auditor-General’s recommendations have been assumed by these new entities.618

8.2 Audit findings and recommendations

The Auditor-General found that there was limited evidence supporting a number of the initiatives included in the Strategy, however, he also noted in the report that the Department had based its advice on the best information available at the time.619

The Auditor-General was largely positive regarding his assessment of the Strategy’s implementation. He noted that both the Department and the then VCGR had ‘adequately discharged their respective responsibilities’ and that the Strategy was ‘well managed in terms of budget and timeliness.’ However, he also identified a number of aspects of the Strategy’s implementation which could be enhanced such as, some of the regulatory management processes and training programs in place.620

The Auditor-General also noted that it was not possible to assess the effectiveness of the Strategy as a result of the lack of targets, key performance indicators and baseline data established by the Department. The Auditor-General acknowledged that there were inherent difficulties in evaluating the effectiveness of problem

617 Mr Bruce Thompson, Chairman, Victorian Commission for Gambling and Liquor Regulation, Letter to the Committee, received 13 December 2013, p.2
618 Mr Greg Wilson, Secretary, Department of Justice, Transcript of evidence, Melbourne, 25 February 2014, pp.2-3
619 Victorian Auditor-General’s Office, Taking Action on Problem Gambling, July 2010, p.9
620 ibid., p.21
gambling strategies and also that it was likely there would be some lead time before information on the performance of the Strategy was available.\textsuperscript{621}

In response to these findings, the Auditor-General made seven recommendations. Three recommendations were directed at the Department and related to: research, performance monitoring and reporting; the effectiveness of responsible gambling training arrangements; and the development of targets and performance indicators to improve evaluation practices in the area. Four recommendations were addressed to the former VCGR and related to management practices and principles associated with the regulation of gambling in the community.

### 8.3 Basis for the Strategy

**Audit Recommendation 1:** *The Department of Justice should continue to address critical gaps in the evidence base through evaluation, its performance management and reporting system and research programs.*\textsuperscript{622}

The Auditor-General examined whether the initiatives in the Strategy were supported by sound research and evidence.

The Strategy comprises seven action areas:\textsuperscript{623}

» building better treatment services;

» ensuring a more socially responsible gambling industry;

» promoting healthy communities;

» improving consumer protection;

» enhancing the regulator; and

» fostering gambling research.

There were 37 initiatives across these areas, many of which were extensions or enhancements to existing initiatives. The Strategy was structured around a public health and social regulatory model which seeks to understand the factors which influence behaviour and focuses on prevention, intervention and treatment aimed at harm minimisation.\textsuperscript{624}

In his report, the Auditor-General noted that problem gambling is a relatively new field of research which means that there is a limited evidence base available. Despite this the auditor concluded that:\textsuperscript{625}

*There was a reasonable rationale and previous experience in similar fields to support the implementation of a broad-based multi-faceted approach as an appropriate overall response to problem gambling.*

\textsuperscript{621} ibid., p.31
\textsuperscript{622} ibid., p.19
\textsuperscript{623} ibid., p.11
\textsuperscript{624} ibid.
\textsuperscript{625} ibid., p.13
The report noted that there was limited evidence to support certain initiatives set out in the Strategy and emphasised the importance for the Department to identify gaps in the evidence base so that research, monitoring and evaluation could be effectively targeted to provide the required data.

8.3.1 Department response to the audit recommendation

The Department was in full support of the audit recommendation and stated in the Government response to the Auditor-General’s Reports issued during 2010-11 (the Government Response) that it would continue to foster gambling research and evaluate policies and programs through its performance management and evaluation framework.526

8.3.2 Actions implemented to date

In October 2013, the Committee wrote to the Department requesting information about the current strategies and policies in place in relation to the management of problem gambling and also about their evidence gathering and evaluation practices.

The Department advised that the Government has implemented the following initiatives to address problem gambling in Victoria:527

» introduction of legislation to extend the prohibition of ATMs in gaming venues to include alternative cash access facilities other than genuine EFTPOS;
» banning isolation audio technology on gaming machines;
» introducing new plain signage regulations for gaming venues;
» implementing a 10-year ban on “moneyless” gaming machines;
» providing guidelines for use by the VCGLR in the assessment of applications for gaming premises containing children’s play areas;
» commissioning the Victorian Competition and Efficiency Commission to undertake an inquiry into the social and economic costs of problem gambling in Victoria (the final report and Government’s response was released in September 2013); and
» implementing voluntary, networked pre-commitment technology on every gaming machine in Victoria by 2015-16.

With regard to the audit recommendation, the Department advised that prior to July 2012, the Department identified gaps in research in consultation with the Responsible Gambling Ministerial Advisory Council’s Research Working Group. Research priorities were addressed through the Department’s gambling research grants program. In terms of evaluation, the Department advised that since 2010 it has:528

» commissioned and published an evaluation of the removal of ATMs from gaming venues;

526 Department of Treasury and Finance, Government response to the Auditor-General’s Reports issued during 2010-11, June 2012, p.147
527 Mr Greg Wilson, Secretary, Department of Justice, Letter to the Committee, received 5 December 2013, p.4
528 ibid., pp.5, 8
commenced planning for an evaluation of the pre-commitment policy; and
commissioned the development of an evaluation framework which will ‘enable policies to be evaluated externally or internally, ensuring a focus on learning and the establishment of significant evidence for further policy development work.’

In addition, the Department referred the Committee to the creation of the Foundation, with funding of $150 million over four years. The Foundations objectives are: to reduce the prevalence of problem gambling and the severity of harm related to gambling; and to foster responsible gambling.

**Strategies and activities of the new Victorian Responsible Gambling Foundation**

The activities of the Foundation include:

- community education and awareness raising activities to foster responsible gambling and promote problem gambling help services;
- funding of services to assist people affected by problem gambling, including their family and friends;
- undertaking research and evaluation activities to inform best practice in problem gambling treatment and community education and prevention; and
- provision of information about gambling regulation and licence approval processes to the Victorian community.

Since July 2012, problem gambling research has been the responsibility of the Foundation. The Foundation advised that that its research program aims to provide a strong evidence base to improve understanding of problem gambling and to develop effective prevention and intervention strategies. To ensure that research is targeted and meaningful, the Foundation has established a research agenda for 2013-14 in consultation with local and international researchers. The agenda identifies six priority themes (i.e. changing gambling environments; stigma; gambling-related harm; responsible gambling and gambling consumption; treatment and recovery; and co-morbidities) which will be investigated through new and ongoing research activities.

Table 8.1 below presents details of the research activities and programs being organised and overseen by the Foundation.

### Table 8.1

| Victorian Responsible Gambling Foundation - Research and evaluation activities |
|---------------------------------|----------------------------------|
| **Research Program/Activity**   | **Description**                  |
| Grants for Clinical Research on Gambling Program | Aims to build the capacity of Victoria’s gambling research sector and inform treatment programs and services for people affected by gambling. The first round of grants will fund clinical research into recovery and treatment of problem gamblers. |

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629 ibid., p.8  
630 ibid., p.4  
631 ibid.
<table>
<thead>
<tr>
<th>Research Program/Activity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants for Gambling Research Program</td>
<td>This program was initiated by the Department in 2006 and transferred to the Foundation. The program aims to encourage research from a variety of disciplines into gambling and problem gambling. There is currently ongoing research under this Program and new research grants awarded in September 2013. Some research has also been completed with reports issued in 2012 and 2013.</td>
</tr>
<tr>
<td>Commissioned research - Conceptualising Gambling-related Harm</td>
<td>This project will explore and define gambling-related harm in Victoria and develop a conceptual framework to better understand harm and also inform the Foundation’s programs aimed at reducing gambling-related harm.</td>
</tr>
<tr>
<td>Commissioned research - Problem Gambling in People Seeking Treatment for Mental Illness</td>
<td>This project will seek to estimate the prevalence of problem gambling in people seeking treatment for mental illness. It will investigate current screening, referrals and treatments for problem gambling by mental health treatment providers and make recommendations for the future.</td>
</tr>
<tr>
<td>Problem gambling treatment trial</td>
<td>This is a collaborative project underway between Monash and Melbourne universities which aims to explore the initial and ongoing effectiveness of psychological treatments for people with gambling problems. The Trial was initially funded by the Department and has been transferred to the Foundation. The Trial commenced in 2010 and is expected to be completed by mid-2014.</td>
</tr>
<tr>
<td>Victorian Gambling Study</td>
<td>This is a longitudinal study of gambling and health in Victoria conducted between 2008 and 2012. A final summary report is expected to be released in 2014.</td>
</tr>
<tr>
<td>Victorian Gambling and Health Study</td>
<td>A second population based study commenced in 2013 in partnership with the Department. This Study will seek to provide an update of the understanding of gambling prevalence in Victoria. The findings are expected to be released in the latter half of 2014.</td>
</tr>
<tr>
<td>Foundation Professional Development Centre</td>
<td>The Foundation established this Centre in 2013 to improve clinical training and research activities. A Clinical training Reference Panel comprising senior gambling help practitioners has been established to provide advice and direction for the Centre. A program of clinical training topics has been developed for 2014 aimed at encouraging investigation into current clinical which it is hoped will contribute to the evidence base around problem gambling treatment and inform new training content and resources.</td>
</tr>
<tr>
<td>Data collection</td>
<td>The Foundation continues to collect, analyse and enhance problem gambling treatment services, community education and prevention data from funded agencies. Continued improvement in the collection, analysis and utility of data is a priority for the Foundation as this data is critical to performance improvement and to strengthening the evidence base.</td>
</tr>
<tr>
<td>Problem Gambling Treatment Services Model (August 2013)</td>
<td>The Foundation commissioned reviews of these models and programs to assess their effectiveness and to provide recommendations for future configuration and direction.</td>
</tr>
<tr>
<td>Local Community Education and Prevention Model (September 2013)</td>
<td></td>
</tr>
<tr>
<td>Venue Support Program (October 2013)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Mr Greg Wilson, Secretary, Department of Justice, Letter to the Committee, received 5 December 2013, pp.5-8
Strategies and activities managed by the VCGLR

In addition to the activities and strategies being pursued by the Foundation, the VCGLR provided the following information with regard to the current regulatory strategies directed at the management of problem gambling in Victoria. The Commission notes that a number of these activities and initiatives were established under the Taking Action on Gambling strategy and others have been introduced more recently. The ongoing activities managed by the Commission are presented in the Table 8.2.

Table 8.2

<table>
<thead>
<tr>
<th>Activities</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Codes of conduct and self-exclusion programs</td>
<td>Approving; monitoring compliance with; and providing advice to the Minister about Responsible Gambling Codes of Conduct (Codes) and Responsible Gambling Self-exclusion Programs (SEPs). The Commission has approved 24 Codes (including nine for gaming venue operators) and two SEPs in accordance with the Gambling Regulation Act 2003 and relevant Ministerial Directions.</td>
</tr>
<tr>
<td>Social and Economic Impact Assessment</td>
<td>Approving gaming venues and increases to the number of gaming machines at approved venues. The Commission prepares Social and Economic Impact Assessment reports in support of this approval process.</td>
</tr>
<tr>
<td>Gambling Products</td>
<td>Approving gambling products having regard to player return, game fairness, security, and a number of other responsible gambling indicators.</td>
</tr>
<tr>
<td>Education and compliance reviews</td>
<td>Ongoing education and compliance-checking of gaming venues, wagering, lotteries and “Keno” on a range of measures aimed at reducing problem gambling. This includes the requirement to operate gaming machines for no longer than 20 hours per day, provisions of clocks and appropriate lighting in venues, availability of information about odds and return to player, and prohibition of inducements to open “betting accounts”.</td>
</tr>
<tr>
<td>Supporting venues to promote responsible gambling behaviour</td>
<td>Providing gaming venue operators with: player information; brochures; and responsible gambling signage.</td>
</tr>
<tr>
<td>Reviews of the Melbourne Casino operator</td>
<td>Reviews of the Melbourne Casino operator every five years to investigate its ongoing suitability to hold a casino licence under the Casino Control Act 1991 and compliance with other statutory and contractual obligations. Completion of the fifth review of the Melbourne Casino operations on 30 June 2013. This review included a significant focus on the implementation of responsible gambling obligations by the operator. The review made a number of findings and recommendations directed at improving responsible gambling measures, including: a trial using player data to identify potential problem gamblers; improved display of game rules; and improved detection and management of “excluded persons” including a trial of facial recognition technology and strengthening corporate governance.</td>
</tr>
<tr>
<td>Monitoring the ban on ATMs in gaming venues</td>
<td>The Commission included the monitoring of the ban on ATMs in gaming venues as part of its compliance inspection regime from 1 July 2012.</td>
</tr>
</tbody>
</table>

Source: Mr Bruce Thompson, Chairman, Victorian Commission for Gambling and Liquor Regulation, Letter to the Committee, received 13 December 2013, pp.6-7
Investigations undertaken by the Commission to since the tabling of the Auditor-General’s 2010 report include:\footnote{632}{Mr Bruce Thompson, Chairman, Victorian Commission for Gambling and Liquor Regulation, Letter to the Committee, received 13 December 2013, p.7}

» successful prosecution of six wagering service providers, for offering inducements to open “Betting Accounts”, in breach of the \textit{Gambling Regulation Act 2003};

» investigation of “moneyless gaming machines” which resulted in a 10-year ban on these machines from 14 March 2012. These machines are viewed as presenting a risk in terms of encouraging gambling behaviour especially in minors; and

» investigation of earphones or similar devices on gaming machines which resulted in a ban from 3 December 2012. The use of such devices were considered to present a risk to encourage “escaping” or “zoning out” by gamblers playing gaming machines.

The latter two investigations undertaken were at the direction of the Minister (as provided in Chapter 2, Part 5A of the \textit{Gambling Regulation Act 2003}). Under the Act, the Minister may direct the Commission to investigate certain gambling products or practices to determine whether they undermine, or could undermine, a responsible gambling objective.\footnote{633}{ibid.}

8.3.3 Committee findings and recommendations

The Committee notes that the Department and the recently created Victorian Responsible Gambling Foundation and VCGLR have continued to manage activities and initiatives directed at the promotion of responsible gambling, and the reduction of problem gambling in Victoria following the expiration of the \textit{Taking Action on Problem Gambling} strategy.

The Committee notes the extensive research role which the recently created Foundation is performing. The Foundation was able to provide a detailed response in relation to the various research and evaluation activities it is funding, commissioning, and undertaking. Also, evidence taken at the public hearing from the Chief Executive Officer of the Foundation, suggested that evaluation and evidence forms a critical basis for determining where the Foundation focuses its priorities and activities (e.g. prevention programs and community education initiatives).

The Auditor-General’s report acknowledged that problem gambling is a relatively new field of social and public health research and as such it suffers from limitations in the evidence base. The Department had noted instances where there was limited evidence to indicate that specific initiatives being implemented would be effective in reducing problem gambling and gambling-related harm.\footnote{634}{Victorian Auditor-General’s Office, \textit{Taking Action on Problem Gambling}, July 2010, p.13}
FINDING: The Victorian Responsible Gambling Foundation, which commenced operations in July 2012, developed a research agenda for 2013-14 in consultation with local and international researchers and organisations. The Foundation also has a large number of ongoing and new research programs and activities directed at gambling behaviour and problem gambling.

8.4

Strategy implementation

The Department and the former VCGR were both responsible for implementing the Strategy. The Department was the lead agency responsible for delivering all of the initiatives. The Department was also responsible for administering gambling-related treatment, community education and awareness programs and research programs.635

Under the Strategy, the former VCGR was responsible for:

- determining new applications for new gaming venues or for increased numbers of EGMs at venues;
- preparing social and economic impact assessments to advise commissioners making decisions about new venues or machines;
- auditing venue compliance with harm minimisation and responsible gambling initiatives such as Codes of Conduct, self-exclusion programs, betting limits and limits on ATM withdrawals; and
- determining the maximum allowable number of EGMs for regions.

The Auditor-General's report examined whether these two organisations had discharged their responsibilities appropriately and within timelines and budget.

The Auditor-General concluded that both the Department and the former VCGR had:

...adequately acquitted their responsibilities in implementing strategy initiatives. The discharge of these responsibilities could be strengthened to improve the efficacy of problem gambling interventions, particularly those initiatives relating to encouraging industry promotion of responsible gambling, decision-making on the number of EGMs in communities, and better equipping venue staff to assist problem gamblers.

The Auditor-General made five recommendations covering the deficiencies identified. Four of the recommendations were directed at the former VCGR and one was directed at the Department. These findings and recommendations together with the Department's responses are presented in the following paragraphs. As noted earlier, the VCGLR assumed the functions of the former VCGR, as such information about actions taken to address the audit recommendations have been provided by the new Commission.

635 ibid., p.22
636 ibid.
637 ibid., p.ix
Applications for new EGM venues and additional EGMs

Audit Recommendation 2: The Victorian Commission for Gambling Regulation (VCGR) should further develop its template for social and economic impact assessments by:

» expanding the data included in the assessments to more comprehensively consider the impact of gaming venues in communities;
» using trend data;
» taking account of the socio-economic profile of different areas within municipalities;
» examining how other indicators, such as gambling-related bankruptcy and homelessness, could be used to augment the analysis of social and economic impact.\(^{638}\)

Under the *Gambling Regulation Act 2003*, VCGR can only give approval to applications for additional gaming venues or additional machines at venues where ‘there will be no net detrimental effect on the community of the municipal district in which the premises are located.’ The VCGR conducts hearings to determine applications.\(^{639}\)

Assessing social and economic impact

The report stated that the VCGR prepares social and economic impact assessments to support its decision-making using mainly “point-in-time” data for the particular municipality. The assessment includes information about: the type of gaming venue and the number of EGMs in the local area; comparisons of the density of EGMs in the area with other municipalities; population data; and current and projected spending on EGMs compared with data from other municipalities and within the State.\(^{640}\)

The Auditor-General noted that VCGR was revising its information requirements in relation to its social and economic impact assessments to assist applicants, local councils and others to prepare their submissions.\(^{641}\)

In the light of this review, the Auditor-General considered that there was an opportunity for VCGR to also review its methodology for preparing social and economic impact assessments.\(^{642}\)

Department response to the audit recommendation

This recommendation was supported by the Department in the Government Response tabled in June 2012. The Department states that the Commission has revised its template for economic and social impact assessment reports, fully implementing all the points made in the recommendation.\(^{643}\)

\(^{638}\) ibid., p.30
\(^{639}\) ibid., p.23
\(^{640}\) ibid., p.24
\(^{641}\) ibid., p.25
\(^{642}\) ibid.
The response states that the Commission’s reports will include broader information for both the entire local government areas (LGAs) and also for smaller local areas within LGAs. Also trend analysis of indicators will be used where possible.\textsuperscript{644}

The statistical data used by the Commission in the preparation of reports is now available to applicants, LGAs and the general public via the Commission’s website.\textsuperscript{645}

\section*{8.5.2 Actions implemented to date}

The Committee requested information from the new VCGLR about when the revised template for social and economic assessments was implemented and how it has worked to improve the quality and reliability of these assessments.

The VCGLR advised that the new template for economic and social assessments was approved in February 2011. The following measures were added to these assessments:\textsuperscript{646}

\begin{itemize}
  \item homelessness;
  \item income, and income variation within LGAs;
  \item housing stress;
  \item crime;
  \item selected government pensions and allowances;
  \item indicators of community strength (e.g. ability to raise money in an emergency);
  \item Socio-Economic Indexes for Areas (SEIFA).
\end{itemize}

In determining applications for the approval of premises for gaming and applications to increase the number of gaming machines within approved premises, the VCGLR must be satisfied that its approval of the application will not result in a ‘net social and economic detriment to the local community.’\textsuperscript{647}

The VCGLR continues to review its processes for social and economic assessments. It is intended that the next release of data from the Australian Bureau of Statistics will be included in a new geographical structure known as the Australian Statistical Geography Standard. Assessments must be based on up to date data to ensure that the “no detriment test” continues to be as reliable and relevant as possible.\textsuperscript{648}

\section*{8.5.3 Committee findings and recommendations}

The Committee concluded that the former VCGR had taken action to review and further develop the template used to assess the social and economic impact of applications for new EGM venues and EGM machines within local communities and LGAs.

\textsuperscript{644} ibid.
\textsuperscript{645} ibid.
\textsuperscript{646} Mr Bruce Thompson, Chairman, Victorian Commission for Gambling and Liquor Regulation, Letter to the Committee, received 13 December 2013, p.8
\textsuperscript{647} ibid.
\textsuperscript{648} ibid.
The Committee notes advice from the new VCGLR that it continues to review its social and economic impact assessments to ensure that the data which is used in the assessments is up to date, relevant and reliable.

**FINDING:** The former Victorian Commission for Gambling Regulation satisfactorily implemented the audit recommendation directed at improving the breadth and depth of the analysis underpinning the Commission’s social and economic impact assessment reports. The recently established Victorian Commission for Gambling and Liquor Regulation continues to review and develop the data and measures included in its social and economic impact assessments to maintain the integrity of its review and approval process of gaming applications.

### 8.6 Assessing net detriment

**Audit Recommendation 3: VCGR should develop principles on which net detriment can be assessed.**

The Auditor-General noted in his report that the *Gambling Regulation Act 2003* does not define “net detriment” or “net detrimental social and economic impact”. Nor does it provide any guidance or principles for quantifying “net detriment”.

In the absence of legislative prescription, the Auditor-General considered that the Commission could develop its own principles to guide decision-making in regard to the assessment of “net detriment”. The Auditor noted the following principles which could be adopted by the Commission as they cover the key factors for considering the impact of an EGM gaming venue in a community:

- the venue is not in an area of socio-economic disadvantage or in an area where a community is vulnerable to gambling;
- the venue is not in an area of housing stress;
- the venue is not in an area where gambling accessibility is already high;
- the venue takes significant steps to minimise potential harm;
- the venue contributes positively to the community through promoting additional community facilities and community wellbeing; and
- the venue will have a significant positive impact on the local economy.

The Auditor-General recommended that the Commission develop principles upon which it can make an assessment of “net detriment”.

#### 8.6.1 Department response to the audit recommendation

The Department advised in its response in June 2012 that this recommendation was “under review”. The former VCGR stated that it was undertaking a review of the format of its written documentation to support specific determinations.

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650 ibid., p.23
651 ibid., pp.23-4
to ensure that the reasons demonstrate the principles and rationale behind the determination, including considerations about net detriment.\(^{652}\)

In reviewing the format of its determinations, the Commission stated that it was also reviewing past precedents applied, to identify the principles or factors previously considered when assessing the application of net detriment.\(^{653}\)

### 8.6.2 Actions implemented to date

The Committee requested an update from the new VCGLR on the outcomes of the review undertaken by the former Commission and whether any further action had been taken to try to standardise, as much as possible, the approach to assessing “net detriment” associated with applications.

The VCGLR advised that in reviewing applications for approval of gaming venues or an increase in the number of gaming machines at approved premises, the Commission always applies a “no net detriment test”. The VCGLR advised that the preparation of a standardised social and economic impact report provides consistent and objective data to guide the decision-making in relation to each application.

Further, the VCGLR advised the Committee that it: \(^{654}\)

> …maintains a comprehensive precedents database, searchable by LGA, and specific economic and social factors relevant to an application. This database allows the VCGLR to compare previous decisions in each LGA, and decisions where similar social and economic impacts were considered in other LGAs (such as the proximity of social housing, community support or opposition, proximity to the border of other LGAs, density of venues in the area, proximity to strip shopping centres, etc.).

The VCGLR stated that it considered the current approach to assessing “net detriment” to be sufficiently standardised, whilst also providing for the assessment of each application on its individual merits.\(^{655}\)

### 8.6.3 Committee findings and recommendations

The Committee accepts the assertion from the VCGLR that the principles and processes which it relies on to determine that “no detriment” will result from the approval of additional gaming in a specific LGA are sufficient and satisfactory.

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\(^{652}\) Department of Treasury and Finance, Government response to the Auditor-General’s Reports issued during 2010-11, June 2012, p.148

\(^{653}\) ibid.

\(^{654}\) Mr Bruce Thompson, Chairman, Victorian Commission for Gambling and Liquor Regulation, Letter to the Committee, received 13 December 2013, p.9

\(^{655}\) ibid.
8.7 Responsible Gambling Codes of Conduct and Self-Exclusion Programs

Audit Recommendation 4: VCGR should revise the criteria for approving codes of conduct and self-exclusion programs to allow actions taken by venue operators in implementing these initiatives to be audited.656

The Auditor-General noted that, in 2009, Codes of Conduct (the Codes) and Self-Exclusion Programs (SEPs) were introduced in an effort to promote a more socially responsible gambling industry. The former Commission was responsible for monitoring and enforcing these initiatives/industry requirements.657

The Auditor-General reported that the Commission could not effectively monitor some aspects of the Codes of Conduct and self-exclusion programs because the Ministerial Directions made under the Gambling Regulation Act 2003 are not sufficiently prescriptive as to how venues are to implement the Codes and programs.658

The Auditor-General noted that the Commission had developed criteria and benchmarks which enabled it to approve Codes and SEPs in venues which meet the requirements of the Ministerial Directions. However, the Auditor-General found that the criteria do not contain specific actions or commitments on the part of venue operators which can then be audited for compliance purposes by the Commission.659

The Auditor-General recommended that the Commission revise the criteria and requirements around these Codes and SEPs programs so that they include specific performance criteria or compliance measures against which venue operators can be audited by the Commission.660

8.7.1 Department response to the audit recommendation

In the Government Response, the Department stated that this recommendation was supported and that the Commission had reviewed its criteria and benchmarks for Responsible Gambling Codes of Conduct and Self-Exclusion Programs in consultation with key industry stakeholders and in line with the issues raised in the audit report.661

In addition, the Department stated that the draft criteria and benchmarks were under consideration by the Responsible Gambling Ministerial Advisory Council (RGMAC) Industry Best Practice Working Group.662

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656 Victorian Auditor-General’s Office, Taking Action on Problem Gambling, July 2010, p.30
657 ibid., p.25
658 ibid.
659 ibid., p.26
660 ibid.
661 Department of Treasury and Finance, Government response to the Auditor-General’s Reports issued during 2010-11, June 2012, p.149
662 ibid.
8.7.2 Actions implemented to date

In October 2013 the Committee requested information from the VCGLR about the implementation and oversight of the revised the Codes and Self-Exclusion Programs (SEPs). The Committee was particularly interested in the effectiveness of the Codes and SEPs and whether an audit program had been implemented to monitor the compliance of venue operators with the Codes and SEP requirements.

The VCGLR advised that many of the actions implemented by the former VCGR through its Responsible Gambling Project Team have continued and in some cases been developed further by the new Commission. For example:

- VCGLR continues to review Codes and SEPs annually and to provide reports to the Minister on their operation;
- the compliance program undertaken by the VCGLR continues to evolve with a ‘new risk-based, intelligence led operating model’;
- VCGLR employs a range of mechanisms to inform and educate the industry about their regulatory obligations, including information about responsible gambling in the VCGLR quarterly newsletter; and
- the online venue manual for venue operators includes responsible gambling information which target specific audiences.

Implementation of the revised criteria and benchmarks for Codes and SEPs

The VCGLR advised that the former Commission had undertaken a review in March 2011 of the criteria and benchmarks for Responsible Gambling Codes of Conduct and SEPs. In July 2011, a draft of the revised criteria and benchmarks was provided to the RGMAC Codes Working Group.

The VCGLR stated that they had advice from the Department that the RGMAC Codes Working Group had prepared a final report recommending changes to the Code system and had also developed a draft objective for the Codes’ regime together with target outcomes and performance indicators to enable Codes to be evaluated more effectively in the future. The Committee was advised that the revisions were yet to be implemented.

Audit and compliance of venue operators with Codes and SEPs

The VCGLR advised that when the Codes and SEPs were introduced in 2009, the former Commission implemented six new inspection programs to address the compliance requirements of four Codes and two SEPs. Inspectors visited all gaming venues at least twice annually, with an emphasis on addressing non-compliance through education.

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663 Mr Bruce Thompson, Chairman, Victorian Commission for Gambling and Liquor Regulation, Letter to the Committee, received 13 December 2013, p.9
664 ibid., p.10
665 ibid.
666 ibid.
The Committee was informed that since this inspection program was implemented, compliance with the Codes and SEPs has increased significantly with only 2 per cent of venues visited during 2012-13 found to have a non-compliance issue.667

The VCGLR advised that, when visiting venues, inspectors also assess the broader responsible gaming requirements including compliance with legislative changes such as the ban on ATMs at gaming venues, and signage and advertising requirements.668

**Review and reporting on the effectiveness of the Codes and SEPs**

As noted above, the Commission reviews the effectiveness and operation of the Codes and SEPs annually. These reviews are based on reports that each commercial gambling provider must submit in respect to its own review of the operation and effectiveness of its Code.669

The Committee was advised that in accordance with Section 10 of the *Gambling Regulation Act 2003*, the VCGLR reports to the Minister for Gaming and Liquor Regulation on the outcome of its reviews by 30 September each year. These reports contain observations and analysis, and identify trends and areas which need improvement. The most recent review was completed in September 2013.670

As noted above, the Commission’s inspection program has found that compliance with the Codes and SEPs has increased significantly. In addition, the VCGLR advised that less than 5 per cent of complaints received, relate to the operation of Codes and SEPs.671

Overall the Commission is satisfied that:672

…Codes and SEPs are implemented effectively and there is a high level of compliance with Codes and SEPs by commercial gambling providers.

The Commission also noted that there have been no instances of disciplinary action having been required against commercial gaming providers for repeated breaches of their Code or SEP.673

Nevertheless, the VCGLR advised the Committee that it is committed to continuous improvement in this area, including:674

» the operation and implementation of Codes by venues, particularly awareness of specific elements of the Code such as the responsibilities of Responsible Gambling Officers;

» general compliance of operators under the “Keno” Licence; and

» the review methodology and approach of Code operators.

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667 ibid.
668 ibid.
669 ibid.
670 ibid.
671 ibid., pp.10-11
672 ibid., p.11
673 ibid.
674 ibid.
Committee findings and recommendations

The Committee notes that the VCGLR has continued to manage the compliance program initially established by the former Commission. The Committee also notes that recent inspections, undertaken in 2012-13, indicate a significant level of compliance with the Codes of Conduct and SEPs.

Other evidence provided to the Committee by the VCGLR indicates that Codes and SEPs are operating effectively across the Victorian gaming industry.

However, the Committee also noted advice from the VCGLR that the revised criteria and benchmarks for Responsible Gambling Codes of Conduct and SEPs, referred to in the audit recommendation and Government Response to the audit report, were yet to be formalised and implemented.

The Committee considers that the Commission needs to pursue this matter with the Department of Justice and the RGMAC to determine the reasons for the delay in their formal approval.

FINDING: The revised Criteria and Benchmarks for Responsible Gambling Codes of Conduct and Self-Exclusion Programs drafted in July 2011 and referred to in the Government Response to the audit report in June 2012 are yet to be formally endorsed and implemented.

RECOMMENDATION 37: The Victorian Commission for Gambling and Liquor Regulation consult with the Department of Justice to determine the status of the revisions to the Benchmarks and Criteria for Responsible Gambling Codes of Conduct and Self-Exclusion Programs with a view to accelerating their formal adoption and implementation.

Responsible gambling compliance audits - communicating compliance results to venue operators

Audit Recommendation 5: VCGR should provide venue operators with documentation of the outcome of audits relating to responsible gambling initiatives.\(^{675}\)

The Auditor-General’s report noted that the former Commission’s Compliance Branch did not issue venue operators with an official record of its audit, including any detected breaches.\(^{676}\)

The Auditor recommended that the Commission should provide venue operators with documentation relating to the results of audits conducted in relation to responsible gambling initiatives. The Auditor-General concluded that this would improve transparency, provide the Commission with a stronger foundation when repeat breaches are detected, and provide the venue operator with a permanent record of the audit and its findings.\(^{677}\)

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\(^{676}\) ibid., p.27

\(^{677}\) ibid.
8.8.1 Department response to the audit recommendation

The Department stated in the Government Response tabled in June 2012, that the VCGR supported this recommendation and had implemented procedures to provide venue operators with a record of the audit and its results with respect to responsible gambling initiatives.\textsuperscript{678}

8.8.2 Actions implemented to date

The Committee asked the VCGLR to provide details of the audit program undertaken during 2012-13 by its Compliance and Investigations Branch.

The VCGLR advised that in August 2012, Victoria introduced a new gaming venue model whereby venues became responsible for owning and operating EGMs and adhering to new regulation. As part of this new model, the VCGLR approved three new Codes. During 2012-13, inspections focused on venues that had adopted one of the new Codes. Compliance levels were found to be very high.\textsuperscript{679}

Also the new “Keno” Licence which commenced in April 2012 saw a large number of hotels and clubs providing a gambling product for the first time. All of these venues operate under Tabcorp’s Keno Responsible Gambling Code of Conduct. The VCGLR established a compliance program targeting new entrants. A total of 585 venues were visited with an emphasis on educating providers to understand their responsibilities and ensure compliance with the Code. The Inspectorate found that non-compliance amounted to only 6 per cent by June 2013.\textsuperscript{680}

Also in 2012-13, the VCGLR performed 1188 audits of Codes and SEPs as part of its inspection program. These audits revealed 413 Code breaches and no SEP breaches.\textsuperscript{681}

The Committee also asked the VCGLR about the extent of analysis done to determine priority areas for future audit activity.

The Commission advised that each year, priority areas are determined on a risk basis. In 2012-13 audits focused on EFTPOS usage in venues; various aspects of casino operations; and new regulatory arrangements around “Keno”. In 2013-14, a compliance priority is responsible service of gambling (RSG) and responsible service of alcohol (RSA). Key areas of focus are: identifying minors in gambling venues and service of alcohol to minors; RSG and RSA trained staff; and monitoring and enforcing exclusions.\textsuperscript{682}

The Commission notes that the risk profile in relation to compliance with Codes and SEPs is declining as the requirements have become embedded in the industry.\textsuperscript{683}

\textsuperscript{678} Department of Treasury and Finance, Government response to the Auditor-General’s Reports issued during 2010-11, June 2012, p.149
\textsuperscript{679} Mr Bruce Thompson, Chairman, Victorian Commission for Gambling and Liquor Regulation, Letter to the Committee, received 13 December 2013, p.11
\textsuperscript{680} ibid.
\textsuperscript{681} ibid.
\textsuperscript{682} ibid., p.12
\textsuperscript{683} ibid.
In September 2013, the VCGLR implemented a new compliance operating framework including intelligence and analysis capability to obtain a better understanding of the risk environment and to direct education and enforcement strategies. \[684\]

Increased intelligence is captured from a wide range of internal and external sources, including Victoria Police and other law enforcement agencies. Analysis aims to identify areas, trends and venues considered to be high-risk and to implement appropriate risk mitigation strategies such as, awareness programs, multi-agency operations and other targeted programs. \[685\]

The VCGLR also advised that it is implementing an integrated information system to improve access and analytical capability over both its liquor and gambling data. The Commission expects that its’ new “intelligence-led, risk based” approach to compliance coupled with improved information technology and data analysis tools will undergo continuous improvement over the next few years. \[686\]

**8.8.3 Committee conclusion**

The Committee notes that the Commission has taken action to implement the audit recommendation that venue operators receive written notification of the outcome of compliance inspections.

Information provided by the VCGLR in relation to its inspection program for 2012-13 indicate high levels of compliance with the Codes of Conduct and SEPs used to promote responsible gambling in venues.

The VCGLR also advised that a new compliance operating model was introduced in September 2013 to better understand risk and to direct the Commission's education and enforcement strategies.

The Committee notes that the VCGLR is seeking to implement a new “intelligence-led, risk based” approach to its compliance activities through improved information systems technology and analytical capability. The VCGLR expects this approach to assist in better targeting of inspectorate resources and improved industry awareness and compliance with responsible gambling requirements in high-risk areas.
8.9 Responsible gambling training

Audit Recommendation 6: The Department of Justice should:
» evaluate the effectiveness of current responsible gambling training arrangements
» expand the scope of the Responsible Gambling Ministerial Advisory Council’s
  upcoming review of the learning principles to address quality assurance processes,
  standardised assessments, and multiple levels of training.687

The Auditor-General noted that legislation requires that staff working in gaming
areas of venues must be licensed and are required to attend responsible gambling
training courses within six months of commencing their employment.688

The Auditor-General considered that as the lead agency responsible for the
development and implementation of responsible gambling policy, the Department
of Justice could take a more prominent role in overseeing the quality of
responsible gambling training courses.689

Quality of training courses

The Auditor-General noted that a number of reports and studies had raised
concerns about the quality and effectiveness of training courses for gaming venue
staff. The report also found that there was a lack of standardised assessment of
training participants to ensure that learning outcomes had been achieved and
to promote consistent understanding of the regulatory requirements across the
industry.690

The report noted that the RGMAC was to commence a review of the learning
outcomes for responsible gambling training courses with a view to improving the
coverage of the requirements relating to Codes of Conduct and SEPs. It was noted
in the report, that the RGMAC had endorsed the establishment of a working group
to review the effectiveness of current training and to consider quality assurance
issues as part of the review.691

Progression in training courses

The Auditor-General also noted that the RGMAC had recommended in 2005
that there be some progression in training courses available for gaming staff. For
example, more advanced training courses for venue managers and supervisors. The
Commission had raised a number of issues which needed to be addressed before
multiple levels of training could be introduced. Some of these issues related to the
cost burden on venue operators and the additional administrative burden on the
Commission itself.692

687 Victorian Auditor-General’s Office, Taking Action on Problem Gambling, July 2010, p.30
688 ibid., p.27
689 ibid.
690 ibid., p.28
691 ibid., p.27
692 ibid., p.28
The Auditor-General considered that as responsible gambling requirements and duties of staff are increasing, it is important that the need for and benefits to be obtained from offering advanced training courses or modules was reconsidered.\(^{693}\)

### 8.9.1 Department response to the audit recommendation

The Department indicated in the Government Response in June 2012 that it supported the audit recommendation and that the RGMAC had provided the Minister for Gaming with a report and recommendations in relation to revamping the responsible gambling training arrangements and including the points raised in the audit recommendation. The response also stated that the Department would proceed with advice to the Minister on implementing the recommendations made in the Advisory Council’s report.\(^{694}\)

### 8.9.2 Actions implemented to date

In October 2013, the Committee requested confirmation from the Department in relation to the implementation of the revised Responsible Service of Gaming (RSG) training system and how the quality and effectiveness of responsible gambling training courses had been improved.

The Department advised that in June 2011 the RGMAC Training Working Group presented its final report in relation to Responsible Gaming Training in Victoria. The main findings of the review were that the existing training:~\\(^{695}\)~

- places too much emphasis on regulatory requirements and does not provide gaming staff with the relevant skills they require on the gaming floor;
- lacks quality and consistency in its content and method of delivery across registered training organisations (RTOs); and
- lacks an adequate quality assurance system.

The RGMAC Training Working Group recommended that:~\\(^{696}\)~

- a standardised RSG training program be developed and delivered by all RTOs comprising three modules:
  - an Introductory Module – to be completed within two weeks of commencing employment in the industry;
  - a Primary Module – to be completed within three months of commencing employment and to be delivered face-to-face, in a style that promotes interactive participation amongst trainees; and
  - a Refresher Module – to be completed every three years.
- a comprehensive RTO registration and auditing process be incorporated in the RSG Training System; and

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\(^{693}\) ibid., p.29

\(^{694}\) Department of Treasury and Finance, *Government response to the Auditor-General’s Reports issued during 2010-11*, June 2012, p.150

\(^{695}\) Mr Greg Wilson, Secretary, Department of Justice, Letter to the Committee, received 5 December 2013, p.9

\(^{696}\) ibid.
the effectiveness of the new RSG training courses be evaluated after an appropriate period with the need for a separate Module for Managers to be considered as part of that evaluation.

The Department advised that the recommendations were accepted by the RGMAC in 2011 and that the Department is working, together with the VCGLR and the Foundation, to redesign the RSG Training System to take account of the recommendations and also the new environment created as a result of the integration of liquor and gambling regulation and establishment of the Foundation.\(^{697}\)

At the hearing, the Committee questioned the Department about the delays in finalising the revision of the RSG Training System in the light of the 2010 audit findings.

A representative of the Department advised that the proposed revisions to the Training System had been overtaken by machinery of government changes and in particular with the creation of the Victorian Responsible Gambling Foundation. The Committee was advised that the Department anticipates that a re-designed training model will be completed by the end of 2014.\(^{698}\)

### Committee findings and recommendations

The Committee notes that a significant amount of work has been undertaken by the Department and the RGMAC Training Working Group to review the Responsible Service of Gaming training courses, in the light of the findings and recommendation made by the Auditor-General.

The Committee found that the revised RSG Training System is yet to be implemented. As such, the deficiencies noted in the audit report and by the RGMAC training working group with regard to the quality and effectiveness of the training remain.

**FINDING:** While a review of the Responsible Service of Gaming Training in Victoria has been completed, the recommendations of the review are as yet to be implemented. The Department advised the Committee that the revisions are expected to be in place by the end of 2014.

**RECOMMENDATION 38:** The Department of Justice take action to progress the adoption of the Responsible Gambling Ministerial Advisory Council working group’s recommendations aimed at improving the quality and effectiveness of Responsible Service of Gaming Training in Victoria.
8.10 Assessing the effectiveness of the Strategy

The Auditor-General’s report examined whether the problem gambling initiatives and interventions included in the Strategy had been effective. In reviewing the effectiveness of the Strategy, the Auditor-General stressed the importance of an appropriate performance management, evaluation and reporting framework to collect and analyse relevant data and report on results, impacts and outcomes.\textsuperscript{699}

The Auditor-General found that it was not possible to conclude whether the Strategy had been effective in reducing problem gambling and that any evaluation of the Strategy’s outcomes was likely to require some significant lead time before results or outcomes could be assessed.\textsuperscript{700}

The Auditor-General made the following observations in relation to an evaluation of the Strategy’s effectiveness:\textsuperscript{701}

- there are inherent difficulties in evaluating the effectiveness of problem gambling initiatives and activities relating to: definitions and classification of problem gamblers; tracking of problem gamblers; multiple problem gambling interventions operating concurrently; and other factors which impact attitudes and behaviour;
- assessing effectiveness has been hampered by the absence of targets and key performance indicators directly tied to initiatives;
- limitations on the design of the Department’s evaluation framework impact on its reliability;
- implementation of the Department’s evaluation framework was delayed by a failed tender process;
- there was an absence of baseline data established when the Strategy was first released; and
- the process of selection of projects for evaluation had not been documented.

8.10.1 The Department’s performance management system

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\textit{Audit Recommendation 7: The Department of Justice should improve evaluation of its strategy, including establishing baseline data, and developing targets and performance indicators.}\textsuperscript{702}

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Despite the limitations surrounding the collection of reliable data on problem gambling behaviour, the Auditor-General considered that it was still important to collect data relevant to the implementation of particular programs and initiatives under the Strategy in an effort to assess their impact.

The Auditor-General found that there were a number of difficulties associated with the management and reporting system employed by the Department of Justice and the Department’s evaluation of the Strategy which impeded effective measurement of outcomes and impacts.

\textsuperscript{699} Victorian Auditor-General’s Office, Taking Action on Problem Gambling, July 2010, p. ix
\textsuperscript{700} ibid., p.31
\textsuperscript{701} ibid.
\textsuperscript{702} ibid., p.37
Targets and performance indicators

The Auditor-General found that the Department had not established any overall targets for reducing problem gambling and gambling related harm as a result of the Strategy’s implementation.\(^{703}\)

In addition, many of the individual initiatives contained in the Strategy were not accompanied by any targets or quantifiable objectives against which achievement or progress could be measured. The Auditor also found an absence of key performance indicators or outputs associated with Strategy initiatives to enable tracking and monitoring of progress made.\(^ {704}\)

The Auditor-General noted that the former Department of Planning and Community Development (DPCD) administered the Community Support Fund which was established to collect a proportion of gambling revenue to fund programs and initiatives directed at reducing problem gambling and also harm minimisation. The Department of Justice was required to report to DPCD on how monies from the Fund had been acquitted.\(^ {705}\)

The Auditor-General noted that these acquittal reports contained some indicators related to project milestones and outputs such as “hours of service” but did not provide any indicators relating to the achievement of intended outcomes of the Strategy.\(^ {706}\)

The report noted that the Department was implementing a new performance management system for Gambler’s Help services and the Gambler’s Helpline. The system included two performance indicators that the Auditor-General considered could be used by the Department to provide information on outcomes and the effectiveness of interventions in the Strategy.\(^ {707}\)

The Auditor-General also commented on the performance measures included in the Budget Papers. The Auditor-General concluded that these measures related only to the level of services provided, departmental briefings, and licensing activities, none of which directly related to the results or outcomes achieved through Strategy initiatives.\(^ {708}\)

The Department’s evaluation framework

The Auditor-General reported that in 2009, the Department had developed an evaluation framework to provide some structure around information gathering in relation to the Strategy. The Framework comprised a results-based approach which would provide an assessment of the achievement of outcomes. However, at the time of the audit, there had been difficulties with aggregating evaluation results and there was also a lack of commitment to resource the measurement of outcomes from the Strategy beyond the 2011 end date which makes any evaluation somewhat ineffectual as the outcomes are expected to be much longer-term than five years.\(^ {709}\)

\(^{703}\) ibid., p.33
\(^{704}\) ibid., p.34
\(^{705}\) ibid.
\(^{706}\) ibid.
\(^{707}\) ibid.
\(^{708}\) ibid., p.35
\(^{709}\) ibid., pp.35-6
In addition, the Auditor-General found that delays in the development of the Framework prevented baseline data and benchmarks from being established and this has significantly impeded any accurate assessment of how the implementation of the Strategy has impacted problem gambling in Victoria.\textsuperscript{710}

The Auditor-General made a broad recommendation that the Department should improve the evaluation of the Strategy by establishing baseline data and developing targets and performance indicators.\textsuperscript{711}

\subsection*{8.10.2 Department response to the audit recommendation}

The Department supported the audit recommendation stating that it would establish baseline data and key performance indicators for future strategies and that, key performance indicators had been established for gambler’s help agencies.\textsuperscript{712}

\subsection*{8.10.3 Actions implemented to date}

The Committee requested the Department provide details in relation to:

- any post-implementation evaluation which had been undertaken to review and assess the effectiveness of initiatives and actions implemented over the life of the Taking Action on Problem Gambling strategy;
- the establishment of baseline data against which future progress in relation to actions taken to promote responsible gambling and reduce problem gambling can be assessed;
- the development of key performance targets and indicators to evaluate and report on problem gambling strategies, programs and initiatives; and
- the format and regularity of performance reporting in relation to the effectiveness of problem gambling programs and initiatives.

\textbf{Post-Strategy evaluation}

The Department referred the Committee to two reviews commissioned by the Victorian Responsible Gambling Foundation. The first review was reported in August 2013 and related to the Problem Gambling Treatment Services Model. The second review was reported in September 2013 and related to the Local Community Education and Prevention Model.\textsuperscript{713}

The Department advised that these reviews provided an assessment of the current service and community education models and made a number of recommendations for future structure and direction. Extensive consultation with service providers and relevant stakeholders formed an important component of both reviews.\textsuperscript{714}

\begin{footnotesize}
\textsuperscript{710} ibid., p.37
\textsuperscript{711} ibid.
\textsuperscript{712} Department of Treasury and Finance, Government response to the Auditor-General’s Reports issued during 2010-11, June 2012, p.150
\textsuperscript{713} Mr Greg Wilson, Secretary, Department of Justice, Letter to the Committee, received 5 December 2013, p.8
\textsuperscript{714} ibid.
\end{footnotesize}
At the hearing, the Department advised that administrative changes, which have spread certain program areas and responsibilities across three organisations has made an overall evaluation of the Strategy more complex. The Department stated that its evaluation in relation to the effectiveness of the Strategy had been focused on the major policy initiatives such as, the removal of ATMs from gaming venues and the implementation of voluntary pre-commitment technology.\textsuperscript{715}

The Chief Executive Officer of the Foundation advised the Committee that the prevalence study, first conducted in 2008 and being followed up in 2014, which seeks to measure gambling rates and trends provides some indication of whether the overall strategy to minimise problem gambling in Victoria is working. In addition, the Foundation stated that it is undertaking a survey which will collect data from a sample of 4,500 Victorians. The survey is aimed at providing information about gambling behaviour and attitudes which will provide input to future gambling policy in Victoria.\textsuperscript{716}

Further, the Foundation advised that it is conscious of ensuring that all activities are appropriately informed by the best available evidence. The Foundation stated that it is in the process of finalising an evaluation framework and implementation plan which will identify what should be evaluated, the frequency of evaluations and the extent of evaluation required.\textsuperscript{717}

### Establishment of baseline data

The Department advised that it had collected baseline data from 15,000 Victorians in 2008. The data was published in September 2009 and contains many measures of gambling behaviour, including risk level. As noted above, the Department and the Foundation are currently in the process of updating this information.\textsuperscript{718}

The Department advised that the follow-up study will provide two data-sets which can then be compared to analyse behaviour change in the context of changes in the gambling market and the impact of government policies.\textsuperscript{719}

The Foundation has established a baseline framework which enables it to measure progress towards the achievement of its priorities over the next three-year period. The Foundation advised the Committee that it expected to finalise a full set of baseline data by July 2014. The Foundation intends to measure its progress towards its objectives against the baseline data periodically (ranging from monthly to annually).\textsuperscript{720}

### Performance targets and indicators

With regard to the establishment of performance targets and indicators, the Department referred the Committee to formal performance measures established in 2009 and outlined in the \textit{Gambler’s Help Performance Manual}.\textsuperscript{720}

\textsuperscript{715} Ms Cate Carr, Acting Executive Director, Liquor, Gaming and Racing, Department of Justice, \textit{Transcript of evidence}, Melbourne, 25 February 2014, p.11
\textsuperscript{716} Mr Serge Sardo, Chief Executive Officer, Victorian Responsible Gambling Foundation, \textit{Transcript of evidence}, Melbourne, 25 February 2014, pp. 3-4 and p.11
\textsuperscript{717} Mr Greg Wilson, Secretary, Department of Justice, Letter to the Committee, received 5 December 2013, p.11
\textsuperscript{718} ibid., p.10
\textsuperscript{719} ibid.
\textsuperscript{720} ibid.
The Department also advised that, following the two reviews conducted of treatment services and community education and prevention models, performance indicators, measures and targets are being reviewed and a revised performance management approach will be implemented as part of the Foundation’s enhanced treatment services and community education models during 2014.\(^{721}\)

The Department advised the Committee that it understands the need to establish performance measures to assess new policies. As such, the Department stated that it is currently developing key performance indicators for the voluntary pre-commitment policy initiative.\(^{722}\)

**Performance reporting**

The Department advised that an evaluation framework is being developed during 2014 to assist in the evaluation of policy initiatives.\(^{723}\)

The Foundation requires Gambler’s Help service providers to report performance against established measures on a quarterly basis. In addition, Program and Service Advisers undertake quarterly site visits to all agencies to review performance and make any necessary adjustments. Similarly, Local Community Education and Prevention programs undergo bi-annual performance reporting. The Foundation advised that performance monitoring and reporting in respect to both of these programs will continue in a revised form as recommended by the recent reviews of treatment services and community education models.\(^{724}\)

### 8.10.4 Committee findings and recommendations

The Committee acknowledges that the outcomes and effectiveness of the actions and initiatives implemented under the *Taking Action on Gambling* strategy will be realised over a number of years.

Evaluation and assessment of past actions and progress made towards the achievement of goals provides useful input to future decision-making and the allocation of resources.

As such, the Committee considers it important that the impacts and outcomes of Strategy actions and initiatives continue to be monitored and evaluated to provide information about the success or otherwise of those activities.

In reviewing the Department’s evaluation of the performance of Strategy initiatives, the Auditor-General concluded that the Department needed to establish targets and also other key performance measures which seek to quantify success in reducing problem gambling.

The Committee notes the comments provided by the Department and Foundation which indicate that both entities are currently in the process of developing performance evaluation frameworks.

\(^{721}\) ibid.  
\(^{722}\) ibid.  
\(^{723}\) ibid.  
\(^{724}\) ibid.
The Committee considers that both the Department and the Foundation need to take action to ensure that goals and objectives relating to responsible gambling and the reduction of problem gambling are translated into quantifiable targets and outcomes against which performance and success can be measured.

Both entities should also establish regular reporting against these key performance targets and outcomes to enable effective monitoring and oversight and adjustment to methods or actions, if required.

**FINDING:** The Committee considers it important that the impacts and outcomes of actions and initiatives implemented under the Taking Action on Problem Gambling strategy, continue to be monitored and evaluated to provide information about the success or otherwise of those activities and to provide input for future decision-making and resource allocation.

**FINDING:** The Department of Justice and the Victorian Responsible Gambling Foundation both indicated that they were in the process of implementing performance evaluation frameworks. The information provided was not particularly detailed and suggests that the Department, as the lead agency responsible for gambling policy in Victoria, is yet to fully develop an appropriate performance measurement framework which specifies pre-determined targets and outcomes against which performance can be assessed.

**RECOMMENDATION 39:** The Department of Justice and the Victorian Responsible Gambling Foundation needs to ensure that goals and objectives relating to responsible gambling and the reduction of problem gambling are translated into quantifiable targets and outcomes against which performance and success can be measured.

**RECOMMENDATION 40:** The Department of Justice and the Victorian Responsible Gambling Foundation establish regular reporting against key performance targets and outcomes to enable effective monitoring and oversight of performance and to provide data to assist future decision-making and resource allocation.

**8.11 Committee’s overall assessment of the progress made in implementing the audit recommendations**

The Committee notes that the former VCGR had made prompt progress in implementing a number of the Auditor-General’s recommendations. One of the audit recommendations directed at the development of documented principles upon which “net detriment” can be assessed, was reviewed by the former VCGR and determined to be unnecessary.

The Committee notes that during 2012 a merger of the VCGR and the functions of the Director of Liquor Licensing and Responsible Alcohol Victoria occurred, leading to the creation of the Victorian Commission of Gambling and Liquor
Regulation. Also in July 2012, a new statutory authority, the Victorian Responsible Gambling Foundation, was established with the role of reducing the prevalence and severity of problem gambling and to foster responsible gambling in the State.

The Foundation has assumed a number of responsibilities from the Department of Justice especially in respect to research and evidence gathering around gambling behaviour and problem gambling treatment strategies and programs. This work is crucial to providing relevant information for social policy makers and for the development of effective responsible gambling programs and initiatives in Victoria.

The former VCGR and Department had commenced work to address two of the audit recommendations directed at:

- revision of the criteria and benchmarks for approval of Responsible Gambling Codes of Conduct and self-exclusion programs; and
- review of the Responsible Gambling Training system to improve its effectiveness.

As discussed in Chapter Two of the report, the Committee considers it important for audit recommendations to be effectively transferred and acquitted by and to agencies assuming certain administrative responsibilities. Agencies need to identify any outstanding audit recommendations at the time of machinery of government changes and implement a due diligence approach to ensure that these recommendations are actioned.

The Committee found that while the Foundation had implemented a significant research agenda, both the Department and the Foundation were in the early stages of development in regard to establishing appropriate performance frameworks including quantifiable targets and outcomes against which performance can be assessed.

Also discussed in Chapter Two is the need for policy goals and objectives to be translated into quantifiable targets, outcomes and indicators against which the effectiveness of programs and initiatives can be evaluated. This is critical to assessing value for money in the allocation of resources and for decision making in regard to future resource allocation and policy development.
CHAPTER 9

TOWARDS A ‘SMART GRID’ – THE ROLL-OUT OF ADVANCED METERING INFRASTRUCTURE

9.1 Introduction

The Advanced Metering Infrastructure (AMI) project aims to replace electrical metering infrastructure in Victorian residential and small business premises with digital units known as smart meters. Amongst other things, smart meters are able to send information about electricity meter usage directly to electricity distributors.\(^{725}\)

The AMI project was approved by the Victorian Government in 2006 and the roll-out of smart meters is 'now effectively complete'.\(^{726}\) The smart meter program was the focus of the Auditor-General's 2009 report, *Towards a 'smart grid' – the roll-out of Advanced Metering Infrastructure*. The report focused on the advice and recommendations provided to the Victorian Government regarding the roll-out of the AMI project.

The AMI project is a partnership between Government and the electricity industry—the Victorian Government is responsible for the oversight and administration of the project, while Victoria’s electricity distributors are responsible for installing the smart meters.\(^{727}\)

The Auditor-General’s report made eight recommendations to the former Department of Primary Industries (DPI) which administered the AMI project at the time of the report. As part of machinery of government changes, responsibility for the AMI project was transferred to the Department of State Development, Business and Innovation (DSDBI) in April 2013.\(^{728}\)

This chapter examines the actions taken by the Victorian Government in response to the Auditor-General’s report and other recent developments regarding the administration of the AMI project.

9.2 Audit findings and recommendations

The Auditor-General’s report found 'significant inadequacies in the advice and recommendations provided to government on the roll-out of the AMI project.'\(^{729}\) In particular, the report identified issues with the advice regarding the economic case for the project, the implementation risks and the impact on consumers.\(^{730}\)

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730 ibid.
The report found that the role played by the former DPI in the project was not appropriate for the size and scale of the project.\(^{731}\) It concluded that the Department needed to provide stronger governance and oversight of the project.

The Auditor-General’s recommendations sought to improve the overall project governance of the roll-out of the AMI project through a range of actions, including:\(^ {732}\)

» reviewing the project’s governance structure;
» implementing a stakeholder engagement plan;
» engaging with the regulator about consumer benefits;
» commissioning a review of the project by the Gateway Unit of the Department of Treasury and Finance (DTF);
» updating the project’s cost-benefit analysis using relevant guidelines and advice;
» obtaining assurances from electricity distributors regarding the technologies for the AMI project; and
» adopting risk management guidelines for the project.

9.3 Public submissions to the Inquiry

The Committee received 12 public submissions relating to the issue of smart meters in response to the Inquiry.

9.4 Governance structure

Audit Recommendation 1: *Without delay, DPI should review the existing governance structure of the AMI project to proactively identify, assess, own and manage the project’s strategic risks.*\(^ {733}\)

At the time the Auditor-General undertook his report, the five electricity distribution companies which owned the metering infrastructure in Victoria were responsible for the AMI project’s implementation and the project’s governance through an Industry Steering Committee.\(^ {734}\) The former DPI had an observer role on that Committee.\(^ {735}\)

The Auditor-General criticised the adequacy of the Department’s oversight of the project stating, ‘such a limited role inevitably diminishes DPI’s ability to deal effectively and proactively with risks and issues’ and that there was a ‘gap in DPI’s understanding of its governance accountability role in a non-state-funded project.’\(^ {736}\)

\(^{731}\) ibid.
\(^{732}\) ibid., p.x
\(^{733}\) ibid.
\(^{735}\) Victorian Auditor-General’s Office, *Towards a ‘smart grid’—the roll-out of Advanced Metering Infrastructure*, November 2009, p.19
\(^{736}\) ibid.
As a result, the Auditor-General recommended that the Department review the governance structure of the project.\textsuperscript{737}

**9.4.1 Department response to the audit recommendation**

The former DPI accepted this recommendation in principle at the time of the report and noted that it had made progress towards implementing it by commencing a review of its governance structures.\textsuperscript{738}

In the *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10* (the Government Response), DPI commented that it had restructured the AMI program’s governance, project management and resourcing in response to the Auditor-General’s recommendation.\textsuperscript{739}

**9.4.2 Actions implemented to date**

DSDBI informed the Committee that there had been significant changes to the governance of the AMI project since the Auditor-General’s report and that these changes were designed to strengthen the accountability and oversight of the project by the Department.\textsuperscript{740}

Ms Sandra Denis, Deputy Secretary, Earth and Energy Resources at DSDBI explained:\textsuperscript{741}

> We can say that the department has taken ownership of driving key elements of the program, we have committed resources to the delivery of the program and we have also continued to consult strongly with all key stakeholders.

From late 2009 to mid-2010, the former DPI established the AMI Steering Committee to oversee changes to how the AMI project was managed and to respond to the Auditor-General’s report and the findings of the Gateway Review process.\textsuperscript{742} This Committee was chaired by the Secretary of DPI.

Following the 2010 state election and the decision by the Victorian Government to proceed with the continued roll-out of the smart meters, several new bodies and positions were established to strengthen the governance of the project. Table 9.1 below provides an overview of the current governance structures for the AMI project.

\textsuperscript{737} ibid., p.x
\textsuperscript{738} ibid., p.xi
\textsuperscript{739} Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10*, October 2010, p.154
\textsuperscript{740} Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 13 December 2013, p.4
\textsuperscript{741} Ms Sandra Denis, Deputy Secretary, Earth and Energy Resources, Department of State Development, Business and Innovation, *Transcript of evidence*, Melbourne, 24 February 2014, p.3
\textsuperscript{742} Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 13 December 2013, p.4
### Governance structures for the AMI project

<table>
<thead>
<tr>
<th>Governance structure</th>
<th>Composition</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMI Program Steering Committee</td>
<td>Chaired by the Deputy Secretary, Energy and Earth Resources with representation from central agencies.</td>
<td>Responsible for overseeing the delivery of the AMI project.</td>
</tr>
<tr>
<td>Ministerial Advisory Council</td>
<td>Industry and community groups.</td>
<td>Focused on delivering the benefits from smart meters and strengthening the engagement of consumers.</td>
</tr>
<tr>
<td>Independent Probity Adviser</td>
<td>Single adviser.</td>
<td>Assists the Program Steering Committee in the management of the AMI project.</td>
</tr>
</tbody>
</table>

Source: Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 13 December 2013, p.1; Mr Mark Feather, Executive Director, Energy Sector Development, Transcript of evidence, Melbourne, 24 February 2014, p.4

A Program Management Office was also set up within DSDBI to provide greater information to government on the progress and issues related to the smart meter roll-out. The role of the Program Management Office includes:

» providing a monthly report to government and external stakeholders on the progress of the project;

» providing fortnightly project status reports to the Minister for Energy and Resources and the Departmental Executive; and

» conducting an annual assessment of the benefits that have been realised from the project and identifying the emerging risks within the project.

DSDBI stated that it had been particularly proactive in its governance role in the lead up to the introduction of flexible pricing, which provides different electricity pricing for different times of the day.

### Committee findings and recommendations

The Committee commends DSDBI for its work in responding to the Auditor-General’s recommendation concerning the governance of the AMI project.

The Committee notes that the evidence from the Department indicates that it now clearly recognises its leadership role with respect to the AMI project and has put in place governance structures to oversee the project and manage the project’s risks.

**FINDING:** The Department of State Development, Business and Innovation has put in place a number of governance structures to oversee the AMI project and manage the project’s risks.

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743 ibid., p.1
744 ibid., p.6
9.5 Stakeholder engagement

Audit Recommendation 2: Without delay, DPI should develop, appropriately resource and implement a stakeholder engagement plan with a particular focus on addressing consumer issues arising from the AMI project.\footnote{Victorian Auditor-General’s Office, Towards a ‘smart grid’—the roll-out of Advanced Metering Infrastructure, November 2009, p.x}

The Auditor-General’s report identified that a stakeholder consultation plan had not been developed for the AMI project. The report also found that while industry stakeholders had been effectively consulted throughout the course of the project, there was little evidence that the same had occurred for consumers.\footnote{ibid., p.13}

Accordingly, the Auditor-General recommended that a stakeholder engagement plan be developed and adequately resourced and that this should have a focus on the consumer issues associated with the AMI project.\footnote{ibid., p.x}

9.5.1 Department response to the audit recommendation

The former DPI accepted this recommendation in principle at the time of the report and noted that it had made progress towards implementing the recommendation by developing a stakeholder engagement plan.\footnote{Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, p.154}

In the Government Response, the former DPI outlined a range of measures it had taken to improve stakeholder engagement, particularly with respect to consumers.\footnote{ibid., p.48}

9.5.2 Actions implemented to date

DSDBI released a comprehensive stakeholder engagement plan in February 2013.\footnote{Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 13 December 2013, p.8}

The Department provided the Committee with a copy of the plan for the purpose of the Inquiry.

The Department told the Committee that it has provided resources to implement the plan, with three full time equivalent staff responsible for stakeholder engagement.\footnote{Mr Alistair King, Acting Director, Strategic Communication, Department of State Development, Business and Innovation, Transcript of evidence, Melbourne, 24 February 2014, p.5} These staff members undertake a range of activities, including community and industry liaison, website development and correspondence with the public.\footnote{ibid.} The Department also provides a call centre to deal with smart meter enquiries from the public.\footnote{ibid.}
DSDBI told the Committee that it now places a strong focus on stakeholder engagement and working with stakeholder groups to deliver the best outcomes for consumers.\(^7\)\(^5\)\(^4\) A selection of the consumer focused initiatives that were put in place by the Department are set out in Table 9.2 below.

### Table 9.2

**Examples of consumer focused initiatives for the AMI project**

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministerial Advisory Council</td>
<td>Designed to strengthen the engagement of consumer groups. Members of the Council include electricity distribution and retail businesses, consumer advocacy groups, energy regulators and social welfare groups.(^(a))</td>
</tr>
<tr>
<td>The Switch On website</td>
<td>Designed to keep consumers informed about changes to Victoria’s energy market.(^(b))</td>
</tr>
<tr>
<td>My Power Planner tool</td>
<td>A price comparator tool that enables consumers to compare flat and flexible electricity offers and understand their own power usage.(^(c))</td>
</tr>
<tr>
<td>Advertising campaigns</td>
<td>Designed to inform consumers about the introduction of flexible pricing and its implications.(^(d))</td>
</tr>
<tr>
<td>Commission of an independent study on the safety of smart meters</td>
<td>To respond to the consumer concerns about smart meters.(^(e))</td>
</tr>
</tbody>
</table>

\(^{(a)}\) Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 13 December 2013, p.8  
\(^{(b)}\) Ibid., p.3  
\(^{(d)}\) Ms Sandra Denis, Deputy Secretary, Earth and Energy Resources, Department of State Development, Business and Innovation, Transcript of evidence, Melbourne, 24 February 2014, p.3  
\(^{(e)}\) Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 13 December 2013, p.3

### 9.5.3 Committee findings and recommendations

The Committee notes that DSDBI’s oral and written evidence indicates that it has implemented the Auditor-General’s recommendation by developing and resourcing a stakeholder engagement plan.

The Committee also welcomes the focus the Department has placed on addressing consumer issues that have arisen from the AMI project. The Committee encourages the Department to continue this focus until the expected consumer benefits of the project are said to be fully realised by the Department.

**FINDING:** The Department of State Development, Business and Innovation has developed and resourced a stakeholder engagement plan which has a focus on consumer issues.

\(^7\)\(^5\)\(^4\) Ms Sandra Denis, Deputy Secretary, Earth and Energy Resources, Department of State Development, Business and Innovation, Transcript of evidence, Melbourne, 24 February 2014, p.2
9.6 Regulator engagement

Audit Recommendation 3: Without delay, DPI should [a]ctively engage with the relevant regulator to monitor and oversee the transfer of expected benefits to consumers.755

The AMI roll-out is expected to deliver cost savings to the electricity distribution businesses. The Auditor-General’s report identified that energy regulators will need to ensure that these savings are fully passed on to consumers. The report found that the former DPI had a key role to play in ensuring this takes place through its liaison with relevant regulators.756

9.6.1 Department response to the audit recommendation

The former DPI accepted this recommendation in principle at the time of the report and noted that it had commenced implementing the recommendation.757

In the Government Response, the former DPI stated that it had asked the Australian Energy Regulator, the national energy market regulator, and the Essential Services Commission, the Victorian regulator for the retail energy industry, to play a stronger role in the governance of the AMI project.758

9.6.2 Actions implemented to date

DSDBI informed the Committee that changes to the economic regulatory framework took effect in December 2011 which strengthened the powers of the Australian Energy Regulator to scrutinise the budgets and expenditure of electricity distributors.759

The Department told the Committee that it also provides submissions to the Australian Energy Regulator on price control reviews and also regularly meets with the Essential Services Commission.760

DSDBI stated that the AMI project is now at the stage where network operational efficiencies can be delivered to consumers.761 The Department noted that it expects to make a submission to the Australian Energy Regulator at the next price control review requesting that distribution businesses be required to give an undertaking that any network efficiencies are passed on to customers through price control.762

755 Victorian Auditor-General’s Office, Towards a ‘smart grid’—the roll-out of Advanced Metering Infrastructure, November 2009, p.x
756 ibid, pp.17-18
757 ibid., p.48
758 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, p.155
759 Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 13 December 2013, p.3
760 Mr Mark Feather, Executive Director, Energy Sector Development, Department of State Development, Business and Innovation, Transcript of evidence, Melbourne, 24 February 2014, p.6
761 ibid., p.7
762 ibid.
9.6.3 Committee findings and recommendations

The Committee considers that DSDBI has implemented the Auditor-General’s recommendation by engaging with the state and national regulators regarding the passing on of cost savings to the consumer.

The Committee welcomes the assurance provided by the Department that it expects to engage with the Australian Energy Regulator at the next price control review to ensure that savings generated through network efficiencies are passed on to consumers.

**FINDING:** The Department of State Development, Business and Innovation has engaged with the relevant regulators with a view to ensuring that the benefits from the AMI project are passed on to consumers.

9.7 Program review

Audit Recommendation 4: Without delay, DPI should [c]ommission a program review by the Gateway Unit of the Department of Treasury and Finance on governance and implementation of the AMI project to date.763

The Auditor-General’s report found that there had been limited central agency oversight of the AMI project because the project was being funded by industry through a cost-recovery mechanism.764

In response, the Auditor-General recommended that the AMI project undergo a program review by the Gateway Unit of DTF.765 The Gateway Review Process involves external practitioners undertaking a review of a program or project at key decision making points.766

9.7.1 Department response to the audit recommendation

The former DPI supported this recommendation in principle at the time of the Auditor-General’s report, stating that it would commission a review of the project by the Gateway Unit of DTF.767

In the Government Response, the former DPI stated that an initial Gateway review had been conducted for the AMI project.768

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763 Victorian Auditor-General’s Office, Towards a ‘smart grid’—the roll-out of Advanced Metering Infrastructure, November 2009, p.x
764 ibid., p.19
765 ibid., p.x
767 Victorian Auditor-General’s Office, Towards a ‘smart grid’—the roll-out of Advanced Metering Infrastructure, November 2009, p.49
768 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, p.155
9.7.2 Actions implemented to date

The AMI project has been subject to two gateway review processes since the Auditor-General’s report was published. The Department advised that a ‘program review approach’ was adopted for this project. Under this approach, projects do not proceed through all six gates as is the case with the standard gateway review process, but rather program reviews take place in accordance with ‘the needs of the individual program or project’.

An overview of the findings and outcomes from these two reviews is set out in Table 9.3 below.

DSDBI informed the Committee that it expects a further Gateway Review will occur in 2014 after the smart meter roll-out has been completed and prior to new regulatory and market processes being put in place.

Table 9.3 Overview of the Gateway Review findings and outcomes for the AMI project

<table>
<thead>
<tr>
<th>Date of the Gateway Review</th>
<th>Findings from the Gateway Review</th>
<th>Changes to AMI project resulting from the Gateway Review</th>
</tr>
</thead>
</table>
| February 2010              | The review identified the need for the following measures with respect to the AMI project:  
» a fully resourced project team and plan;  
» a more realistic benefits management plan; and  
» better management of the issues and risks of the project and a greater focus on realising the customer benefits. | » Recognition of the AMI project as a major project and the introduction of new governance arrangements.  
» Additional resources were committed to the project, including a Program Director and the creation of a new project team.  
» The identified benefits of the project were independently reviewed and a benefits management plan was created.  
» Formal project documentation was developed, including a project brief and budget. |

769 Ms Sandra Denis, Deputy Secretary, Earth and Energy Resources, Department of State Development, Business and Innovation, Transcript of evidence, Melbourne, 24 February 2014, p.8


771 Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 13 December 2013, p.12
Date of the Gateway Review | Findings from the Gateway Review | Changes to AMI project resulting from the Gateway Review
--- | --- | ---
June 2012 | The review made the following positive findings about the AMI project:
» there had been considerable progress on the project since the previous Gateway Review;
» the Department had a much more active role in the project;
» the project management team was well established and had been appropriately resourced; and
» the project had largely addressed the recommendations within the Auditor-General’s report and the initial Gateway Review.

The review also identified a number of areas requiring further attention, namely:
» the documentation and management of risks;
» the management and timely assessment of the effectiveness of stakeholder communication; and
» the programming and scheduling of the project activities.

» The AMI Program Steering Committee fully reviewed the risk management plan for the project.

» The communications strategy is now reviewed at the end of each stage and interim reviews are conducted as needed.

» A forward project plan and critical path is being developed following broad industry consultation.

Source: Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 13 December 2013, pp.11-12

9.7.3 Committee findings and recommendations

The Committee considers that the Auditor-General’s recommendation has been implemented because two program reviews of the AMI project have been completed by the Gateway Unit of DTF to date.

Importantly, the Committee notes that the former DPI acted upon the recommendations from the first program review, a point which was acknowledged in the second program review.

The Committee welcomes the decision by DSDBI to carry out a third Gateway program review in 2014 following the completion of the smart meter roll-out. The Committee considers the Gateway Review process will be a valuable tool for evaluating whether the expected benefits of the project have been fully realised.

**FINDING:** Two Gateway program reviews have been completed for the AMI project, and a third review is planned for 2014.
9.8 Cost-benefit analysis

Audit Recommendation 5: Without delay, DPI should reassess the economic viability of the AMI project by updating the cost-benefit analysis to reflect existing and emerging risks as well as the impact of changes to scope and underlying assumptions.772

Audit Recommendation 6: Without delay, DPI should use the Department of Treasury and Finance’s business case development guidelines and other advice to produce an updated cost-benefit analysis.773

The Auditor-General’s report found significant shortcomings with the cost-benefit analysis that was used to support the recommendation to the Victorian Government to roll-out the smart meters.774 In particular, the Auditor-General identified that the cost-benefit study was overly optimistic in its assessment of the project and that the risks of the project had not been adequately factored into the analysis.775

Accordingly, the Auditor-General recommended that the former DPI update the cost-benefit analysis to better reflect the project’s risks and assumptions and that relevant government guidelines and advice be used in producing this updated analysis.776

9.8.1 Department response to the audit recommendation

The former DPI accepted the recommendation to update the cost-benefit analysis in principle at the time of the report and noted that the implementation of the recommendation was underway.777

The former DPI supported the recommendation to use the DTF’s business case development guidelines and other advice when producing the updated cost-benefit analysis.778

9.8.2 Actions implemented to date

Since the Auditor-General’s report was released, the Victorian Government has commissioned several further studies regarding the costs and benefits of the AMI program.

A review of the costs and benefits of the AMI program was commissioned by the former DPI in late 2009 and this was updated in 2010 following the Auditor-General’s report.779

772 Victorian Auditor-General’s Office, Towards a ‘smart grid’—the roll-out of Advanced Metering Infrastructure, November 2009, p.x
773 ibid.
774 ibid., p.22
775 ibid., pp.21-22
776 ibid., p.x
777 ibid., p.49
778 ibid.
779 Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 13 December 2013, p.13
A review of this 2009/10 study was conducted by Deloitte, which was asked to consider the study with regard to the Auditor-General’s recommendation about using DTF’s business case development guidelines.\textsuperscript{780}

Deloitte found that while the costs and benefits of the project had been properly arrived at, the report could have been improved by ‘more closely following the Victorian Government guidelines in relation to clearly defining the base case and incorporating analysis around the impacts on different types of stakeholders.’\textsuperscript{781}

Deloitte was commissioned to undertake a new assessment of the costs and benefits of the AMI program in 2011 following the change of government.\textsuperscript{782} DSDBI informed the Committee that this cost-benefit study was guided by the relevant Victorian Government guidelines.\textsuperscript{783}

The 2011 Deloitte cost-benefit study is available on the Smart Meters website. The Department told the Committee that the Deloitte study was based on the most recent cost estimates available and drew upon the latest international experiences concerning the roll-out of smart meter technology.\textsuperscript{784}

\section*{9.8.3 Committee findings and recommendations}

The Committee notes that there have been two cost-benefit studies undertaken on the AMI project since the Auditor-General’s report.

The Committee notes that the 2009/10 cost-benefit analysis was found to have not adequately responded to the Auditor-General’s recommendation to follow DTF’s business case development guidelines.

The Committee considers that the Auditor-General’s recommendations were fully addressed by the 2011 Deloitte cost-benefit study which provided a comprehensive re-assessment of the costs and benefits of the program and used the relevant Government guidelines to inform the analysis.

\textbf{FINDING:} The Department of State Development, Business and Innovation commissioned a cost-benefit study in 2011 which used the relevant Victorian Government guidelines to inform the analysis.

\begin{itemize}
  \item \textsuperscript{780} ibid., p.14
  \item \textsuperscript{782} Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 13 December 2013, p.13
  \item \textsuperscript{783} ibid., p.14
  \item \textsuperscript{784} ibid., p.13
\end{itemize}
9.9 Technology risks

Audit Recommendation 7: Without delay, DPI should obtain assurance from Victoria’s electricity distributors that their candidate technologies for AMI are capable of achieving the expected functionality and service specification prior to the further installation of these technologies in customer premises.\(^{785}\)

The Auditor-General’s report found that the former DPI had underestimated the technology risks of the project and identified that high technical risks remained concerning the deployment and performance of the smart meters.\(^{786}\)

As a result, the Auditor-General recommended that the Department seek appropriate assurances from the electricity distributors about their candidate technologies for the smart meters before further installations occurred.\(^{787}\)

9.9.1 Department response to the audit recommendation

The former DPI accepted this recommendation in principle at the time of the Auditor-General’s report. The Department explained that progress was underway to implement the recommendation because it had sought the necessary assurances from distributors during the project and it would continue to do this in the future.\(^{788}\)

In the Government Response, the former DPI noted that it had been provided with assurances by the electricity distributors that their candidate technologies would achieve the expected functionality and service specifications.\(^{789}\)

9.9.2 Actions implemented to date

DSDBI told the Committee that it had asked the Essential Services Commission to undertake an audit of whether retailer and distribution businesses were complying with their service specifications and that the Commission was in the process of undertaking this audit.\(^{790}\)

The Department also informed the Committee that it has a number of processes in place for identifying technological advances with respect to smart meter technology, including:\(^{791}\)

» the Program Management Office monitors international developments and undertakes formal environmental scans as required; and

» the smart meter policy team at the Department is involved in the national smart meter program and this work includes considering any advances in smart meter functionality.

\(^{785}\) Victorian Auditor-General’s Office, Towards a ‘smart grid’—the roll-out of Advanced Metering Infrastructure, November 2009, p.x
\(^{786}\) ibid., pp.34, 41
\(^{787}\) ibid., p.x
\(^{788}\) ibid., p.49
\(^{789}\) Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, p.156
\(^{790}\) Mr Mark Feather, Executive Director, Energy Sector Development, Department of State Development, Business and Innovation, Transcript of evidence, Melbourne, 24 February 2014, p.6
\(^{791}\) Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 13 December 2013, p.15
DSDBI has the ability to amend the specifications which govern minimum functionality, performance and service levels for smart meters in the event that technological advances are identified and these are supported by a net benefit case.\textsuperscript{792}

However, DSDBI informed the Committee that to date, there have not been any developments in smart meter technology that have required the Department to reconsider the functionality or service level specifications.\textsuperscript{793}

### 9.9.3 Committee findings and recommendations

The Committee notes that following the release of the Auditor-General’s report, the former DPI addressed this recommendation by seeking and receiving assurances from the electricity distributors that their candidate technologies would achieve the expected functionality and service specifications.

The Committee also welcomes the decision by DSDBI to commission an audit by the Essential Services Commission into whether distributors and retailers are meeting the requisite service specifications.

**FINDING:** The former Department of Primary Industries sought and received assurances from the electricity distributors that their candidate technologies would achieve the necessary functionality and service specifications.

### 9.10 Risk management

Audit Recommendation 8: *Without delay, DPI should adopt the Department of Treasury and Finance’s risk management guidelines as a basis for monitoring and managing the risks that threaten the economic viability of the AMI project.*\textsuperscript{794}

The Auditor-General noted that good practice risk management for a project such as the AMI one meant assigning the project’s responsibilities and accountabilities and setting this information out in a documented risk management strategy.\textsuperscript{795}

The Auditor-General found that the former DPI had not created its own documented risk management strategy for the AMI project because of its belief that industry was responsible for managing the technology risks associated with the AMI project.\textsuperscript{796}

The Auditor-General recommended that the Department use the risk management guidelines published by DTF to manage the project’s risks.\textsuperscript{797}

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\textsuperscript{792} ibid.

\textsuperscript{793} ibid.

\textsuperscript{794} Victorian Auditor-General's Office, *Towards a 'smart grid'—the roll-out of Advanced Metering Infrastructure*, November 2009, p.x

\textsuperscript{795} ibid., p.34

\textsuperscript{796} ibid., pp.34-5

\textsuperscript{797} ibid., p.x
Chapter 9: Towards a ‘smart grid’ – the roll-out of Advanced Metering Infrastructure

9.10.1 Department response to the audit recommendation

The former DPI supported this recommendation at the time of the Auditor-General’s report. 798

In the Government Response, the Department stated that it was using DTF’s risk management guidelines to monitor and manage the project. 799

9.10.2 Actions implemented to date

DSDBI told the Committee that a comprehensive review of the risk management strategy for the AMI project had been undertaken in 2009 with the assistance of the Victorian Managed Insurance Agency and that a documented risk management plan had been put in place following this process. 800

The Department stated that the risk management plan is periodically reviewed by the AMI Program Steering Committee to identify and evaluate future risks and put in place plans to mitigate the risks. 801

9.10.3 Committee findings and recommendations

The Committee notes that DSDBI has put in place a documented risk management strategy for the AMI project which is regularly reviewed.

At a public hearing the Auditor-General stated that audit recommendation eight appeared to have been addressed by using the Victorian Managed Insurance Authorities guidelines rather than the Department of Treasury and Finance’s risk management guidelines. The Auditor-General noted that this was an appropriate substitution in his view. 802

FINDING: The Department of State Development, Business and Innovation has put in place a documented risk management strategy, which it regularly reviews. This risk management strategy was developed with the assistance of the Victorian Managed Insurance Agency, which is an appropriate substitution for the risk management guidelines issued by the Department of Treasury and Finance.

798 ibid., p.49
799 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, p.156
800 Mr Howard Ronaldson, Secretary, Department of State Development, Business and Innovation, Letter to the Committee, received 13 December 2013, p.16
801 ibid.
802 Mr John Doyle, Auditor-General, Victorian Auditor-General’s Office, Transcript of evidence, Melbourne, 24 February 2014, p.3
9.11 Committee’s overall assessment of the progress made in implementing the audit recommendations

The Committee considers that DSDBI has, in the main, implemented the recommendations from the Auditor-General’s report. The Committee commends the Department for its comprehensive consideration and response to the concerns raised by the Auditor-General.

It is clear from the Department’s response that the Auditor-General’s report has led to fundamental changes in how the Department has approached its project governance role to the AMI project. Importantly, it appears that these changes have been lasting, with the Department continuing to take an active leadership role in the AMI project and placing a focus on realising the consumer benefits.

The Committee urges DSDBI to remain vigilant about these issues to ensure consumer interests continue to be served.
CHAPTER 10

USE OF DEVELOPMENT CONTRIBUTIONS BY LOCAL GOVERNMENT

10.1 Introduction

Local Government in Victoria is made up of 79 local councils. Councils are representative governments elected to manage local issues and plan for the needs of the local community.

Local councils work in partnership with the State and Federal Governments, the local community and other agencies to deliver a range of services and facilities for the local community. Councils spend over $4 billion annually to provide these programs and services and are responsible for managing in excess of $40 billion worth of assets and local infrastructure. Councils also enforce State and local laws relating to land use planning, environmental protection, public health, traffic and parking, and animal management.803

Each council varies in geographic size, population, rate base and resources but all are required to operate in accordance with the Local Government Act 1989.

One of the key responsibilities of the Department of Transport, Planning and Local Infrastructure (DTPLI) is to provide statutory and strategic guidance about planning in Victoria. The Department works collaboratively with local government and other public and private stakeholders to lead state and metropolitan development, strategic and statutory planning, development regulation, and environmental assessment.804

Local Government Victoria (LGV) is the division within DTPLI responsible for providing support and advice to the Minister for Local Government, ‘supporting, encouraging and monitoring’ Victoria’s 79 local councils, and for ensuring compliance with the Local Government Act. LGV however, does not involve itself in the day-to-day management of individual councils.805

10.1.1 Development contributions

Development contributions are an important source of funding used by local councils to offset the costs of infrastructure required as a result of increased development to accommodate and service increases in the population of the local community.

Development contributions may take the form of cash payments; land; ‘works-in-kind’ such as roads, drainage, curbing and channelling; or gifted assets from developers to local councils as a contribution towards the provision of the

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infrastructure required to meet the future needs of a community as part of a new land development.

There are four pieces of State legislation which impact the application and administration of the development contributions system in local government:\footnote{806}{Victorian Auditor-General’s Office, Use of Development Contributions by Local Government, December 2009, pp.1-2}  

» *Planning and Environment Act 1987* – sets out the framework for planning the use, development and protection of land in Victoria. Part 3B of the Act makes provision for the collection of development contributions. Development contributions can be collected through: planning schemes (Parts 2 and 3 of the Act); the planning permit process; or Building permit process.\footnote{807}{Department of Transport, Planning and Local Infrastructure, Development Contribution Guidelines, <www.dpcd.vic.gov.au/_data/assets/pdf_file/0003/41682/Understanding_Development_Contributions.pdf>, accessed 6 December 2013}. Section 46I refers to the collection of contributions via a Development Contribution Plan (DCP). Section 173 refers to collections through the creation of a Voluntary Agreement. Parts 2 and 3 of the Act refer to Planning schemes under which specific contributions may be set by local councils. Development contributions may be referred to as a Development Infrastructure Levy or a Community Infrastructure Levy or an Open space levy depending upon the nature of the infrastructure and the mechanism for its generation.

» *Subdivision Act 1988* – contributions can be collected from developers for the provision of public open space (i.e. Open space levy). Under Section 18 of the Subdivisions Act, councils may require developers to make a cash or land contribution to provide for public open space, of up to 5 per cent of the total area, or value, of the land being subdivided. These levies are collected through conditions imposed on permits.

» *Building Act 1993* – Part 3 of the Act sets out the requirements in relation to building permits. Under the Act a building surveyor must be satisfied that any obligations required by the building permit, such as the payment of any community infrastructure levies due, have been met.

» *Local Government Act* – Part 7 of the Act includes provisions which require councils to implement sound financial management principles (refer Section 136) and maintain proper accounts and records and internal control systems over all receipts and payments (refer Section 140).

### 10.1.2 Development Contribution Plans and section 173 Agreements

As noted above, contributions can be collected via a Development Contribution Plan, a section 173 Voluntary Agreement, or through the *Subdivision Act 1988*, and Victorian Planning Provisions.

In accordance with the Planning and Environment Act, a Development Contribution Plan must prescribe the:

» type of infrastructure (e.g. specific works, services or facilities which may relate to roads, drainage, community facilities, open space, paths, transport infrastructure, etc.) to be developed within a defined area;

» timeframe in which it will be provided; and

» specific levies required to be paid by a developer (which may take the form of cash; ‘works-in-kind’; gifted assets; or land).
Development Contribution Plans can be incorporated into local planning schemes following the approval of the Minister for Planning.

Also under the Planning and Environment Act, a section 173 Voluntary Agreement (referred to as a s.173 Agreement) may be prepared. A s.173 Agreement provides a formal, legal document between council and landowners and/or other parties relating to the use and development of land. Such an Agreement can include obligations for development contributions including timeframes and responsibilities for the provision of certain infrastructure. Section 173 Agreements must be lodged with the Minister for Planning and are enforceable through the Victorian Civil and Administrative Tribunal.

Some councils prepare s. 173 Agreements as sub-components of a larger Development Contribution Plan. In other instances they are separate, stand-alone arrangements relating to a single development.

Table 10.1 shows the value of development contributions collected across the 79 local government councils over the past two financial years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash contributions</th>
<th>In-kind contributions</th>
<th>Total value of contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011‑12</td>
<td>188,646,566</td>
<td>682,441,928</td>
<td>871,088,494</td>
</tr>
<tr>
<td>2102‑13</td>
<td>192,152,861</td>
<td>545,214,140</td>
<td>737,367,001</td>
</tr>
</tbody>
</table>

Source: Department of Transport, Planning and Local Infrastructure, Letter to the Committee, received 3 January, 2014

10.1.3 Growth Areas Infrastructure Contribution

In 2006, the Growth Areas Authority (GAA) was established to guide sustainable development in Melbourne’s designated growth municipalities (i.e. Cardinia; Casey; Hume; Melton; Mitchell; Whittlesea; and Wyndham). The role of the Authority was to partner with councils, developers and state agencies to assist in ensuring that development and infrastructure in those areas proceeds in a coordinated and timely manner. In October 2013, the responsibilities of the GAA were transferred to a new statutory authority, known as the Metropolitan Planning Authority (MPA).

The Growth Areas Infrastructure Contribution (GAIC) was announced in 2008 and introduced from 1 July 2010. The GAIC only applies to certain land areas within the growth areas of Melbourne and is administered under Part 9B of the Planning and Environment Act and the Taxation Administration Act 1997. The Acts are prescriptive in terms of setting out a process to ensure that all GAIC revenue due is collected.

The collection of the GAIC is administered by the State Revenue Office who advises the Metropolitan Planning Authority each month of the amount collected. Contributions are paid into Consolidated Revenue and allocated equally between two funds: the Growth Areas Public Transport Fund (GAPTF) and the Building New Communities Fund (BNCF).

808 Victorian Auditor-General’s Office, Use of Development Contributions by Local Government, December 2009, p.3
The Minister for Planning is responsible for authorising payments from GAIC funds. Also, the Treasurer’s approval is required for all payments from the Growth Areas Public Transport Fund and for payments of $2 million or more from the Building New Communities Fund.\textsuperscript{809}

The Funds are held and reported upon by DTPLI. Amounts are also reported by the MPA in its Annual Report. In 2012-13, the amount transferred equally to each of the Funds was $7 million. Table 10.2 shows the opening and closing balances for each of the Funds for 2012-13 together with receipts and payments made for the year.

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|c|}
\hline
 & Opening balance as at 1 July 2012 & Interest earned for the year & Receipts paid into the Fund & Amounts paid out of the Fund & Closing balance as at 30 June 2013 \\
\hline
GAPTF & 16,070,888 & 424,617 & 7,000,000 & Nil & 23,495,505 \\
BNCF & 17,299,956 & 435,771 & 7,000,000 & 1,400,000 & 23,335,727 \\
\hline
TOTAL & 33,370,844 & 860,388 & 14,000,000 & 1,400,000 & 46,831,232 \\
\hline
\end{tabular}
\caption{Growth Areas Infrastructure Contribution Fund balances, receipts and payments 2012-13}
\end{table}


According to advice received from the Metropolitan Planning Authority, all funds raised through the GAIC are used to provide vital State infrastructure and to assist development in the growth areas of Melbourne. The Authority advised that the current rates of land take-up combined with staged payments and deferral of payments mean that it will be a number of years before the cash receipts from the GAIC are sufficient to significantly contribute towards the delivery of major infrastructure projects. Interim criteria have been developed and approved by Government for the evaluation of projects suitable for allocation of GAIC funds.\textsuperscript{810}

The MPA also advised that the GAIC was created to provide for future infrastructure. As growth areas develop, the GAIC becomes applied more vigorously. It is the responsibility of the MPA to advise how the funds should be applied and to ensure that the money is spent on substantive projects to maximise the value of those funds in those growth communities.\textsuperscript{811}

\section{10.2 Audit findings and recommendations}

In 2009, the Auditor-General undertook a review of the arrangements in place to manage the collection, application and reporting of development contributions by local government. The Auditor-General examined the management framework in place within three councils (i.e. City of Port Phillip; Surf Coast Shire Council; and Wyndham City Council) to assess whether:\textsuperscript{812}

\begin{itemize}
\item processes were in place to ensure the complete and appropriate collection and use of development contributions;
\end{itemize}

\textsuperscript{809} Mr Dean Yates, Secretary, Department of Transport, Planning and Local Infrastructure, Letter to the Committee, received 3 January 2014

\textsuperscript{810} Mr Peter Seamer, Chief Executive Officer, Metropolitan Planning Authority, Letter to the Committee, received 11 December 2013

\textsuperscript{811} Mr Peter Seamer, Chief Executive Officer, Metropolitan Planning Authority, Transcript of evidence, Melbourne, 26 February 2013, p.3

\textsuperscript{812} Victorian Auditor-General’s Office, Use of Development Contributions by Local Government, December 2009, p.7
» executive oversight within council was adequate; and
» public reporting was comprehensive and in line with accountability responsibilities.

In addition, the Auditor-General examined the roles of the former Department of Planning and Community Development (DPCD) and the former GAA in supporting and overseeing how councils manage development contributions.813

The Auditor-General concluded that there was little assurance that the development contributions system was operating effectively across local government.814

The Auditor-General considered there was a need for greater accountability over what is being delivered through the development contributions system and a better understanding of future infrastructure obligations arising from the receipt of contributions.815

The Auditor-General also noted a lack of effective oversight and transparent reporting remained, despite similar issues being identified by the Victorian Competition and Efficiency Commission (VCEC) in 2005.816

The report contained a total of five recommendations. Four recommendations were directed to the attention of local councils generally and one recommendation was directed to the former DPCD and former GAA.

The recommendations directed at local councils related to:817
» the effectiveness of controls over the collection of development contributions;
» the procedures in place to ensure that contributions are effectively applied for their intended purpose;
» governance arrangements in place to effectively oversight the development contributions system; and
» clear and transparent annual reporting of contributions revenue and associated infrastructure expenditure and commitments.

The Auditor-General also recommended that the DPCD, together with the GAA, develop a framework to measure the performance of the development contributions system and also the broader planning system to provide more effective monitoring and reporting on the effectiveness and efficiency of processes underpinning those systems.818

10.3 Recent developments

There have been a number of administrative changes and other developments which have occurred in the area of local government and the future administration of the development contributions system since the Auditor-General’s report was tabled in December 2009.

813 ibid., p.vii
814 ibid., p.viii
815 ibid.
816 ibid.
817 ibid., pp.x
818 ibid., pp.ix-x
10.3.1 Administrative changes

In April 2013, the local government functions of the former Department of Planning and Community Development were transferred to DTPLI (the Department).

Also as noted above, in October 2013, the responsibilities of the Growth Areas Authority were subsumed into the MPA. The MPA has been established to coordinate the delivery and implementation of state and local planned infrastructure.

The role of the MPA includes:819

» preparation of integrated land use and infrastructure plans for sites of strategic significance to the State;

» provision of advice to government on infrastructure priorities and land use opportunities consistent with the metropolitan strategy for sites of strategic significance to the State;

» provision of advice on priorities for the application of infrastructure funding received from specified contributions;

» preparation on an annual statement for the Minister for Planning, outlining the progress of implementation of the Government’s new Plan Melbourne Strategy; and

» annual reporting in respect of the income and expenditure details associated with the collection of the GAIC.

The MPA is now responsible for administering the delivery of approved projects financed through GAIC funds. The release of GAIC funds from the Department requires an Authorised Projects Delivery Agreement to be prepared between the MPA and the Department and also agencies delivering a project must prepare a Project Delivery Agreement which is accepted by the MPA and endorsed by the DTPLI, before funding is released.820

The MPA also prepare Growth Corridor Plans and Precinct Structure Plans which assist in the identification of infrastructure needs and priorities in growth areas.821

10.3.2 Review of the Local Development Contribution System

In 2011, the Minister for Planning announced a review of the local development contribution system. The purpose of the review was to design a simpler, more equitable system, with greater certainty built into the system for both councils and developers.822

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819 Mr Dean Yates, Secretary, Department of Transport, Planning and Local Infrastructure, Letter to the Committee, received 3 January 2014
820 ibid.
821 ibid.
In May 2012, the Minister announced that a preferred framework had been prepared by the former DPCD proposing a standard set of development contribution levies for different developments based around five infrastructure categories: 

» community facilities;
» open Space facilities;
» transport infrastructure;
» drainage infrastructure; and
» public land.

In September 2012, the Minister established the Standard Development Contributions Advisory committee to provide advice on the final framework for a new standard development contributions system together with standardised levies. 

On 17 December 2012, the advisory committee submitted its first report, Report 1: Setting the Framework, to the Minister for Planning. The report was released for public comment in January 2013. The advisory committee’s second report, Report 2: Setting the levies was submitted to the Minister on 31 May 2013. The aim of these two reports was to finalise the features and operation of the new development contributions system in Victoria. 

In May 2014, the Minister for Planning released the advisory committee’s second report and the Government Response to the recommendations of the advisory committee on the Department’s website. 

The website indicates that as a result of the review, the implementation of ‘Standard Levies’ for development contributions in priority growth locations, the implementation of a new Infrastructure Contribution Plan and a streamlined approval process will be introduced from 1 July 2015. The website notes that ‘a detailed implementation package will be prepared to support the introduction of the reformed development contributions system.’ 

10.4 Committee’s approach to the follow-up

The following sections of this chapter include details of the audit recommendations together with the initial Government Response to the audit and responses to the Committee from DTPLI and the newly formed MPA which, as noted above, have assumed the responsibilities of former agencies in relation to the administration of development contributions by the local government sector.

824 ibid.
825 ibid.
826 Standard Development Contributions Advisory committee, Report 1: Setting the Framework, Executive Summary, 17 December 2012, p.1
In addition, the Committee wrote to a sample of 12 local councils located in metropolitan Melbourne and regional Victoria, including the three councils involved in the audit review, seeking responses to the issues and findings identified by the Auditor-General. Responses to a Committee questionnaire were sought from the following 12 local councils:

» Bass Coast Shire;
» Brimbank City Council;
» City of Casey;
» City of Greater Bendigo;
» City of Greater Geelong;
» City of Knox;
» City of Port Philip;
» City of Whittlesea;
» City of Wodonga;
» City of Wyndham;
» Mildura Rural City Council; and
» Surf Coast Shire Council.

Representatives from the DTPLI, MPA, City of Casey, City of Greater Geelong and City of Port Phillip were invited to give evidence at the Committee’s public hearings in February 2014. In addition, the Committee received one public submission in November 2013 from the Trentham Community Forum.

10.5  Effectiveness of controls over collection

Recommendation 1: Councils should review and where necessary enhance the effectiveness of controls to make sure that development contributions due are collected.\(^{828}\)

The Local Government Act requires councils to ensure that all monies due are properly collected.

The Auditor-General found while each of the three councils had controls in place for the collection of development contributions, there was insufficient evidence to ensure that those controls were effectively operating and that all contributions owed to councils had in fact been collected.\(^{829}\)

The main controls which councils used to ensure development contributions were collected were: \(^{830}\)

» withholding a *Statement of Compliance* (with statutory obligations) from developers until all levies associated with a subdivision had been paid;
» enforcing conditions associated with planning permits; and

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\(^{829}\) ibid., p.7
\(^{830}\) ibid.
The Auditor-General found that some of the controls used by councils were less formalised and relied heavily on the vigilance of staff to be effective. Further, councils had not developed procedures to systematically review and check the effectiveness of their controls.\(^{831}\)

**10.5.1 Department response to the audit recommendation**

The *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10* (the Government Response) was provided by Local Government Victoria. The response stated that all councils had been encouraged to review the effectiveness of controls for the collection of development contributions but noted that the recommendation was ‘for individual councils to implement’.\(^{832}\)

**10.5.2 Actions implemented to date**

**Action taken by the Department**

In October 2013, the Committee wrote to DTPLI requesting information about how LGV had encouraged councils to review their controls over the collection of development contributions.

The Department advised that LGV had issued a circular to all councils in December 2009 encouraging them to read the report and review their practices in relation to developer contributions.\(^{833}\)

At the public hearing, representatives of the Department, including the Executive Director, LGV, were questioned on the role of the Department in ensuring that the recommendations from the Auditor-General’s report were being appropriately implemented by councils.

The Executive Director, LGV stated:\(^{834}\)

> Whenever an Auditor-General’s report comes out the department will firstly make the sector aware of it – as it did in 2009 when this report came out – and urge that they take heed of it and secondly issue guidance or further advice if necessary to councils.

With the exception of the Circular in December 2009 alerting local councils to the tabling of the Auditor-General’s report, no further guidance was issued by LGV.

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831 ibid.
832 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10*, October 2010, p.124
833 Mr Dean Yates, Secretary, Department of Transport, Planning and Local Infrastructure, Letter to the Committee, received 3 January 2014
834 Mr Nick Foa, Executive Director, Local Government Victoria, Department of Transport, Planning and Local Infrastructure, *Transcript of evidence*, Melbourne, 26 February 2014, p.4
**Action taken by Local Councils**

In determining the extent to which councils had taken up the audit recommendation, the Committee wrote to the 12 sampled councils seeking information about the systems, procedures and controls in place to ensure that all levies associated with development contributions are collected in full.

The information received indicated that internal controls over the collection of development contributions vary between councils and also within councils, depending upon the instruments which give rise to the requirement of a contribution from a developer.

A summary of the information received in council responses is presented in Appendix 10.1. This Appendix shows details of:

» the number of DCPs in place within each council as at 30 June 2014;
» the number of s.173 Voluntary Agreements in place within each council as at 30 June 2014; and
» the internal controls in place within each council to ensure that all relevant development contributions due are collected.

The responses indicated the following:

» seven councils (58 per cent) had one or more DCPs in place as at 30 June 2013;
» ten councils (83 per cent) were managing a number of s.173 Voluntary Agreements as at 30 June 2013;
» the issue of a building permit or a *Statement of Compliance* was noted as the main check on the collection of development contributions in almost all councils collecting development contributions (82 per cent);
» information technology systems were used to track and monitor development contributions in three councils (27 per cent);
» reliance on building surveyors to check that obligations in DCPs and Voluntary Agreements were met was noted in four councils (36 per cent); and
» internal audit checks on contributions collected were noted in two councils (18 per cent).

Most of the councils indicated that the *Statement of Compliance* is the main tool used to check that development contributions due have been made. In other instances, it is the issue of a building permit which is dependent upon the receipt by the council of any associated contributions/levies. Several councils noted that the building surveyor is generally the key person checking that obligations for development contributions have been met prior to issuing the *Statement of Compliance* or building permit.

Five councils provided information which suggested that they had a comprehensive framework of controls around their development contribution systems. These controls included: documented procedures and system flowcharts; automated information systems for recording and monitoring collections; and specific checks by council staff prior to the issue of permits and compliance statements.

Councils appearing before the Committee at the public hearing were asked whether they had referenced the Auditor-General’s 2009 report in relation to the administration of their development contributions systems.
Evidence provided by representatives from three local councils indicated that the Auditor-General’s findings had been an influence in reviewing their administrative and accounting controls over the collection of development contributions.

The City of Greater Geelong advised the Committee that it had administered a number of s.173 Agreements to facilitate infrastructure provision within small to medium scale developments over a number of years. However, the increase in large “greenfield” sites within the municipality, requiring the establishment of DCPs comprising significant sums of money, had prompted a thorough review of Council’s DCP governance framework and associated administrative systems and procedures.835

The City of Greater Geelong Council stated that, in 2010, it undertook a significant review of the systems in place to manage DCPs. The findings contained in the 2009 Auditor-General’s report had been used to guide the development of the Council’s new DCP Governance Framework.836

The significance of Council’s more recent DCPs was explained at the hearing by the Chief Executive Officer who advised that the Council currently has five approved DCPs with a further two pending. These seven DCPs have a total projected income of $423.7 million and projected expenditure of $450.4 million, with a funding gap for the Council of $26.7 million (in 2012 dollars).837

The Council advised that it relies heavily on software to record, monitor and report on the income, expenditure and commitments arising through each of these large and complex DCPs. The Council advised that s.173 Agreements generally relate to small to medium-scale developments and also usually involve the provision of ‘works-in-kind’ rather than cash contributions. The obligations on a developer, arising through a s.173 Agreement, are monitored through a system of triggers in the Council’s property management system which ensures that planning permit conditions (contained in the Agreement) are flagged and actioned as the development proceeds.838

Evidence provided at the hearing by representatives of the City of Casey indicated that they had also used the Auditor-General’s 2009 report to review and refine their practices in relation to the management of DCPs. The report had provided further impetus to refine work which had been ongoing in relation to streamlining the Council’s DCP financial management and delivery systems. The City of Casey stressed the importance of constant monitoring and communication both internally and externally to ensure effective outcomes.839

Representatives from the City of Port Phillip (one of the councils included in the Auditor-General’s 2009 audit review) gave evidence at the hearing, that the audit report had provided valuable input to a review of its management of development contributions. The Committee heard that as a consequence of the recommendations, the City of Port Phillip had made some good improvements to

835 Mr Rob Anderson, Acting Manager, Planning Strategy and Urban Design, City of Greater Geelong, Transcript of evidence, Melbourne, 26 February 2014, p.6
836 Mr Rob Anderson, Acting Manager, Planning Strategy and Urban Design, City of Greater Geelong, Letter to the Committee, received 20 December 2013
837 Mr Rob Anderson, Acting Manager, Planning Strategy and Urban Design, City of Greater Geelong, Transcript of evidence, Melbourne, 26 February 2014, p.6
838 Mr Stephen Griffin, Chief Executive Officer, City of Greater Geelong, Letter to the Committee, received 20 December 2013, p.8
839 Ms Keri New, Team Leader, Integrated Planning, City of Casey, Transcript of evidence, Melbourne, 26 February 2014, pp.2-3
its accountability around the management of its only DCP (the *Port Melbourne Mixed Use Area Development Contributions Plan*, incorporated into the Port Phillip Planning Scheme in 1998) through improved systems and processes. The Council also advised that the controls and procedures which have been implemented since the 2009 report have provided for more clarity around the roles and responsibilities in relation to the DCP within the organisation.\(^8\)

### 10.5.3 Committee findings and recommendations

The Local Government Act requires councils to ensure that all monies payable to it are duly collected. The Act also requires that councils maintain proper accounts and records of transactions and develop and maintain adequate internal control systems.\(^8\)

Evidence collected by the Committee indicated that the Auditor-General's report had provided an incentive for a number of councils to review their practices in relation to the administration of development contributions. The Committee noted that the City of Greater Geelong had been particularly pro-active in utilising the Auditor-General’s report as a guiding document in a major review of its DCP system and in building its governance and administrative framework and strengthening its processes.

The information provided by Councils to the Committee’s questionnaire re-confirms the audit observation that the main control used to ensure the collection of development contributions associated with subdivisions is the issue of a *Statement of Compliance*.

Other controls noted by councils as part of their development contributions systems were:

- detailed procedure manuals and flow charts documenting the development contributions system;
- automated management information systems for recording and monitoring DCPs;
- Management/Steering Committees; and
- audit review processes to ensure controls were operating effectively.

The variety of responses received and some additional comments from councils made it clear that the development contributions system is inherently complex and one which exhibits a range of situations and scenarios depending upon, the nature of the development and associated infrastructure requirements and, the future obligations which arise as a result of the development.

The Committee considers that well documented procedures and system flowcharts form a basic and integral part of the internal control process and assist in maintaining business continuity. All councils should ensure that their development contributions procedures and processes are clearly documented and that controls are in place to ensure that all contributions due are received. Procedure manuals and documentation should be reviewed on a regular basis to maintain their

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\(^8\) Ms Tracey Slatter, Chief Executive Officer, City of Port Phillip, *Transcript of evidence*, Melbourne, 26 February 2014, pp.3-4

\(^8\) *Local Government Act 1989 (Vic)*, Part 7: s.140
currency and a walk through, or regular internal audit, of controls should be undertaken to confirm that the system is operating effectively.

Also, given the significant role which building surveyors play in ensuring that any contribution obligations have been satisfied prior to issuing permits and compliance certificates, councils need to ensure that processes are in place to check that building surveyors are fully aware of their responsibilities and that checks are made from time to time to maintain quality control and minimise the risk of any oversights.

The Committee considers that the Department, through LGV, could take a more proactive and effective leadership role in the local government sector in relation to the administration and management of development contributions.

LGV could identify examples of councils or case studies which demonstrate high quality and effective administrative practices in the management of development contributions. These practices would assist in guiding other councils in the review and further refinement of their systems.

LGV could also consider issuing best practice guidance in relation to the principles of effective internal controls over the collection and administration of development contributions, particularly as these funds represent significant amounts of councils’ funds.

**FINDING:** The variety of responses received made it clear that the development contributions system is inherently complex and one which exhibits a range of situations and scenarios depending upon, the nature of the development and associated infrastructure requirements and, the future obligations which arise as a result of the development. The Government’s reforms of the Development Contributions System, due to be implemented from 1 July 2015, are aimed at bringing greater standardisation to the levying of development contributions in priority growth locations.

**FINDING:** There are a range of internal control practices in place around the collection of development contributions. The main control relied on by councils to trigger a check that any levies/contributions due have in fact been collected is the issue of a Statement of Compliance or building permit.

**FINDING:** Some of the sampled councils indicated a comprehensive internal control framework whilst others seemed to rely on the vigilance and continuity of council staff.

**FINDING:** There is a need for a quality control or audit process to check that all building surveyors (public and private) are fully aware of the requirements relating to the collection of development contributions and are executing their responsibilities effectively.
**FINDING:** The City of Greater Geelong have been particularly pro-active in utilising the 2009 Auditor-General’s report as a reference for the review and improvement of the Council’s development contribution procedural documentation, management systems and governance framework.

**RECOMMENDATION 41:** Councils ensure that processes and procedures in relation to the administration of development contributions are clearly documented and regularly reviewed and updated to ensure a standardised approach throughout the organisation and to provide for business continuity.

**RECOMMENDATION 42:** Councils periodically review and reassess the controls and systems in place over the collection of development contributions to confirm that controls are appropriate and are operating effectively.

**RECOMMENDATION 43:** Councils consider regular quality review checks and oversight of building surveyors to ensure that they are fully aware of their responsibilities with regards to the legislative requirements and administrative arrangements relating to the collection of development contributions.

### 10.6 Using contributions appropriately

Audit Recommendation 2: *Councils should assure that contributions have been used for their intended purpose by:*

» clearly identifying the standards and delivery time frames for infrastructure commitments contained within voluntary agreements and Development Contribution Plans

» transparently identifying within council budgets and capital works programs the infrastructure commitments arising from all development contributions

» accurately and regularly reconciling contributions collected and expended, including delivery of associated infrastructure provided against that planned.

The Auditor-General found that none of the three councils examined had maintained a complete record detailing the link between the contributions collected under Development Contributions Plans and s.173 Agreements, and the expenditure of those contributions on specific infrastructure.

As such, councils could not provide assurance that funds contributed had been used effectively or that all ‘in-kind’ contributions or works provided, met requisite standards. The Auditor-General noted that:

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843 ibid., p.8
844 ibid., pp.8-9
» standards and delivery timeframes for infrastructure was not always clearly documented in s.173 Agreements and Development Contribution Plans;

» council budgets and capital works programs did not specify all the infrastructure commitments arising through DCPs, Voluntary Agreements or Open Space Levies. In most cases, it was difficult to identify, from the information reported, how councils planned to apply the development contributions and levies collected; and

» internal tracking and monitoring practices did not provide any accurate reconciliation of contributions collected and expended, or the delivery of the specified or associated infrastructure against that planned.

10.6.1 Department response to the audit recommendation

In the Government Response in October 2010, LGV stated that all councils had been encouraged to review their practices regarding the use of development contributions. The response reiterated that the recommendation was ‘for individual councils to implement.’

845 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, p.124

10.6.2 Actions implemented to date

As noted previously, the Department advised the Committee that LGV had issued a circular to all councils in December 2009 encouraging them to read the report and review their practices accordingly. No subsequent action or review was pursued by the Department.

The Committee sought information from the 12 sample councils about whether they:

» clearly specified delivery timeframes and performance standards for the capital works and infrastructure funded through development contributions;

» separately identified the intended purpose of development contributions and levies as part of their annual budget and capital works programs; and

» performed regular reconciliations of contributions collected and expended, including ensuring that expenditure was in line with the intended or agreed purposes.

Specified delivery standards and timeframes for infrastructure funded through development contributions

The responses indicated that there are a variety of approaches taken by councils in managing the delivery of capital works which are dictated by, the nature of the development, the rate of development in growth councils, and also whether the MPA is involved in the planning and development process.

In many cases, details of the intended capital works and delivery timeframes are specified in the DCP. Section 173 Agreements are somewhat less prescriptive.
The following responses provide examples of the varying practices in place in relation to specifying and managing performance criteria such as timelines and quality specifications for the delivery of capital works associated with development contributions.

The Wyndham City Council (a growth area council) advised that the timing of specific infrastructure works is dictated by the rate of growth in the municipality as evidenced by building approvals. The Council advised that approvals slowed in 2013 compared to significant levels registered in 2010. As a result, revenue from development contributions and corresponding infrastructure works has also slowed.\(^{846}\)

The Surf Coast Shire advised the Committee that the delivery timeframes for infrastructure projects listed in the *Torquay Jan Juc DCP* refers to “notional delivery dates”. These dates are based on best estimates at the time of the preparation of the DCP. The DCP states that projects are required to be delivered in accordance with the timing specified or either, ‘within a five year margin beyond the date shown’ or ‘earlier than the delivery dates shown’.\(^{847}\)

The Shire indicated that project scopes outlining particular development contribution infrastructure works are reviewed every six months, including tracking project delivery timeframes and the collection of contributions. In addition, the Shire advised that it intends to complete an annual reconciliation to monitor compliance with timeframes and possibly review the DCP where development does not occur as planned.\(^{848}\)

With respect to development contributions received via s.173 Agreements, some of the councils indicated that the timing and details of contributions are clearly defined in their Agreements.

However, these Agreements do not generally detail any specific performance standards in relation to works other than the works being required to be carried out to the satisfaction of councils’ engineering services departments. The Committee was advised that details of council requirements are generally provided separately to the developer rather than specified in the Agreement.

**Disclosure of contributions for specific infrastructure in council budgets and capital works programs**

The Committee requested information from the 12 sample councils about whether they separately identified the intended purpose of development contributions and levies, in their annual budget and capital works programs.

Of the 12 responses provided:

- five councils advised that they did separately identify the intended purpose of development contributions and levies in their annual budget and capital works programs; and

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846 Ms Kerry Thompson, Chief Executive Officer, Wyndham City Council, Letter to the Committee, received 5 December 2013, p.3
847 Mr Stephen Wall, Chief Executive Officer, Surf Coast Shire, Letter to the Committee, received 3 January 2014, p.3
848 ibid.
seven councils advised that funds sourced from development contributions were reported as summary amounts in their annual budgets and capital works programs. As such the intended purpose of the contributions, were not separately identified.

**Council reconciliation of contributions collected and expended**

The questionnaire sent to the 12 sample councils requested details about the type and regularity of reconciliations undertaken in relation to the collection and expenditure of development contributions.

Appendix 10.2 provides a summary of the information provided by councils to the Committee’s inquiries about the nature and regularity of reviews and reconciliations of development contributions collected and expended.

The information provided indicates that councils have implemented a variety of systems for recording the receipt and expenditure of development contributions. Most of the councils appear to make use of specifically tagged reserve accounts to record contributions received and spent for specific capital works. A number of councils indicated that transfers to and from these specific reserve accounts were periodically reviewed rather than any regular, formalised reconciliation of contributions received against infrastructure expenditure and commitments.

Many responses referred to reviews and checks made of individual DCPs. Some councils indicated that they used automated systems to record revenue and expenditure relating to specific DCPs. For example, the City of Greater Geelong indicated that it uses an automated software system to monitor all development contributions, whether cash or in-kind, with regular management reports produced for the DCP Steering Committee and also for council members.

Most councils indicated that reviews and reconciliations of contributions collected and infrastructure expenditure and commitments tended to take place once a year as part of the annual budget process.

**10.6.3 Committee findings and recommendations**

**Specified delivery standards and timeframes for infrastructure funded through development contributions**

The responses from the 12 councils indicate that the specification of standards and timeframes for the delivery of infrastructure funded from development contributions varies between councils depending upon the nature and size of the development, and sometimes on the instruments used to deliver the infrastructure (i.e. a DCP, a s.173 Voluntary Agreement or other specifications attached to building permits or plans).

Some of the responses provided were vague and limited as to whether any specific standards and/or timeframes for the delivery of capital works or infrastructure through a DCP or Voluntary Agreement were prescribed at all. Other councils indicated that standards and specifications for civic works apply to all infrastructure delivery.
The Committee reiterates the audit recommendation that specific timeframes and standards should be clearly documented for all infrastructure works provided through development contributions. These specifications should be monitored by councils to ensure that community infrastructure is provided to agreed quality standards and in a timely manner.

The Committee notes the advice from the Wyndham City Council regarding the Engineering Design and Construction Manual available through the MPA. This Manual provides guidance on a range of design and construction matters associated with the delivery of capital works in local government areas. The Committee considers that some of the principles and guidelines in sections of this Manual may also be useful to other councils, not just those designated as growth area councils.

**FINDING:** Practices within councils vary in relation to specifying delivery standards and timeframes for capital works associated with development contributions. Delivery criteria tend to be more formalised in Development Contribution Plans than in section 173 Voluntary Agreements.

**FINDING:** Specific timeframes and standards for the delivery of all infrastructure works provided through development contributions should be clearly documented. Council management has a responsibility to ensure that development contributions are spent efficiently and effectively. This means regular monitoring and reporting to ensure that community infrastructure is delivered on time and to a specified standard of quality.

**RECOMMENDATION 44:** Local councils ensure that quality control standards and specific timeframes are clearly documented and applied to the delivery of infrastructure funded through development contributions and levies.

**Disclosure of contributions for specific infrastructure in Council budgets and capital works programs**


> Councils must prepare an annual budget each financial year that sets out information on the services and capital works they plan to deliver and how they will be funded, as well as any other information considered important by council.

As noted, five of the councils responding to the Committee's questionnaire advised that the intended purpose of development contributions and levies were separately identified in their annual budget and capital works programs. The remaining seven

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councils advised that development contributions set aside for capital works were grouped with other funds and were not separately identified in their annual budget and capital works programs against specific projects.

The Committee obtained copies of the 2013-14 annual budgets and capital works programs of the 12 sampled councils from their websites. Council budgets include details in relation to the council’s operating budget and also its capital works budget, including an analysis of funding sources and expenditures. Budgets also include details in relation to the councils’ capital works programs.

Appendix 10.3 summarises the capital works information presented in the 2013-14 annual budgets of the 12 sample councils. The Appendix shows the details presented in relation to:

» capital works funding sources;
» whether development contributions have been separately identified as a funding source;
» whether details of individual capital work projects have been provided;
» the specific funding sources for capital works projects; and
» whether development contributions have been separately identified against individual capital works projects.

A review of the material contained in council budgets revealed a variety of approaches around the presentation of information. The Committee found that:

» each council presents the information in their annual budget differently making any direct comparisons almost impossible;
» in some cases, the terminology for revenues and funding sources are not consistently used throughout an individual budget. This makes it difficult to reconcile figures presented throughout the budget. In some cases, the categories listed as funding sources in the capital works budget varied from the funding sources detailed in the capital works program;
» in a limited number of instances, details in the capital works program included funding source on a project by project basis but again (with the exception of two instances) development contributions applied to individual projects had not been separately identified; and
» it is impossible to identify which projects have been financed solely through contributions or what percentage of the project budget has been financed by contributions.

In the main, the Committee sought to determine whether council annual budget documentation clearly identified the amount of development contributions received and how those contributions had been applied to specific capital works projects.

Only two of the 12 councils sampled, separately disclosed the amount of development contributions applied to specific capital works projects in their annual budgets.

The City Of Wodonga’s capital works program indicated the amount of developer contributions applied to individual capital works projects and Wyndham City Council’s Budget included a separate page listing all capital works projects which were funded through amounts from development contributions.
The City of Port Phillip had partially shown the amount of development contributions applied to individual capital works projects but the amounts were grouped together with grants and external income.

Four councils had partially disclosed the amount of revenue generated from development contributions, including them with other contributions for capital works so it was difficult to isolate what proportion related directly to development contributions. None of the councils had identified development contributions as a separate funding source in their annual budgets.

In April 2014 amendments were made to the Local Government Act and the Local Government (Planning and Reporting) Regulations 2014 replaced the 2004 reporting regulations. These amendments apply to the preparation of financial statements for the 2014-15 financial year, and are directed at improving accountability and reporting across the local government sector.

The new Reporting Regulations will require that Council financial statements in the strategic resource plan, budget and annual report be in the form prescribed in the model financial report prepared each year by LGV in conjunction with the CPA Australia. The Committee notes that the changes in the prescribed format for the Statement of Capital Works in the strategic resource plan and budget have been included in the Model Financial Report for 2013-14.850

Based on the review of the 12 sample council budgets, the Committee considers there is a need for more standardised terminology and presentation of information relating to funding sources and capital works programs to enable users (i.e. ratepayers, councillors, DTPLI, auditors, consultants, researchers, etc.) to extract common data and undertake meaningful analysis and comparison across the local government sector.

As part of the reforms being made to improve local government reporting and as part of the development of future model financial reports, LGV should consider promoting the use of common terminology and definitions in relation to development contributions and open space levies and also common presentation in regard to the details to be included in their annual budget and capital works program in respect of these contributions. This would assist in addressing the issues raised in the Auditor-General’s report in relation to the need for improved accountability over the receipt and acquittal of development contributions.

**FINDING:** Of the sample of 12 councils reviewed by the Committee, only two councils had separately identified the amount of development contributions applied to individual capital works projects in their annual budget and capital works programs for 2013-14.

850 Department of Transport, Planning and Local Infrastructure, Local Government Model Financial Report 2014, p.3
**RECOMMENDATION 45:** The Department of Transport, Planning and Local Infrastructure (DTPLI), through Local Government Victoria, and working with the Department of Treasury and Finance if necessary, consider providing more prescriptive guidance in its future model financial report in relation to terminology and presentation of information relating to development contributions and open space levies, particularly as they are presented in council annual budgets, including their capital works budget and capital works programs. Achievement of more standardised terminology and presentation in the annual budget would enable users (i.e. ratepayers, councillors, DTPLI, auditors, consultants, researchers, etc.) to extract common data and would enable more accurate and meaningful analysis and comparison across the local government sector.

**Council reconciliation of contributions collected and expended**

Regular monitoring and/or reconciliation of contributions received and project expenditure and commitments is an important part of monitoring contribution flows, cost recovery and identification of revenue shortfalls.

Information provided to the Committee indicated that processes for managing and monitoring development contributions and levies received and appropriated varied across councils.

A number of councils indicated that monitoring of development contributions and the delivery of associated capital works occurred on an individual DCP basis either on a monthly basis or annually as part of the annual capital works budget process.

Other councils indicated that they reviewed transactions made to and from specific reserve accounts established to separately account for contributions and levies collected for open space or specific capital works projects.

The Committee noted that some councils indicated that they only review and report on development contributions on an “as needs” basis. The Committee does not consider this to be prudent management and oversight.

Councils should be ensuring that reconciliation and review of development contributions should be made at regular intervals (e.g. quarterly) rather than only on an annual basis as part of the capital works budget process. Reconciliations are an important internal control mechanism and assist in tracking contributions received against their expenditure. Monitoring and oversight of development contributions by council management is discussed further in the following section.

**FINDING:** The nature and regularity of monitoring and review by councils of development contributions collected and appropriated varies.

**FINDING:** Monitoring and reporting is not always formalised and regular. There is scope for a more systematic approach to monitoring and reconciling development contributions on a quarterly basis to ensure that development contributions collected are reconciled against development contributions due; and that development contributions expended have been appropriated as planned.
**RECOMMENDATION 46:** Councils develop an effective monitoring and reporting framework which provides management with regular and relevant information to ensure that:

(a) all contributions and levies due are in fact received;
(b) contributions and levies collected are applied for their intended purposes; and
(c) infrastructure delivered through development contributions and levies are delivered efficiently (on time) and effectively (to a specified standard of quality appropriate for its intended use).

**10.7 Council oversight, monitoring and review**

Audit Recommendation 3: *Councils should strengthen local governance arrangements for development contributions by:*

» timely reporting to senior management on the collection and use of development contributions and delivery of infrastructure commitments against that planned
» systematically identifying and managing all risks to the delivery of infrastructure associated with development contributions
» assigning management responsibilities for the coordination and oversight of the management of development contributions.\(^{851}\)

In his report, the Auditor-General stated that regular monitoring and reporting to senior management about the performance of the development contributions system was important to identify any risks and/or emerging issues which might impact upon the delivery of specified infrastructure.\(^{852}\)

The Auditor-General found that management oversight in each of the three councils audited was inadequate. Reporting to senior management and councillors lacked sufficient detail to provide assurance that contributions were being administered effectively.\(^{853}\)

**10.7.1 Department response to the audit recommendation**

The Government Response provided by LGV was similar to its responses to the previous audit recommendations, stating:\(^{854}\)

> Local Government Victoria has encouraged all councils to review their practices regarding the governance of development contributions. This recommendation is for the individual councils to implement.

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\(^{852}\) ibid., p.9
\(^{853}\) ibid., p.8
\(^{854}\) Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2009-10*, October 2010, p.124
10.7.2 Actions implemented to date

The Committee requested information from the 12 sample councils in relation to their governance structures and arrangements for oversighting the management and performance of their development contributions systems. Councils were asked to provide details about:

- the governance and oversight of the collection and expenditure of development contributions;
- the nature and regularity of internal reporting in relation to the collection and expenditure of development contributions;
- whether council performs an annual review of DCPs and s.173 Voluntary Agreements to monitor their progress and performance; and
- risk assessment and risk management of development contributions infrastructure projects.

Councils’ governance and oversight of development contributions

The information received from councils in response to the Committee’s questionnaire indicated that governance and oversight systems and processes varied. This variation in approach was influenced by the size of the council and the type of development occurring within the municipality (e.g. growth area councils; inner city councils; regional shires).

The majority of responses indicated that management responsibilities had been assigned for the administration and oversight of development contributions. In relation to regular and timely reporting to senior management, the responses indicated that oversight and reporting is closely tied into the management of councils’ capital works programs.

A number of councils indicated the existence of a dedicated steering committee or management group responsible for oversighting DCPs. Surf Coast Shire Council advised the Committee that it has a DCP Management Group which meets regularly to manage and report on DCP projects. This Group is able to brief the Executive Management Team and also the Council.855

The City of Greater Geelong advised that it had established a DCP Steering Committee to oversee the development, approval, implementation and administration of DCPs. The DCP Steering Committee is also responsible for policy development, reviewing project status reports and oversighting general improvements to the governance framework.856

Mildura Rural City Council also stated that it had established a DCP Strategic Working Group to monitor the status of DCP projects and timing and to formulate strategic directions for the future. The Group comprises both senior management and operational staff.857

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855 Mr Stephen Wall, Chief Executive Officer, Surf Coast Shire, Letter to the Committee, received 3 January 2014, p.4
856 Mr Rob Anderson, Coordinator – Urban Growth Area Planning, City of Greater Geelong, Letter to the Committee, received 20 December 2013, p.7
857 Mr Garry Healy, General Manager Development, Mildura Rural City Council, Letter to the Committee, received 5 December 2013
The following responses provide examples of the variety of approaches taken by councils in relation to governance and internal management reporting on development contributions.

The processes and monitoring around the management of DCPs appeared to be more formalised than those around s.173 Agreements. Although in many instances, these Agreements form a sub-set of the DCP as advised by the City of Whittlesea:

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\...\textit{\ldots}s.173 Agreements are often the legal instrument used to give effect to DCPs through the planning permit process. This is because they are legally binding to the title of the land and offer a level of security not afforded by other instruments.\textit{\ldots}\n
The City of Port Phillip advised the Committee that its Finance area prepares a monthly report for the Executive Management Team detailing developer contributions received and also the capital works which have been undertaken including those funded by developer contributions. 859

Brimbank City Council advised that the amount of contributions collected and the delivery of infrastructure commitments as part of the Capital Works Progress report are both reported to the Executive Management Team on a quarterly basis. Also the Capital Works Committee meets monthly to monitor project progress and manage project risks. 860

Wyndham City Council indicated that governance arrangements have become more robust since the implementation of the \textit{Truganina Employment Precinct DCP} in December 2009 and greater involvement in the preparation of each DCP from the (now) Metropolitan Planning Authority with input from the Council. 861

In addition, Wyndham City Council advised that a review of development contributions receipts and Reserve Account balances is undertaken by senior finance management as part of Council’s quarterly financial management reporting cycle. Also DCP infrastructure projects are reviewed as part of a monthly capital works program review by senior management with responsibilities for major projects and infrastructure with assistance from personnel within the Management Accounting section and also individual project managers. 862

The City of Greater Geelong advised the Committee that its internal reporting and review of development contributions includes preparation of:

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\begin{itemize}
  \item a quarterly status report to the DCP Steering Committee;
  \item an annual development contributions progress report to Council;
  \item an annual summary of development contributions for the annual report; and
\end{itemize}

858 Mr David Turnbull, Chief Executive Officer, City of Whittlesea, Letter to the Committee, received 17 December 2013, p. 5
859 Ms Tracey Slatter, Chief Executive Officer, City of Port Phillip, Letter to the Committee, received 9 December 2013
860 Mr Stuart Menzies, Director City Development, Brimbank City Council, Letter to the Committee, received 20 January 2014
861 Ms Kerry Thompson, Chief Executive Officer, Wyndham City Council, Letter to the Committee, received 5 December 2013, p. 4
862 ibid., p. 5
863 Mr Rob Anderson, Coordinator – Urban Growth Area Planning, City of Greater Geelong, Letter to the Committee, received 20 December 2013, p. 7
an update of Council’s 10-year long-term financial plan (undertaken bi-annually) confirming the long-term obligations and funding needs for the Council.

Also the City of Greater Geelong advised that it had recently completed an external audit of its DCP administration system. The Council advised that it had received good feedback from the audit and a number of worthwhile recommendations had been made to improve its system.\textsuperscript{864}

The City of Whittlesea indicated that it:\textsuperscript{865}

\ldots has a well-established process of ensuring that all contributions received are separated from Council’s general revenue and placed into separate ledger accounts to ensure that they are used for their intended purpose. Council also ensures that interest is maximised on these funds while they are located within separate DCP ledgers. All interest earned on particular DCPs go back to the DCP they were generated from.

The City also advised however that its internal reporting systems were less formalised and were undertaken on an “as needs basis” mainly in response to the need for strategic decision-making or to highlight any risks which have arisen in relation to the management of a particular DCP or associated development contributions.\textsuperscript{866}

As noted earlier in this chapter, some of the councils advised that they used automated systems to monitor development contributions. Others indicated they were in the process of reviewing their technology applications/modules to assist and improve the monitoring and reporting capabilities of their systems.

For example, the City of Whittlesea indicated that it was proposing to enhance its automated recording systems by adding a capability for the provision of regular reports and also looking at better forward planning which would assist improved reporting around development contributions.\textsuperscript{867} Also Bass Coast Shire Council stated that it was developing a more systemised process for managing and reporting on capital works through improvements in information technology systems.\textsuperscript{868} The City of Casey also noted that it is currently working on integrating its capital works software system (DevCap) with Council’s accounting system which will assist in the recording and management of information related to contributions, including ‘works-in-kind’.\textsuperscript{869}

Improved infrastructure planning is also an area which some councils indicated they were taking action. For example, the City of Whittlesea indicated in its response that it is currently in the process of adopting a \textit{Four-Year Infrastructure Plan} in 2014 which will include the commitment to the Council’s \textit{New Works Program} for the upcoming 12 months. The New Works program includes all projects listed within a DCP or s.173 Voluntary Agreement. Also intended is the implementation of a \textit{15-Year Infrastructure Outlook} to complement and inform the

\begin{flushleft}
\textsuperscript{864} ibid.
\textsuperscript{865} Mr David Turnbull, Chief Executive Officer, City of Whittlesea, Letter to the Committee, received 17 December 2013, p.15
\textsuperscript{866} ibid., p.16
\textsuperscript{867} ibid., pp.16-17
\textsuperscript{868} Ms Hannah Duncan-Jones, Planning and Environment Director, Bass Coast Shire Council, Letter to the Committee, received 12 December 2013
\textsuperscript{869} Ms Keri New, Team Leader, Integrated Planning, City of Casey, \textit{Transcript of evidence}, Melbourne, 26 February 2014, pp.6-7
\end{flushleft}
Council’s Long Term Financial Plan. This will provide greater transparency around the Council’s forward infrastructure program.\textsuperscript{870}

**Managing risks associated with development contributions and infrastructure delivery**

In his report, the Auditor-General stressed the importance of councils systematically identifying and managing financial risks associated with the delivery of infrastructure flowing from a DCP or Voluntary Agreement.\textsuperscript{871}

There are a range of risks associated with infrastructure delivery, however, one of the main financial risks associated with development contributions over a longer term is management of a council’s future funding liability.

In his report, the Auditor-General noted that both Wyndham City and Surf Coast Shire Councils had taken steps to assess and manage the funding gap for their future infrastructure commitments. The report also noted that all three councils were indexing levies for development contributions in an effort to mitigate any future funding shortfalls.\textsuperscript{872}

The Committee requested information from the 12 sample councils about the type of risk assessments undertaken in relation to infrastructure projects associated with development contributions.

Wyndham City Council (a growth area council) advised that it undertakes a comprehensive risk assessment process for each DCP project to identify and assess:\textsuperscript{873}

- potential areas of risk (i.e. financial; environmental; governance; public safety; and community expectation); and
- the probability of each risk (i.e. rare; unlikely; possible or almost certain).

The Surf Coast Shire Council advised that since the 2009 audit report it now identifies risks as part of the DCP implementation process and records these risks in a corporate risk register. The Shire advised that risks identified as part of the project scope are reviewed every six months by the DCP Management Group to identify any potential funding shortfalls on projects.\textsuperscript{874}

The City of Greater Geelong advised the Committee that it undertakes a risk assessment on an “informal basis” as part of its annual process of updating its 10-year financial plan and general decision making associated with ’works-in-kind’ agreements with developers. The recent external audit of the DCP administration system commissioned by the Council recommended the ’development of a comprehensive risk register’. In particular, the audit recommended that Council undertake a detailed risk assessment for:\textsuperscript{875}

- the risks associated with the Council’s DCP administration system itself;

\textsuperscript{870} Mr David Turnbull, Chief Executive Officer, City of Whittlesea, Letter to the Committee, received 17 December 2013, pp.13-14
\textsuperscript{871} Victorian Auditor-General’s Office, *Use of Development Contributions by Local Government*, December 2009, p.10
\textsuperscript{872} ibid.
\textsuperscript{873} Ms Kerry Thompson, Chief Executive Officer, Wyndham City, Letter to the Committee, received 5 December 2013, p.6
\textsuperscript{874} Mr Stephen Wall, Chief Executive Officer, Surf Coast Shire, Letter to the Committee, received 3 January 2014, pp.4-5
\textsuperscript{875} Mr Rob Anderson, Coordinator – Urban Growth Area Planning, Economic Development, Planning Strategy and Tourism, City of Greater Geelong, Letter to the Committee, received 20 December 2013, pp.7-8
10.7.3 Committee findings and recommendations

Councils’ governance and oversight of development contributions

The Committee found that council responses about their governance frameworks and oversight of the management of development contributions varied. Some Councils had established a dedicated management committee/group to oversee the system; some had implemented a formalised system of regular reporting on contributions received and the progress or status of DCPs; other had less formalised monitoring and reporting processes in place and reported on an “as needs” basis when issues with DCPs had arisen or some decisions were required to be taken by senior management in relation to their management.

A number of councils indicated the existence of a dedicated committee or group responsible for overseeing DCPs. Other councils indicated that reports on development contributions received and expended were provided to the Executive Management Team on either a monthly or quarterly basis (e.g. Port Phillip City Council; Brimbank City Council; Surf Coast Shire; City of Greater Bendigo) with a number of councils making reference to the regular quarterly financial management reporting cycle.

The Committee was encouraged by the response received from the City of Greater Geelong which provided details about the work it had undertaken with regard to an extensive review of its DCP governance and administrative framework. The Council indicated that this review process had strengthened its DCP management framework and associated procedures and systems. Council’s work had included a review of its infrastructure policy, the preparation of a DCP Manual and the establishment of a DCP Steering Committee. Council also advised that it had recently undertaken an independent audit of its DCP administration and governance system which had provided useful feedback for management. The Council’s response indicated that whilst a significant amount of progress has been made, their review process is continuing.\footnote{ibid., pp.3‑4}

Some other responses, however, provided limited detail in relation to the extent of regular reporting to senior management on the collection and appropriation of development contributions. Examples of these included references to:

» an annual report to the Chief Financial Officer on development contributions forecast and “regular review” of priority projects for each DCP but with no indication as to the timing of these reviews;

» reports provided to senior management on an ‘as needs basis’, or ‘as issues arise’, with no indication that there is a regular or systematic form of reporting in place;

» the implementation of ‘contemporary governance and management arrangements’ for new DCPs without any detail about what form these arrangements might take; and

\footnote{ibid., pp.3‑4}
some type of accounting style report on development contributions, prepared on a monthly basis, and checked biannually with the planning section of council. No details are provided as to what these reports contain or what they are being checked against. The reports appear to be limited to middle management.

Most of the councils indicated that monitoring and reporting on development contributions was closely tied to their capital works programs. These programs were generally subject to monthly or quarterly review of the progress of individual projects and comparison of budgeted against actual expenditure. As such, council management’s “oversight” of development contributions is essentially an adjunct to council’s asset management and capital works program management systems. The quality of a council’s asset and capital works management information systems in relation to recording and automated report generation obviously impacts council’s ability to effectively monitor and oversight this area.

The Committee notes that improved infrastructure planning and reporting is an area which some councils indicated they are taking action.

**FINDING:** On the basis of the information provided in the responses, the processes and monitoring around the management of Development Contribution Plans appeared to be more formalised than those around section 173 Voluntary Agreements.

**FINDING:** Some councils had established a dedicated steering committee or management group to oversee the system; some had implemented a formalised system of regular reporting on contributions received and the progress or status of Development Contribution Plans; others had less formalised monitoring and reporting processes in place and reported on an ‘as needs basis’ when issues with Development Contribution Plans had arisen or some decisions were required to be taken by senior management in relation to their management.

**RECOMMENDATION 47:** Councils ensure that their development contributions system include an effective governance framework comprising:

(a) assignment of a senior management group or steering committee to oversight the efficient and effective management of development contributions and open space levies;

(b) regular and timely reporting on key performance indicators relevant to the efficient and effective collection and application of development contributions and open space levies;

(c) systems in place to record, monitor and report on the infrastructure planning and commitments arising from the collection of development contributions and open space levies;

(d) an effective risk management framework for the collection and appropriation of development contributions and open space levies; and

(e) regular review of the policies, procedures and systems in place to administer development contributions to ensure that they remain effective and current.
Managing risks associated with development contributions and infrastructure delivery

As noted above, risk management is an important part of an effective governance framework. It is also a critical component of effective infrastructure project management and delivery.

Most of the councils indicated in their responses that they were undertaking some form of risk management over DCPs as part of their capital works project management processes. However, many councils also indicated that risk assessment occurred on a project by project basis or on an ‘as needs basis’ suggesting that there is room for a more systematic approach to risk management in this area.

The risk of a funding shortfall in a planned infrastructure project is a significant one for local councils. Most councils highlighted ‘funding shortfall’ and cost variations as the most significant risk associated with the delivery of infrastructure projects.

In some of the councils’ responses, the details of the approach taken to risk management were limited. While some councils stated that risks were identified at the start of the project, there was little information provided about ongoing monitoring of risks and risk mitigation, with one council stating that ‘internal processes’ are used to limit the risk of cost overrun but with no details about what these processes comprise.

To minimise the risk, councils must ensure that the scoping and costing of intended works is as accurate as possible.

There are also events which can occur during the life of an individual DCP or s.173 Agreement which can impact both the cost and the timing of projects. As such, the Committee considers it prudent as a part of an effective governance and management framework that councils review their approach to risk management generally and particularly in relation to the administration of DCPs and s.173 Agreements.

Risk assessment should include the identification of all potential risks and a formal assessment of their likelihood and impact. Mitigation strategies and contingency plans should also be developed to protect ratepayers against future unforeseen difficulties or burdens. In short, all potential risks should be identified, recorded and regularly monitored.

FINDING: Without the benefit of an independent detailed review of the risk management processes in place across local government, it is difficult for the Committee to form a definitive or detailed conclusion on the adequacy of current practices. However, a review of the information provided in council responses, suggests that this is an area which could be improved.

FINDING: The Committee reiterates the Auditor-General’s comments and recommendation that arrangements for identifying and managing risks to infrastructure delivery associated with development contributions need to be strengthened.
RECOMMENDATION 48: Councils implement a comprehensive risk management framework for the management of Development Contribution Plans (DCPs) and for significant section 173 Voluntary Agreements. Such a framework should include:

(a) the development of a comprehensive risk register identifying:
   (i) any administrative risks associated with the development contributions system as administered by council, including an assessment of the likelihood and impact of each risk; and
   (ii) the identification of risks associated with individual DCPs and section 173 Voluntary Agreements including an assessment of the likelihood and impact of each risk;

(b) the formulation and documentation of mitigation strategies to be applied to identified risks; and

(c) a formalised process of regular reporting and review in relation to the management of risks, including re-assessment and update of the risk register as required.

10.8

Public disclosure and annual reporting

Audit Recommendation 4: Councils should clearly report on the collection and use of development contributions revenue in their annual reports, as well as report on the associated infrastructure delivered against that planned. 877

The Auditor-General found that public reporting on the collection and appropriation of development contributions by the three councils audited was insufficient to demonstrate to ratepayers how the contributions were being applied and how the relevant infrastructure was being delivered. 878

The audit found that the councils had reported development contributions revenue in their annual reports as an aggregate amount without adequately distinguishing contributions received from gifted assets. Further, the Auditor-General reported that two of the councils audited did not publicly report on the infrastructure delivered through development contributions. The different approaches to reporting by councils, makes comparisons between councils difficult. 879

Overall, the Auditor-General concluded that there was a need to improve the transparency and accountability of councils to both ratepayers and the wider public in relation to the collection and application of development contributions. 880

10.8.1

Department response to the audit recommendation

The Government Response in October 2010 stated that the Exposure Draft of the Planning and Environment Act Review included a proposal that would require all councils to report annually on specified planning activities and the collection...
and use of development contributions revenue. The response stated that the requirement would commence with the passage of the legislation.\textsuperscript{881}

\section*{10.8.2 Actions implemented to date}

\subsection*{Action taken by the Department}

In October 2013, the Committee wrote to DTPLI requesting information about whether new annual reporting requirements for councils in relation to the collection and use of development contributions had been implemented.

The Department advised that since the Auditor-General’s 2009 report, no amendments had been made to the administrative framework. Instead, the Government had decided to review and replace the existing system with a new standardised system of levies for the delivery of local infrastructure.\textsuperscript{882}

The Department advised that revenue derived through development contributions are currently disclosed in local government financial statements in accordance with Australian Accounting Standards. This requires disclosure of cash contributions and the value of ‘in-kind’ assets.\textsuperscript{883}

The Department also referred the Committee to the recent \textit{Planning and Environment Amendment (General) Act 2013} (the General Act) which commenced operation on 22 July 2013. The General Act amends the Planning and Environment Act by introducing provisions for planning and referral authorities to provide information and reports ‘as required’ by the Minister for Planning. The Committee was advised that the use of these new reporting provisions, as they relate to the annual reporting of development contributions, would be considered as part of the broader review of the development contributions system.\textsuperscript{884}

In addition to the improved ‘reporting heads of power’ established through the General Act, the Committee notes that the new \textit{Local Government (Planning and Reporting) Regulations 2014} require council budgets to include a detailed list of capital works expenditure in accordance with the model statement of capital works presented in the \textit{Local Government Model Financial Report}. The Regulations also require a summary of funding sources in relation to capital works expenditure classified separately as: grants; contributions; council cash; and borrowings.\textsuperscript{885}

\subsection*{Action taken by Councils}

The questionnaire sent to a sample of councils by the Committee asked councils about the extent of disclosure in their annual reports in relation to the collection and use of development contributions, and infrastructure delivered against infrastructure planned. The responses from councils indicated that all councils had disclosed a certain amount of information in relation to development contributions

\begin{itemize}
\item \textsuperscript{881} Department of Treasury and Finance, \textit{Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10}, October 2010, p.125
\item \textsuperscript{882} Mr Dean Yates, Secretary, Department of Transport, Planning and Local Infrastructure, Letter to the Committee, received 3 January 2014
\item \textsuperscript{883} ibid.
\item \textsuperscript{884} ibid.
\item \textsuperscript{885} \textit{Local Government (Planning and Reporting) Act 2014 (Vic)}, s.10
\end{itemize}
and levies and infrastructure spending. However, there was a wide variety of approaches to the presentation and disclosure of this information.

A review of the annual reports of councils indicated that while the format of financial statements was similar, the information presented in the statements varied. For example, all councils provide consolidated figures for contributions revenue and reserves in their financial statements. The ‘Notes’ accompanying the financial statements are intended to provide further detail and disclosure in relation to consolidated amounts presented in the financial statements.

The best examples of disclosure in the ‘Notes to the Financial Statements’ in relation to contributions and levies received were: the City of Greater Geelong; Surf Coast Shire; City of Casey; and City of Wyndham. However, the Committee also found that all of these councils presented information about their development contributions and levies differently.

The Committee noted that many councils follow the presentation of ‘Note 6 Contributions’ as set out in the Local Government Model Financial Report prepared by LGV in collaboration with CPA Australia. Each year this document alerts councils to any changes in the accounting standards and reporting requirements. The document is described in the preamble as representing an example of best practice reporting in local government. The format is presented as a guide and LGV states in the preamble that:

> Each council retains the responsibility for the preparation of their financial and standard statements, including the format of the statements and the disclosures made. This Model Report represents the preferred presentation of Local government Victoria and as such all councils are requested to adopt the disclosures in this Model Report as far as practical.

The Committee found that the details provided in relation to ‘Contributions’ and ‘Reserves’ in the financial statements is not consistent between councils.

Table 10.3 shows the variation in presentation of information relating to contributions and reserves in the accounts of four of the sample councils and also the format set out in the LGV Model Financial Report.

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886 Department of Transport, Planning and Local Infrastructure, Local Government Model Financial Report 2014, p.3
Table 10.3  Presentation of contributions in council ‘Notes to the Financial Statements 2012-13’

<table>
<thead>
<tr>
<th>City of Greater Geelong</th>
<th>City of Greater Bendigo</th>
<th>City of Casey</th>
<th>City of Wodonga</th>
<th>Model Financial Report</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Note 5: Capital Income</strong></td>
<td><strong>Note 5: Contributions</strong></td>
<td><strong>Note 6: Contributions:</strong></td>
<td><strong>Note 5: Contributions</strong></td>
<td><strong>Note 6: Contributions:</strong></td>
</tr>
<tr>
<td>» Grants (Note 4)</td>
<td>(a) Contributions - Cash</td>
<td>(a) Cash:</td>
<td>(a) Cash:</td>
<td>(a) Cash:</td>
</tr>
<tr>
<td>» Developer Cash Contributions</td>
<td>» Contributions to capital projects</td>
<td>» Development contributions</td>
<td>» Roads</td>
<td>» Roads</td>
</tr>
<tr>
<td>» Contributions to Council assets</td>
<td>» Half Cost Schemes</td>
<td>» Contributions to capital works</td>
<td>» Recreational, leisure and community facilities</td>
<td>» Footpaths and cycleways</td>
</tr>
<tr>
<td>» Special rates</td>
<td>» Contributions to Projects – Capital</td>
<td>» Land under roads</td>
<td>» Drainage</td>
<td>» Drainage</td>
</tr>
<tr>
<td><strong>Note 14: Contributions - Non-monetary assets</strong></td>
<td><strong>(b) Contributions – Other</strong></td>
<td><strong>(b) Non-monetary assets:</strong></td>
<td><strong>(b) Non-monetary:</strong></td>
<td><strong>(b) Non-monetary:</strong></td>
</tr>
<tr>
<td>» Infrastructure</td>
<td>Developer Contributions</td>
<td>» Land under roads</td>
<td>» Land under roads</td>
<td>» Land under roads</td>
</tr>
<tr>
<td>» Land</td>
<td></td>
<td>» Drainage</td>
<td>» Developer Contributions</td>
<td>» Roads</td>
</tr>
<tr>
<td><strong>Note 27: Reserves</strong></td>
<td><strong>(b) Contributions – Other</strong></td>
<td><strong>Other</strong></td>
<td><strong>Other</strong></td>
<td><strong>Other</strong></td>
</tr>
<tr>
<td>Statutory:</td>
<td>» Artworks</td>
<td>» Developer contributions by way of infrastructure assets</td>
<td>» Parking</td>
<td>New subdivisions were constructed by developers during the reporting year. The infrastructure assets within those subdivisions are contributed to Council when completed.</td>
</tr>
<tr>
<td>» Car Parking Reserve</td>
<td>» Land</td>
<td><strong>Note 23: Reserves</strong></td>
<td><strong>Note 25: Reserves</strong></td>
<td><strong>Note 29: Reserves</strong></td>
</tr>
<tr>
<td>» Public Open Space Reserve</td>
<td>» Public Furniture and Fittings</td>
<td>(a) Asset Revaluation Reserve</td>
<td>(a) Asset Revaluation reserve</td>
<td>(a) Asset Revaluation reserve</td>
</tr>
<tr>
<td>» Main Drainage Reserve</td>
<td>» Roads</td>
<td></td>
<td>(b) Other reserves</td>
<td>(b) Other reserves</td>
</tr>
<tr>
<td><strong>Discretionary:</strong></td>
<td>» Drainage</td>
<td></td>
<td>» Asset reserve</td>
<td>» Resort and recreation reserve</td>
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<tr>
<td>» Deferred Works Reserve</td>
<td></td>
<td></td>
<td>» Developers reserve</td>
<td></td>
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<tr>
<td>» Asset Development Reserve</td>
<td></td>
<td></td>
<td>» General reserve</td>
<td></td>
</tr>
<tr>
<td>» DCP Reserve – Jetty Rd – Stage 1</td>
<td></td>
<td></td>
<td>Developers reserve is contributions from developers to fund public open space, infrastructure, and community facilities as detailed in the approved development contribution plans.</td>
<td></td>
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<tr>
<td>» DCP Reserve – Armstrong Creek East Precinct</td>
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<tr>
<td>» DCP Reserve – Ocean Grove Front</td>
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<td></td>
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<tr>
<td>» Water Quality Levy</td>
<td></td>
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</tr>
</tbody>
</table>

*New subdivisions were constructed by developers during the reporting year. The infrastructure assets within those subdivisions are contributed to Council when completed.*
One of the issues noted from the Committee’s review of the annual reports is that the amount referred to as ‘Contributions’ in the financial statements is not strictly related to contributions from developers. As such, more detailed disclosure in the notes about the nature and source of contributions would assist in providing ratepayers, residents and other interested parties with a better understanding of these amounts.

The Committee also noted that some of the councils make a distinction in their financial statements in disclosing amounts which have been collected for open space from other development contribution funds (e.g. Surf Coast Shire Council have an Open space development reserve, the City of Greater Geelong have an Public Open Space Reserve and Greater Bendigo City Council have an Open Space Reserve to separate funds received through open space levies from other development contributions). This also assists ratepayers and residents with more information about these funds.

Public disclosure and reporting by councils on the actual infrastructure provided through development contributions as recommended by the Auditor-General is limited in terms of the amount of detail provided in annual reports.

Evidence provided at the hearing by the City of Casey indicated that, whilst it does not present an itemised list of infrastructure delivered against each contribution in the annual report, it does prepare a list of infrastructure projects for each DCP which is available to industry, the community and other interested parties.

This list is referred to as the PLIS (Priority List and Implementation Strategy) for each DCP and lists the short, medium and long term infrastructure planned to be delivered. The PLIS is updated regularly as projects are delivered.\footnote{Mr Liam Hodgetts, Director, Planning and Development, City of Casey, \textit{Transcript of evidence}, Melbourne, 26 February 2014, p.6}

Other evidence from the City of Greater Geelong indicated that more disclosure regarding specific project expenditure and delivery associated with development contributions is an area that the Council is continuing to work towards. The Council advised that it will be looking to expand and refine the information presented in future annual reports in relation to expenditure on development contributions projects, commencing with the preparation of the \textit{2013-14 Annual Report}.\footnote{Mr Rob Anderson, Coordinator – Urban Growth Area Planning, City of Greater Geelong, \textit{Transcript of evidence}, Melbourne, 26 February 2014, p.5}

At the hearing the Chief Executive Officer, City of Greater Geelong, was asked by the Committee about whether there was a need for more formalised guidance from the Department in terms of standardising reporting and disclosure around development contributions. The response was that he considered it would be helpful to have some central guidance to standardise approaches across the sector.\footnote{Mr Stephen Griffin, Chief Executive Officer, City of Greater Geelong, \textit{Transcript of evidence}, Melbourne, 26 February 2014, p.9}

The CEO, City of Port Phillip, also considered that some sort of pro-forma model for councils by LGV about reporting how development contributions, including open space reserves, should be disclosed in the accounts to get more consistent disclosure across councils would be useful.\footnote{Mr David Filmalter, Chief Financial Officer, City of Port Phillip, \textit{Transcript of evidence}, Melbourne, 26 February 2014, p.3}
Chapter 10: Use of Development Contributions by Local Government

10.8.3 Committee findings and recommendations

The Committee considers that common and consistently used terminology and consistency in the format and presentation of information in the financial statements and capital works statements would go a long way to assisting in providing clearer disclosure in relation to development contributions and levies collected by councils. This is considered even more critical where development contributions and levies (comprising cash, land, ‘works-in-kind’, or open space) are material in value. This issue was noted in Section 10.6.3 of this chapter, in the discussion on the presentation of budget and capital works information by councils.

The Committee notes the proposed reforms for local government reporting which are currently in the process of development and implementation. It is hoped that these reforms will lead to greater consistency in the presentation of financial and performance information across the local government sector.

The Local Government Amendment (Performance Reporting and Accountability) Act 2014 and accompanying regulations came into effect on 18 April 2014 and from 1 July 2014 councils will begin collecting data in accordance with the new framework to report their results as part of their 2014-15 annual report. The Committee notes that the new performance reporting framework is aimed at ensuring that councils measure and report on their performance in a consistent way. The Department website states that the framework is focused on improving transparency and accountability to residents and ratepayers about how council funds are being spent and the quality of the services being delivered.

The Committee looks forward to the successful implementation of this new performance reporting framework across local councils and notes it as a positive step towards improved public accountability, and greater consistency and comparability of reporting, by the local government sector.

With respect to reporting specifically on the collection and use of development contributions, it is hoped that actions aimed at improving transparency and disclosure in local government reporting will enable ratepayers and other interested parties to clearly identify both cash and ‘in-kind’ contributions and also how those contributions are being applied (i.e. both expended and committed or reserved for future expenditure).

FINDING: It is important that councils clearly identify in their annual reports or annual budgets the form or nature of all development contributions received (i.e. cash; land; ‘works-in-kind’; gifted assets) and the specific capital works and infrastructure projects to which cash and ‘works-in-kind’ are being applied. The reports should clearly identify how development contributions and levies have been spent and also committed in future years.

FINDING: Work is currently underway through the Department of Transport, Planning and Local Infrastructure to improve financial and performance reporting across the local government sector. The Committee looks forward to these reporting reforms leading to improved transparency and accountability over the collection and use of development contributions and levies by local councils.

RECOMMENDATION 49: Councils need to make a greater effort to improve the quality and adequacy of public disclosure in their annual reports in relation to the collection and use of development contributions (including cash; land; ‘works-in-kind’; and gifted assets) and open space levies.

10.9 Central monitoring and oversight

Recommendation 5: The Department of Planning and Community Development in consultation with the Growth Areas Authority and stakeholders should develop the performance measurement system and the broader planning system to include:

» measures for assessing the delivery of state and local planned infrastructure outcomes

» arrangements for assessing the success and uptake of reforms to the development contributions system

» information on the extent to which councils have fulfilled their statutory obligation in relation to development contributions in line with the 2005 Victorian Competition and Efficiency Council

» arrangements for monitoring and reporting on the effectiveness and efficiency of statutory processes underpinning the system.892

The Auditor-General considers that as the lead agency for planning, the Department has an important role to play in monitoring and guiding the effective operation of the development contributions system.893

The Auditor-General examined the roles of both the Department and the former GAA in supporting and oversighting the operation of the development contributions system by local councils.

Details of the audit findings together with the Government's responses are presented in the following paragraphs.

10.9.1 Framework for measuring performance and achievement

The Auditor-General noted in his report that in a previous audit in 2008 of Victoria’s Planning Framework for Land Use Development, he had recommended that the Department take a lead role in the development of a framework for monitoring the performance of the State’s planning system.894

892 Victorian Auditor-General’s Office, Use of Development Contributions by Local Government, December 2009, p.18
893 ibid., p.13
894 ibid., p.14
The 2008 audit report recommended that a performance measurement framework for the planning system should include measures and indicators to assess:.

- the achievement of State and Local planning outcomes;
- the successful implementation of reforms;
- the extent to which councils are meeting their legislative obligations; and
- the efficiency and effectiveness of statutory processes underpinning the planning system.

The Department accepted this recommendation and made a commitment to developing such a framework in consultation with local government, the planning industry and community stakeholders.

The 2009 audit found that the Department had taken some positive steps towards enhancing its performance reporting however, there remained an absence of formal arrangements to systematically monitor and report on the performance of the development contributions system. This limited the Department’s ability to effectively oversight the system and to take appropriate action to improve the system’s effectiveness where necessary.

Measuring the achievement of intended outcomes

One of the key objectives of the planning system is the timely delivery of appropriate infrastructure to local communities funded through development contributions. As noted earlier, the Auditor-General found that none of the councils examined during the audit had a complete record linking the development contributions collected with associated infrastructure delivered. Also public reporting was very limited and the Department does not monitor any such information at a system-wide level. As a result the overall effectiveness of the contributions system could not be assessed.

The Auditor-General reported that monitoring of the achievement of planned infrastructure outcomes by councils and the Department would provide worthwhile information to enable any emerging issues in terms of the operation of the system to be addressed.

Assessing the success of legislative reforms in respect of DCPs

When they were introduced in 1995, it was intended that DCPs would become the primary mechanism for collecting development contributions. The Auditor-General noted that, at the date of his report in December 2009, only 15 of the 79 councils had developed and incorporated DCPs into their planning schemes.
In 2004, further amendments were made to the Planning and Environment Act to ‘enhance the fairness and predictability of the system for both developers and councils’. Development contributions guidelines were also issued to accompany the amendments to support implementation by councils.\textsuperscript{901}

The Auditor-General noted that there had been no subsequent evaluation to determine whether the 2004 amendments had been effective. Further, a schedule of standard levies, developed by the Department in 2006, had not been implemented whilst a decision about changes to the collection of development contributions in growth areas was pending.\textsuperscript{902}

**Ensuring councils meet their statutory obligations**

The Auditor-General reported that there was no central monitoring and reporting process in place to provide assurance to the Minister, Parliament and the wider community that councils were fulfilling their legislative obligations with respect to development contributions.\textsuperscript{903}

The audit report notes that in 2005, the VCEC reviewed the development contributions system as part of its Inquiry into Housing Regulation in Victoria.\textsuperscript{904}

The VCEC concluded that there was need for some independent monitoring and public disclosure in relation to councils’ adherence to legislative requirements to assess the effectiveness of the system and to identify any reforms needed.\textsuperscript{905}

Flowing from VCEC’s recommendations, the Government at the time considered that councils should prepare some sort of statement of compliance for the Minister of Planning and that work would be done in partnership with councils to determine the most appropriate format for the statement. The Auditor-General reported that no subsequent action had resulted.\textsuperscript{906}

The VCEC also recommended that an annual audit of a sample of councils be undertaken by an independent body to assess their compliance with the requirements of the Planning and Environment Act.\textsuperscript{907}

These recommendations had been reiterated by the Auditor-General in his 2008 audit report and again had been supported by the Department however the Auditor-General found that no action has been taken.

**Monitoring the efficiency and effectiveness of statutory processes**

The Auditor-General reported that despite it being the responsibility of the Department to administer the Planning and Environment Act and its accompanying regulations on behalf of the Minister for Planning, there were no established processes in place for the regular and systematic review of the views of

\begin{footnotesize}
\begin{itemize}
    \item \textsuperscript{901} ibid.
    \item \textsuperscript{902} ibid., p.16
    \item \textsuperscript{903} ibid.
    \item \textsuperscript{904} ibid.
    \item \textsuperscript{905} ibid.
    \item \textsuperscript{906} ibid.
    \item \textsuperscript{907} ibid.
\end{itemize}
\end{footnotesize}
Chapter 10: Use of Development Contributions by Local Government

stakeholders in relation to the application and operation of the Act. This issue had also been noted in the VCEC Inquiry in 2005.908

The audit report notes that a comprehensive review of the Act was initiated in 2008 and was expected to be completed in 2010. The former DPCD had advised the Auditor-General that revisions to the Act would incorporate changes proposed to development contributions in growth areas.909

Also in 2007, the former GAA had undertaken a limited review of councils’ management of development contributions and noted concerns over the adequacy of:

- administrative systems in place for tracking and monitoring uncollected levies;
- accounting procedures;
- resourcing to ensure the effective administration of the DCP system; and
- alignment between DCPs and councils’ capital works programs.

The Auditor-General noted that the GAA had worked with some of the growth area councils to help improve their management of DCPs but concluded that more effort was required to implement effective monitoring of how the system was operating and to determine the need for any amendments or improvements to make the system operate more effectively.

The Auditor-General recommended that the Department in consultation with the then GAA, and relevant stakeholders, develop arrangements for monitoring and reporting on the efficiency and effectiveness of the statutory processes supporting the system.

10.9.2 Department response to the audit recommendation

The Government Response to the audit report in October 2010 supported the audit recommendation and made the following points in regard to the development contributions system and the effectiveness of the broader planning system:911

- The Exposure Draft of the Planning and Environment Act Review includes a proposal to require all councils to report annually on specified planning activities and the collection and use of development contributions revenue.
- The Planning and Environment Amendment (Growth Areas Infrastructure Contribution) Act 2010 became fully operational on 1 July 2010 and provides for the collection of the GAIC which will be utilised to oversee development in Melbourne’s growth areas and to provide vital infrastructure in those areas.
- The local development contributions system will be reviewed to investigate ‘a more flexible but transparent and accountable local charging system to support the new charging system for State infrastructure.’

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908 ibid., p.17
909 ibid.
910 ibid.
911 Department of Treasury and Finance, Response by the Minister for Finance to the Auditor-General’s Reports issued during 2009-10, October 2010, pp.125-6
The Essential Services Commission released a report in June 2010 in response to terms of reference to develop an annual performance reporting regime for local government. The Commission is due to commence work on a pilot Victorian Local Government Services Report with the local government sector and other interested parties to produce a prototype performance report for 2009-10 by the end of January 2011. It is intended that this work would complement the performance monitoring system proposed under the review of the Planning and Environment Act.

10.9.3 Actions implemented to date

In October 2013, the Committee requested an update from DTPLI in relation to the specific actions it had taken to address the audit recommendation directed at improving its central monitoring and oversight of the performance of the planning system in Victoria.

The Department referred the Committee to the Government’s recent review of the Development Contributions System. The Department advised that the revised system will:

- put in place the appropriate requirements for accountability and reporting of development contributions by councils including appropriate financial and administrative processes for councils to ensure that funded infrastructure is delivered when it is required and
delivery when it is required and
- require councils to account for and report annually on the receipt and expenditure of the development contributions. Councils’ annual reports should detail the following in relation to development contributions:
  - any amounts received;
  - any land received;
  - any items of works and facilities received as ‘works-in-kind’; and
  - council’s expenditure on infrastructure.

The Department also advised the Committee of the following more recent initiatives relating to monitoring and oversight of the planning system:

- The Department advised that it has established an Office of Planning Performance (OPP) to develop and oversee a comprehensive monitoring and reporting framework for the Victorian planning system. The framework includes a ten-year rolling program that seeks to monitor and report on planning system performance, including through headline performance indicators, service performance benchmarking, local government business processes improvement, workforce planning and delivery cost analysis.
- The Department advised that the OPP has commenced with a ‘workforce profile survey’, a ‘planning applicant experience survey’ and the development of a set of 18 headline indicators. The Department stated that the OPP has put in place the appropriate requirements for accountability and reporting of development contributions by councils including appropriate financial and administrative processes for councils to ensure that funded infrastructure is delivered when it is required and
- require councils to account for and report annually on the receipt and expenditure of the development contributions. Councils’ annual reports should detail the following in relation to development contributions:
  - any amounts received;
  - any land received;
  - any items of works and facilities received as ‘works-in-kind’; and
  - council’s expenditure on infrastructure.
no specific role in monitoring the development contributions system in local government.914

» The MPA has a role in planning and overseeing integrated land use and infrastructure investment across ‘sites of significance to the State.’ The Department advised that the MPA is required to.915

› prepare an annual statement of progress for the Minister of Planning to table in the Parliament outlining progress made in the implementation of the new
Plan Melbourne Strategy;

› report annually the income and expenditure details associated with the collection of the GAIC; and

› prepare Growth Corridor Plans and Precinct Structure Plans to help identify infrastructure needs and priorities across growth areas.

10.9.4 Committee findings and recommendations

Action taken by the Department to address the audit recommendation

The Department’s responses to the Committee’s follow-up questions indicated that the reforms to the Development Contributions System and the reporting responsibilities of the recently established MPA, address the issues raised in relation to its lack of central monitoring and oversight of the planning system.

At the hearing, representatives of DTPLI referred to future activities planned with no definitive timeframes for the type of monitoring, evaluation and oversight recommended by the Auditor-General in his 2009 report.

The Committee’s impression, from the evidence provided by the Department, is that the Department considers local councils to be responsible for administering the planning scheme and the relevant statutory obligations.

**FINDING:** The Committee notes the recent establishment of the Office of Planning Performance, within the Department of Transport, Planning and Infrastructure, which it advises has a role in developing and overseeing a comprehensive monitoring and reporting framework for the Victorian planning system.

**FINDING:** The Metropolitan Planning Authority is playing an important role in overseeing the system of development contributions and associated planning within growth areas.

914 ibid.
915 ibid.
Council perspectives on the complexity of the system and the need for greater central guidance

The statutory obligations of local government are extensive in relation to their implementation of planning in Victoria. In addition they have statutory obligations under the Local Government Act which apply to the operation of local government and their accounting, budgeting and annual reporting requirements.

In addition, the management of development contribution plans are significant in terms of their complexity and the value of the associated development contributions and infrastructure commitments. The Department advised that an audit of councils which have DCPs incorporated into their planning schemes showed:

- 23 councils have one or more DCPs incorporated into their planning schemes;
- there are a total of 84 DCPs currently in place: 43 were incorporated in planning schedules between January 1997 and December 2009; and 41 were incorporated between January 2010 and August 2013; and
- the estimated costs recoverable through the 84 DCPs currently in place amounts to $3.87 billion.

The Committee received evidence from council representatives at the hearings which highlighted the complexities around the administration of development contributions and DCPs:

- The City of Casey noted that the recent government review of the development contributions system is the first comprehensive review of the system and that the development contribution guidelines prepared in 2003 and later amended in 2007 were never formally adopted. Council stated that as such, these guidelines have no statutory weight and provide little practical insight into delivery. ‘So, on the implementation side of things, aside from the statutory regulation, we have literally been finding our own way.’

  The City of Casey also stated that it is their view that industry has a poor understanding of the statutory regulations underpinning DCPs and that on several occasions the Council has overestimated the level of knowledge which the industry has and have had to amend their communication accordingly.

- The Chief Executive Officer, City of Greater Geelong commented that: ‘One thing that is clear when dealing with development contributions, particularly DCPs, is that it is an incredibly complicated environment to manage both in delivery and management of the physical infrastructure and in its complexities.’

916 ibid.
917 Mr Dean Yates, Secretary, Department of Transport, Planning and Local Infrastructure, Letter to the Committee, Attachment A, received 3 April 2014
918 Ms Keri New, Team Leader, Integrated Planning, City of Casey, Transcript of evidence, Melbourne, 26 February 2014, p.2
919 ibid., p.3
920 Mr Stephen Griffin, Chief Executive Officer, City of Greater Geelong, Transcript of evidence, Melbourne, 26 February 2014, p.2
The City of Greater Geelong also stated that the last set of state-wide DCP guidelines issued showed how to prepare a DCP but provided very little detail about the sorts of issues being considered as part of this Committee’s inquiry.921

There is so much complexity….if you have an error in an index there, if the DCP has an error in the costing - everything just sort of magnifies… That broader stuff does not really give you the nitty-gritty guidance….

Bottom line, you are just dealing with big, scary numbers. It sort of sharpens the eyes of anyone, be it at an executive or council level, when suddenly you have 100 million DCP…we are upwards of almost half a billion dollars. I think, as a municipality that is a really new space, so it sort of sharpens…your mindset.

The CEO, City of Port Phillip stated at the hearing that successful outcomes associated with projected growth within the municipality was dependent upon ‘a well-planned effort between the state government, local government and the private sector working together through systems which are agreed and supported by all parties.’922

The City of Port Phillip also advised that the requirements of DCPs are quite complex as a significant amount of analysis is required to formulate certain assumptions which are then used to determine and project the rate of growth in an area, the types of infrastructure which will be needed and the contributions which will be required. The Council advised that there is a lot of complexity around the policy as it relates to DCPs for an inner urban area but which might be appropriate for a ‘greenfield’ site. As such, a one size fits all DCP approach might not be best suited to ‘infill’ or ‘renewal’ type development sites.923

We really need a system that enables councils to invest in the infrastructure early on so that we are creating the right types of communities that are good to live in from day one and that in turn leverage the right type of development. …We think a simpler development contributions policy for those infill areas or brownfield developments…will be necessary to make that possible.

The City of Port Phillip expressed concerns that the complexity of administration around development contributions may detract from building good open partnerships between the private sector and government in order to achieve good local infrastructure outcomes in inner urban areas.924

The Committee acknowledges the Government Review of the Development Contributions System during 2012-2013. The Position Paper in July 2012 acknowledged that DCPs were ‘often expensive and complicated to prepare’ because a high level of justification for the levies and apportionment of the costs was

921 Mr Rob Anderson, Coordinator – Urban Growth Area Planning, City of Greater Geelong, Transcript of evidence, Melbourne, 26 February 2014, p.8
922 Ms Tracey Slater, Chief Executive Officer, City of Port Phillip, Transcript of evidence, Melbourne, 26 February 2014, p.2
923 ibid., p.4
924 ibid., p.6
required. Also DCPs could be ‘inconsistent in their application and restrictive in their administration.’\textsuperscript{925}

The Committee notes that the findings of the Review have now been considered and that changes to the system are due to be implemented from 1 July 2015. The Department’s website states that these changes will:\textsuperscript{926}

- establish standard levies to enable developers, councils and the State government to budget effectively and have a clear understanding of their obligations at the outset of the development process;
- help to deliver an acceptable standard and quantum of infrastructure in response to growth and change;
- provide a streamlined approval process for the implementation of the standard levies through local planning schemes and deliver substantial savings in approval time; and
- ensure that non-residential development also makes an appropriate contribution to infrastructure, in proportion to demand for infrastructure that these developments generate.

The new standard levies will apply in the following priority growth locations:\textsuperscript{927}

- \textit{Strategic Development Areas} – areas that provide valuable development opportunities located close to public transport and other infrastructure; and
- \textit{Greenfield Growth Areas} – land which is in, or planned to be included within the Urban Growth Zone, in both metropolitan and non-metropolitan areas.

The reforms also establish a new \textit{Infrastructure Contribution Plan} which the Department states will be prepared by a planning authority in consultation with relevant stakeholders and which will include details about: the specific area covered; the infrastructure to be funded; the strategic basis for the infrastructure; and the specific levies which will fund the proposed infrastructure. The \textit{Infrastructure Contribution Plan} will be prepared in accordance with a new Ministerial Direction on the form and content of Plans.\textsuperscript{928}

The Committee considers it important that the implementation of the revised Development Contributions System is monitored by the Department to ensure that the reforms operate effectively and as intended and to ensure that the system is consistently applied and that any amendments required can be noted and actioned.

\textbf{FINDING:} The amount of development contributions and levies collected by local government is significant and the statutory provisions and requirements in relation to planning in Victoria are substantial. The significance of Development Contributions Plans as a planning tool in local government is growing as are the complexities around their management. A number of local councils noted that the Development Contributions System is a complex one.

\textsuperscript{927} ibid.
\textsuperscript{928} ibid.
10.10

10.10.1

Open Space Contributions

Background

The provision of public open space within local municipalities is an essential local amenity which supports a range of passive and active recreational uses by local residents and also conserves and protects environmental and heritage values within the local community.

There are a number of mechanisms which enable local councils to collect contributions to deliver open space infrastructure.

As already noted, the Planning and Environment Act provides for the preparation of DCPs which enable the imposition of levies for the provision of development or community infrastructure, including open space and community facilities. Section 173 Agreements under the Planning and Environment Act also enable councils to negotiate certain conditions with an owner of land in relation to the development of that land which can be used to achieve certain planning objectives, such as the provision of open space.

The Subdivision Act together with the Victorian Planning Provisions (planning schemes) also provide mechanisms by which a local council can collect a contribution from an applicant or developer to ensure that public open space is provided as part of the subdivision and consolidation of land.

Section 18(1AA) of the Act details the requirement for public open space where contributions are not specified in the planning scheme. Under this Section, councils can seek a contribution for open space of up to 5 per cent of the land area in the subdivision, or up to 5 per cent cash value of the site value, or a combination of both.929

Section 18A of the Subdivision Act covers the requirements for public open space where that requirement is specified in a planning scheme and refers mainly to the timing of the payment of amounts due for open space.930

Clause 52.01 of all Planning Schemes in Victoria expressly provides councils with the power to obtain open space contributions under the Subdivision Act and also provides a mechanism for councils to specify rates of contribution via a schedule to the Clause.

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929 Subdivision Act 1988 (Vic), s.18(1AA)
930 ibid., s.18A
Section 20 of the Act relates to the obligations of the Council in regard to public open space and states that.\textsuperscript{931}

» Council must set aside for public open space any land which has been vested in the council for that purpose;

» Council must use any payment it receives under the Act for public open space to:

› buy land for use for public recreation or public resort, as parklands or for similar purposes;

› improve land already set aside, zoned or reserved (by Council, the Crown, a planning scheme or otherwise) for use for public recreation or public resort, as parklands or for similar purposes; or

› with the approval of the Minister administering the Local Government Act, improve land (whether set aside on a plan or not) used for public recreation or public resort, as parklands or for similar purposes.

» public open space can be used for municipal purposes in accordance with the planning scheme, or sold only if the Council has provided replacement public open space.

Use of open space levies

Open space can be described or defined in a variety of ways.\textsuperscript{932}

» Public Open Space – land that is set aside for public recreation or public resort; or as parklands; or for similar purposes. It incorporates both active and passive open space.

» Active Open Space – land reserved for the primary purpose of formal outdoor sports and active recreation.

» Passive Open Space - land that is reserved for parks, gardens, linear corridors, conservation and nature reserves, public squares and community gardens, provided for passive recreation and unstructured physical activity.

The definition of public open space in the Subdivision Act is not very prescriptive. Under the Act, public open space is defined as land set aside in a plan (of subdivision) or land in a plan zoned or reserved under a planning scheme (under the Planning and Environment Act) for ‘public recreation or public resort; or as parklands; or for similar purposes’.\textsuperscript{931}

Clause 52.01 of Council Planning Schemes, provide a list of specified percentages for open space contributions dependent upon the geographic areas to which they apply. Where a DCP or Precinct Structure Plan is in place the requirements around public open space tend to be more prescriptive.

There have been a number of cases where the payment of levies and open space contributions as a requirement of a subdivision have been a source of dispute between applicants/developers and local government resulting in matters needing to be decided at the Victorian Civil and Administrative Tribunal.

\textsuperscript{931} ibid., s.20

\textsuperscript{932} Parks and Leisure Australia, Open Space Planning and Design Guide, June 2013, p.4
Ideally, the level of contribution from a developer should be fair and reasonable and based on the need for the open space and fair allocation of the cost across all beneficiaries. This is not always easy or straightforward due to the timing of the requirement for the levy or contribution and the nature of the development, for example, a greenfield development or a development in an area which is already substantially developed (e.g. urban or inner city areas).

The Committee notes that the Auditor-General’s findings and observations in relation to the lack of evidence to support the links between the collection and expenditure of contributions; the failure of councils to clearly identify projects flowing from development contributions in their annual budget and capital works programs; and inadequate disclosure and public reporting around development contributions collected, expended and committed; applied equally to the provision of ‘open space infrastructure’ and not just to infrastructure assets such as roads, drainage, and buildings, etc.

10.10.2 Committee findings and recommendations

The significance of open space contributions

The Committee understands that open space is a becoming a more and more valued asset in local communities and is also seen as a critical component of effective planning.

The Committee requested the 12 sample councils to provide details in relation to the amount of open space levies collected in 2012-13 through the Subdivision Act. Table 10.4 presents the information received from councils. As can be seen in the table, some of the amounts collected are significant.

Table 10.4

<table>
<thead>
<tr>
<th>Council/Shire</th>
<th>2012-13 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bass Coast Shire</td>
<td>192,750</td>
</tr>
<tr>
<td>City of Brimbank</td>
<td>428,000</td>
</tr>
<tr>
<td>City of Casey((a))</td>
<td>4,494,241</td>
</tr>
<tr>
<td>City of Greater Bendigo</td>
<td>936,000</td>
</tr>
<tr>
<td>City of Greater Geelong</td>
<td>1,730,000</td>
</tr>
<tr>
<td>Knox City Council((b))</td>
<td>2,830,000</td>
</tr>
<tr>
<td>Mildura Rural City Council</td>
<td>39,214</td>
</tr>
<tr>
<td>City of Port Phillip</td>
<td>6,742,345</td>
</tr>
<tr>
<td>Surf Coast Shire</td>
<td>495,336</td>
</tr>
<tr>
<td>City of Whittlesea((c))</td>
<td>843,507</td>
</tr>
<tr>
<td>City of Wodonga</td>
<td>6,500</td>
</tr>
<tr>
<td>City of Wyndham</td>
<td>2,450,000</td>
</tr>
</tbody>
</table>

(\(a\)) City of Casey – Open space contributions: Land valued at $2,752,000 and levies of $1,742,241.

(b) Knox City Council – Source: Note 6 to the Financial Statements 2012-13, Knox City Council Annual Report 2012-13

(c) City of Whittlesea - The value of land contributed under the Subdivision Act 1988 for open space forms part of the figure for “gifted assets” totalling $65 million. Council does not currently break down this figure.

Source: Council responses to Committee questionnaire dated 31 October 2013.
The Committee noted that it is difficult to determine whether the amounts shown are all determined on exactly the same basis. For example, the City of Whittlesea made it clear in its response that the amount shown only relates to cash contributions, as the value of any land contributed for public open space is classed as a gifted asset.933 Also, the response from the City of Greater Geelong noted that its amount of $1.73 million included contributions for public open space collected under clause 52.01 of the planning scheme and amounts collected under the Subdivisions Act.934 These comments make it difficult to make any direct comparisons between councils and once again demonstrate the issues around consistency in the disclosure and reporting of these funds.

**FINDING:** Open space is becoming a more and more valued asset in local communities and is also seen as a critical component of effective planning. Differing terminology and description of development contributions and open space levies by councils impact the extent of disclosure in relation to these funds and make it difficult to make any direct comparisons between councils in relation to these amounts.

**Transparency and disclosure of development contributions and levies**

The Committee noted that the responses from the 12 sampled councils indicated that some councils (for example: the City of Greater Geelong; City of Port Phillip; City of Whittlesea; Surf Coast Shire Council; and Mildura City Council) have established a separate reserve for contributions received for open space and recreation. The descriptions and details presented in respect to these Reserve Funds varied. However, only Brimbank City Council had separately disclosed the amount of funds received from open space levies as distinct from other contributions collected, in the ‘Notes accompanying the financial statements for the 2012-13 year’. The Committee notes that councils’ financial statements do not include information about how open space levies have been applied during the year.

The Committee also notes that there are no specific requirements in the Subdivisions Act which restrict the spending of open space levies on the maintenance of existing facilities providing these facilities relate to ‘public recreation or public resort, as parklands or for similar purposes.’935

**FINDING:** The Subdivisions Act 1988 is not prescriptive as to the timing and nature of open space levies providing that the provision of public open space relates to ‘public recreation or public resort, as parklands or for similar purposes’.

**FINDING:** There is a need for full transparency and accountability over the collection of funds for specific purposes and also the expenditure of those funds not only for the person/companies paying those levies but also for the individuals living in the community where those infrastructures and open spaces are provided.

933  Mr David Turnbull, Chief Executive Officer, City of Whittlesea, Letter to the Committee, received 17 December 2013, p.4
934  Mr Rob Anderson, Coordinator – Urban Growth Area Planning, Economic Development, Planning Strategy and Tourism, City of Greater Geelong, Letter to the Committee, received 20 December 2013, p.2
935  Subdivision Act 1988 (Vic), s.20
RECOMMENDATION 50: Transparency and accountability around the collection of development contributions and open space levies needs to be improved by councils ensuring that they:

(a) develop and document clear policies and procedures for the management of levies collected for specific purposes from developers and individuals;
(b) separately account for levies collected for specific purposes such as, specific capital works projects and open space; and
(c) provide full and clear public disclosure in their annual reports and budget documentation to enable ratepayers and other interested parties to identify the amount and nature of all development contributions and open space levies collected together with details of their acquittal (actual and planned).

RECOMMENDATION 51: The Auditor-General consider reviewing the management of funds collected for specific purposes, such as public open space, to ensure that local councils are accounting and recording the receipt and expenditure of funds appropriately; investing the funds prudently; and spending the funds efficiently and effectively (i.e. in a timely manner and for their intended purposes). Such a review could include policies and objectives for specific purpose funds and full and transparent disclosure so that local residents and ratepayers can clearly identify the source of the funds and how they are appropriated within the municipality.

Development of Open Space Strategies by local councils

The representatives from the Trentham Community Forum gave evidence at the hearing that their Shire had been experiencing some growth pressure over the past decade and that Trentham and surrounding towns were gaining importance as growth centres on the ‘outer peri-urban fringe’ of Melbourne. The Forum advised that this growth was putting pressure on ‘under resourced local infrastructure’ and given that public open space is fundamental to the character and amenity of their town and many other small towns, it is considered imperative that the levies collected by the Council for the provision of open space are applied to maintaining this amenity. The Committee was advised that in the absence of any action by the Hepburn Shire Council, the Trentham Community Forum had commenced some preliminary work on an open space strategy for their town.936

Evidence provided by the MPA, the City of Port Phillip, and the City of Casey all emphasised public open space as a critical component of municipal planning. The City of Port Phillip indicated that it is currently in the process of developing a new Open Space Strategy.937

The MPA advised the Committee at the public hearing that passive and active open space provisions are included in the Precinct Structure Plans (PSPs) prepared for growth area councils. The PSPs identify the location of parks, sporting ovals, pavilions, etc. The important point is to ensure that land has been set aside not

936 Mr David McCallum, President, Trentham Community Forum, Transcript of evidence, Melbourne, 26 February 2014, p.3
937 Ms Tracey Slater, Chief Executive Officer, City of Port Phillip, Transcript of evidence, Melbourne, 26 February 2014, p.6
just for the current demand but for planned future demand. The Chief Executive Officer of MPA advised: 938

In the DCPs that we prepare, which are part of the PSP planning process, there are very large amounts of money set aside for that. As well as that there are fixed percentages of land – it used to be 5 per cent; it is mostly now about 8 per cent and sometimes 10 per cent – set aside for so-called ‘active’ and ‘passive’ recreation. …’

Obviously at the top end you have regional parks and biodiversity areas, which obviously Parks Victoria or government get involved in. You then have middle-level parks identified as part of the PSP process. When you get down to finer grade, you are talking about pocket handkerchief parks…where people take prams and toddlers and they get used at a very local level. Most of those are part of the subdivision process…They are usually put in by people developing the land because they need those things in order for people to buy their land; they need those local amenities.

The MPA also advised the Committee that under the Plan Melbourne planning strategy, the Authority will be leading the preparation of an open space strategy for Melbourne. The strategy will consider the physical location of open spaces and the size of those spaces as well as the processes around providing for that space in terms of quantifying percentage provisions. The MPA is advised that it is expecting to undertake this review in conjunction with Parks Victoria and local councils sometime ‘in the immediate future’ however MPA was unable to provide the Committee with any definitive timeframe for its start or completion. 939

The MPA advised that more recently developed areas have made provisions which seek to address the longer term interests and demands, what is more difficult are areas which were developed during the 1970s and 1980s where planning with regard to public amenity and open space was not viewed as being a high priority.

The MPA advised that it is hoped that the proposed open space strategy may assist in addressing some of these deficiencies and areas which are not well serviced.

The Committee noted that an Open Space Planning and Design Guide had been published in June 2013. The Guide is a collaborative initiative of the Victorian Tasmanian region of Parks and Leisure Australia, the former DPCD and the Open Space Planners Network in Victoria. The project was also supported by seven Victorian local councils.

The Guide provides a range of information about the definitions of open space, the legislative provisions which apply to this area of planning, open space planning and design considerations together with a number of actual local government case studies. One of the key documents referred to in the Guide is the development of a Municipal Open Space Strategy.

Development of an Open Space Strategy is considered to be an important component of effective local planning and also provides valuable information to local ratepayers about council’s values, principles and objectives as they relate to the management of open space within the municipality. In preparing such a strategy,

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938 Mr Peter Seamer, Chief Executive Officer, Metropolitan Planning Authority, Transcript of evidence, Melbourne, 26 February 2014, p.7
939 ibid., p.9 and Letter to the Committee, received 7 April 2014
councils should ensure that they develop a clear and consistent approach to defining and classifying open space (e.g. conservation and heritage; parklands and gardens; active open space, including sports fields, bowling greens, tennis courts, etc.; civic spaces; linear open space and trails.), provide for input from ratepayers and residents, consider current demographics and future projections for the municipality, identify community needs and expectations; identify priorities and forward plans, and allow for a regular process or review and update.

The *Open Space Planning and Design Guide* provides a very good resource for local councils in the development of a Municipal Open Space Strategy.

**RECOMMENDATION 52:** All councils consider the development and regular review of an Open Space Strategy for their municipality. Such a strategy should include:

(a) identification of purpose and principles around the provision of open space in the municipality;
(b) consideration of current and future demographics;
(c) consultation with ratepayers, residents and other community stakeholders;
(d) strategic priorities and forward plans; and
(e) provision for regular review and update of the strategy.

### 10.11 Committee’s overall assessment of the progress made in implementing the audit recommendations

The Committee found that the Auditor-General’s findings and recommendations had been referenced by a number of local councils to review their systems and practices in relation to the administration of development contributions and levies.

The Committee also found that DTPLI, through LGV, could take a more proactive and effective leadership role in the local government sector in relation to the implementation of audit recommendations and with regard to providing guidance with respect to effective administration and management of development contributions and levies.

Whilst public reporting and transparency in relation to the collection and expenditure of development contributions and open space levies still required improvement, the Committee notes that the new Local Government Amendment (Performance Reporting and Accountability) Act and accompanying regulations came into effect on 18 April 2014. From 1 July 2014, councils will begin collecting data in accordance with the new framework to report their results as part of their 2014-15 annual reports. The Committee looks forward to the successful implementation of this new performance reporting framework and notes it as a positive step towards improved public accountability, and greater consistency and comparability of reporting by the local government sector.

The Committee notes that the amount of development contributions and levies collected by local councils is significant and the legislative provisions and requirements in regard to planning in Victoria are substantial. The Auditor-General considered that DTPLI (formerly DPCD) has a strategic oversight role in relation to monitoring the performance and effectiveness of the development contributions system and the statutory processes underpinning the broader planning system.
In May 2014, the Minister for Planning announced that, as a result of a review of the local development contribution system, standard levies for development contributions in priority growth locations, the implementation of a new Infrastructure Contribution Plan, and a streamlined approval process, will be introduced in Victoria from 1 July 2015.

The Committee considers that the Department has an important role to play in overseeing the implementation of the reforms to the Development Contributions System to ensure that the revised system operates effectively, and as intended, and to ensure that the system is consistently applied.
### Appendix 1.1  List of public submissions

<table>
<thead>
<tr>
<th>#</th>
<th>Individual or organisation</th>
<th>Date received</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mr John Boughey</td>
<td>11 November 2013</td>
</tr>
<tr>
<td>2</td>
<td>Mr Sean Stanyer</td>
<td>11 November 2013</td>
</tr>
<tr>
<td>3</td>
<td>Dr Federica Lamech</td>
<td>12 November 2013</td>
</tr>
<tr>
<td>4</td>
<td>Mrs Beatrix Vant</td>
<td>13 November 2013</td>
</tr>
<tr>
<td>5</td>
<td>Mrs Maureen Kirsch</td>
<td>13 November 2013</td>
</tr>
<tr>
<td>6</td>
<td>Ms Sheryl Phillips</td>
<td>13 November 2013</td>
</tr>
<tr>
<td>7</td>
<td>Mr Peter Allan</td>
<td>13 November 2013</td>
</tr>
<tr>
<td>8</td>
<td>Mr Andrew Samman</td>
<td>14 November 2013</td>
</tr>
<tr>
<td>9</td>
<td>Mr Christopher West</td>
<td>14 November 2013</td>
</tr>
<tr>
<td>10</td>
<td>Mr Anthony DeJong</td>
<td>14 November 2013</td>
</tr>
<tr>
<td>11</td>
<td>Ms Janobai Smith, Secretary, Stop Smart Meters Australia</td>
<td>15 November 2013</td>
</tr>
<tr>
<td>12</td>
<td>Mr Andrew Stewart</td>
<td>18 November 2013</td>
</tr>
<tr>
<td>13</td>
<td>Mr David McCallum</td>
<td>27 November 2013</td>
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</tbody>
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Towards a ‘smart grid’ – the roll-out of Advanced Metering Infrastructure

Use of Development Contributions by Local Government
## Appendix 1.2  List of witnesses at the public hearings

**MELBOURNE, 24 FEBRUARY 2014**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit overviews</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr John Doyle</td>
<td>Auditor-General</td>
<td>Victorian Auditor-General's Office</td>
</tr>
<tr>
<td>Dr Peter Frost</td>
<td>Chief Executive Officer and Deputy Auditor-General</td>
<td>Victorian Auditor-General’s Office</td>
</tr>
<tr>
<td>Ms Ellen Holland</td>
<td>Assistant Auditor-General, Financial Audit</td>
<td>Victorian Auditor-General’s Office</td>
</tr>
<tr>
<td>Mr Kris Waring</td>
<td>Performance Audit Director</td>
<td>Victorian Auditor-General’s Office</td>
</tr>
<tr>
<td>Mr Paul O’Connor</td>
<td>Performance Audit Director</td>
<td>Victorian Auditor-General’s Office</td>
</tr>
<tr>
<td>Mr Dallas Mischkulnig</td>
<td>Performance Audit Director</td>
<td>Victorian Auditor-General’s Office</td>
</tr>
<tr>
<td><strong>Towards a ‘smart grid’ - the roll-out of the Advanced Metering Infrastructure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ms Sandra Denis</td>
<td>Deputy Secretary, Earth and Energy Resources, Department of State Development, Business and Innovation</td>
<td></td>
</tr>
<tr>
<td>Mr Mark Feather</td>
<td>Executive Director, Energy Sector Development</td>
<td>Department of State Development, Business and Innovation</td>
</tr>
<tr>
<td>Mr Alistair King</td>
<td>Acting Director, Strategic Communication</td>
<td>Department of State Development, Business and Innovation</td>
</tr>
<tr>
<td><strong>Security of Infrastructure Control Systems for Water and Transport</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr Luke Wilson</td>
<td>Acting Secretary</td>
<td>Department of Environment and Primary Industries</td>
</tr>
<tr>
<td>Ms Emily Phillips</td>
<td>Deputy Secretary, Water and Natural Resources</td>
<td>Department of Environment and Primary Industries</td>
</tr>
<tr>
<td>Mr Andrew Fennessy</td>
<td>Executive Director, Rural Water Programs</td>
<td>Department of Environment and Primary Industries</td>
</tr>
<tr>
<td><strong>Maintaining the Integrity and Confidentiality of Personal Information</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr Grantly Mailes</td>
<td>Chief Technology Advocate and Deputy Secretary, Innovation Services, Small Business and Technology</td>
<td>Department of State Development, Business and Innovation</td>
</tr>
<tr>
<td>Ms Nicola Mizen</td>
<td>Chief Adviser, Innovation, Services, Small Business &amp; Technology</td>
<td>Department of State Development, Business and Innovation</td>
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<tr>
<td>Mr Jeff Warren</td>
<td>Senior Information Security Specialist</td>
<td>Department of State Development, Business and Innovation</td>
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<tr>
<td>Mr David Watts</td>
<td>Acting Privacy Commissioner and Victorian Commissioner for Law Enforcement Data Security</td>
<td>Commissioner for Law Enforcement Data Security</td>
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<tr>
<td>Mr Anthony Corso</td>
<td>Senior Security Adviser</td>
<td>Commissioner for Law Enforcement Data Security</td>
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<tr>
<td>Ms Jacinta Thompson</td>
<td>Strategic Advisor to the Privacy Commissioner</td>
<td>Office of the Victorian Privacy Commissioner</td>
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<td><strong>Effectiveness of Student Wellbeing Programs and Services</strong></td>
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<tr>
<td>Mr Richard Bolt</td>
<td>Secretary</td>
<td>Department of Education and Early Childhood Development</td>
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<tr>
<td>Ms Sonia Sharp</td>
<td>Deputy Secretary, Early Childhood and School Education Group</td>
<td>Department of Education and Early Childhood Development</td>
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<tr>
<td>Ms Jenny Proimos</td>
<td>Senior Medical Advisor, Health and Wellbeing</td>
<td>Department of Education and Early Childhood Development</td>
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<tr>
<td>Ms Carol Kelly</td>
<td>Executive Director, Student Inclusion and Engagement</td>
<td>Department of Education and Early Childhood Development</td>
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### MELBOURNE, 25 FEBRUARY 2014

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<tr>
<th>Name</th>
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<td><strong>Audit overviews</strong></td>
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<td>Mr John Doyle</td>
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<td><strong>Literacy and Numeracy Achievement</strong></td>
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<td>Mr Richard Bolt</td>
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<tr>
<td>Mr Ian Burrage</td>
<td>Executive Director, Priority Policy</td>
<td>Department of Education and Early Childhood Development</td>
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<tr>
<td>Ms Dina Guest</td>
<td>Executive Director, Learning and Teaching</td>
<td>Department of Education and Early Childhood Development</td>
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<td><strong>Management of the Community Support Fund</strong></td>
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<td>Mr David Martine</td>
<td>Secretary</td>
<td>Department of Treasury and Finance</td>
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<tr>
<td>Mr Shaun Condon</td>
<td>Acting Deputy Secretary, Market Engagement and Corporate</td>
<td>Department of Treasury and Finance</td>
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<tr>
<td>Mr Joe Bonnici</td>
<td>Director, Finance and Technology Services</td>
<td>Department of Treasury and Finance</td>
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<tr>
<td>Ms Jillian Wyatt</td>
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<td>Department of Treasury and Finance</td>
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<tr>
<td>Mr Dean Yates</td>
<td>Secretary</td>
<td>Department of Transport, Planning and Local Infrastructure</td>
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<tr>
<td>Mr Terry Garwood</td>
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<tr>
<td>Mr Peter Hertan</td>
<td>General Manager, Sport and Recreation</td>
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<tr>
<td>Ms Susan George</td>
<td>Director, Community Sport and Recreation</td>
<td>Department of Transport, Planning and Local Infrastructure</td>
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<td><strong>Taking Action on Problem Gambling</strong></td>
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<tr>
<td>Mr Greg Wilson</td>
<td>Secretary</td>
<td>Department of Justice</td>
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<tr>
<td>Ms Cate Carr</td>
<td>Acting Executive Director, Liquor, Gaming and Racing</td>
<td>Department of Justice</td>
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<tr>
<td>Mr Serge Sardo</td>
<td>Chief Executive Officer</td>
<td>Victorian Responsible Gambling Foundation</td>
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<tr>
<td>Dr Santina Perrone</td>
<td>Deputy Chief Executive Officer</td>
<td>Victorian Responsible Gambling Foundation</td>
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<tr>
<td>Mr Bruce Thompson</td>
<td>Chairman</td>
<td>Victorian Commission for Gambling and Liquor Regulation</td>
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<tr>
<td>Ms Jane Brockington</td>
<td>Chief Executive Officer</td>
<td>Victorian Commission for Gambling and Liquor Regulation</td>
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<tr>
<td>Ms Catherine Myers</td>
<td>Director, Strategy and Planning</td>
<td>Victorian Commission for Gambling and Liquor Regulation</td>
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### MELBOURNE, 26 FEBRUARY 2014

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<tr>
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<tr>
<td>Mr Steven Vlahos</td>
<td>Performance Audit Director</td>
<td>Victorian Auditor-General’s Office</td>
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<tr>
<td><strong>Use of Development Contributions by Local Government</strong></td>
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<tr>
<td>Mr Dean Yates</td>
<td>Secretary</td>
<td>Department of Transport, Planning and Local Infrastructure</td>
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<tr>
<td>Mr Jim Gard’ner</td>
<td>Acting Deputy Secretary, Planning, Building and Heritage</td>
<td>Department of Transport, Planning and Local Infrastructure</td>
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<tr>
<td>Mr John Ginivan</td>
<td>Executive Director, State Planning, Building Systems and Strategy</td>
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<tr>
<td>Mr Nick Foa</td>
<td>Executive Director, Local Government Victoria</td>
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<tr>
<td>Mr Peter Seamer</td>
<td>Chief Executive Officer</td>
<td>Metropolitan Planning Authority</td>
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<tr>
<td>Ms Alexandra Links</td>
<td>Director, Intergovernment Coordination</td>
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<tr>
<td>Mr Ed Small</td>
<td>Director, Corporate and Economic Services</td>
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<tr>
<td>Mr Stephen Griffin</td>
<td>Chief Executive Officer</td>
<td>City of Greater Geelong</td>
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<tr>
<td>Mr Rob Anderson</td>
<td>Acting Manager, Planning Strategy and Urban Growth</td>
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<tr>
<td>Ms Shelly Taylor</td>
<td>DCP Engineer</td>
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<tr>
<td>Mr Mike Tyler</td>
<td>Chief Executive Officer</td>
<td>City of Casey</td>
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<tr>
<td>Mr Liam Hodgetts</td>
<td>Director, Planning and Development</td>
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<tr>
<td>Ms Keri New</td>
<td>Team Leader, Integrated Planning</td>
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<tr>
<td>Mr Jimmy Yung</td>
<td>Development Contributions Programme Manager</td>
<td>City of Casey</td>
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<tr>
<td>Mr David McCallum</td>
<td></td>
<td>Trentham Community FORUM</td>
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<tr>
<td>Mr Andrew Robertson</td>
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<tr>
<td>Mr Tim Holt</td>
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<tr>
<td>Ms Tracey Slatter</td>
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<td>City of Port Phillip</td>
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<tr>
<td>Mr David Filmalter</td>
<td>Chief Financial Officer</td>
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<tr>
<td>Mr John Williams</td>
<td>Acting Manager, Asset Planning</td>
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<tr>
<td>Ms Katrina Terjung</td>
<td>Interim Manager, City Strategy</td>
<td>City of Port Phillip</td>
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<tr>
<td><strong>Security of Infrastructure Control Systems for Water and Transport</strong></td>
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<tr>
<td>Mr Ian Dobbs</td>
<td>Chairman</td>
<td>Public Transport Victoria</td>
</tr>
<tr>
<td>Mr Mark Wild</td>
<td>Chief Executive Officer</td>
<td>Public Transport Victoria</td>
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## MELBOURNE, 27 FEBRUARY 2014

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
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<tbody>
<tr>
<td>Mr John Doyle</td>
<td>Auditor-General</td>
<td>Victorian Auditor-General’s Office</td>
</tr>
<tr>
<td>Dr Peter Frost</td>
<td>Chief Executive Officer and Deputy Auditor-General</td>
<td>Victorian Auditor-General’s Office</td>
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<tr>
<td>Ms Ellen Holland</td>
<td>Assistant Auditor-General, Financial Audit</td>
<td>Victorian Auditor-General’s Office</td>
</tr>
<tr>
<td>Ms Natalia Southern</td>
<td>Assistant Auditor-General, Performance Audit</td>
<td>Victorian Auditor-General’s Office</td>
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<tr>
<td>Mr Kris Waring</td>
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<td>Mr Steven Vlahos</td>
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<td>Mr Andrew Evans</td>
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<td>Mr Paul O’Connor</td>
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<td>Mr Chris Sheard</td>
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<tr>
<td>Mr Dallas Mischkulnig</td>
<td>Performance Audit Director</td>
<td>Victorian Auditor-General’s Office</td>
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</table>
**APPENDIX TO CHAPTER 3**

**EFFECTIVENESS OF STUDENT WELLBEING PROGRAMS AND SERVICES**

**Appendix 3.1 Department of Education and Early Childhood Development evaluations of student health and wellbeing programs and strategic interventions**

<table>
<thead>
<tr>
<th>Wellbeing programs and strategic interventions</th>
<th>Start date and duration</th>
<th>Annual cost/ Budget</th>
<th>Objectives</th>
<th>Intended/expected outcomes or Performance measures</th>
<th>Details of any evaluation (i.e. date of evaluation; findings and actions taken as a result; is the program achieving its objectives?)</th>
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</thead>
</table>
| Primary Welfare Officer (PWO) Initiative       | 2004 - ongoing          | $28.5 million (2012-13) | The PWO Initiative is designed to enhance the capacity of schools to develop positive school cultures and to support students who are at risk of disengagement and not achieving their educational potential. Eligible schools are provided with funding to employ a PWO, who may be an existing staff member, or new staff member. | Specifically, the PWO Initiative aims to achieve the following outcomes:
- Positive school cultures and enhanced capacity of schools to support students who are at risk of disengagement and not achieving their educational potential through:
  - positive whole school approach to the promotion of wellbeing;
  - engagement of the school community, including students, parents/carers, families, teachers, student support services officers and other support staff;
  - coordination of support for students and families; and
  - development of community partnerships, including with other schools and community service providers.
- Improved likelihood of students remaining in school and achieving their educational potential, with students:
  - learning more effectively;
  - demonstrating improvement in engagement and attendance;
  - feeling healthy, safe and happy; and
  - developing positive attitudes and behaviours.
- Schools should also develop their own tailored outcomes which are specific to the needs of their school community. | Since 2005, the Department has commissioned four evaluations of the PWO Initiative.
The most recent evaluation in 2013 indicated that:
- The PWO Initiative continues to be well received and highly valued by schools. The flexibility of the funding provided enables schools to utilise the resources in ways that best meet their needs.
- PWOs were working to implement a range of individual and group based programs to support student needs and there were local performance and accountability measures in place for principals to monitor the impact of their work.
- Principals reported that the main objective of the PWO role is to respond to whole school and student wellbeing needs followed by case coordination and case management.
- The top five presenting issues addressed by PWOs are social skills, student and family support, behavioural issues, parenting/family issues and student engagement.

The outcomes of the evaluation will be reported to schools employing PWOs to improve local program implementation.
In addition, using the ATSS data, comparisons can be made between schools which have PWO funding and those who do not.

Across all measures, primary schools with PWOs had consistently better results in classroom behaviour, student learning, connectedness to school, learning confidence, morale and distress, than those schools which did not.
<table>
<thead>
<tr>
<th>Wellbeing programs and strategic interventions</th>
<th>Start date and duration</th>
<th>Annual cost/Budget</th>
<th>Objectives</th>
<th>Intended/expected outcomes or Performance measures</th>
<th>Details of any evaluation (i.e. date of evaluation, findings and actions taken as a result, is the program achieving its objectives?)</th>
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<tbody>
<tr>
<td>Student Support Services (SSS)</td>
<td>2012 - ongoing</td>
<td>$65.6 million (2012-13)</td>
<td>The purpose of SSS is to assist children and young people facing a range of barriers to learning to achieve their educational and developmental potential through the provision of a range of strategies and specialised support at individual, group, school and network levels. During 2012–13, the Department implemented significant reform of the SSS. In accordance with the Government’s 2010 Safe and Caring Schools election commitments, from 1 July 2012 the control and management of SSS resources and staff was devolved to networks of school principals. SSS operate within school networks with the following objectives: » work in collaboration with services within the community to identify and intervene early with children and young people who have additional needs or are at risk of disengagement; » develop the capacity of the workforce within schools to meet the needs of children and young people who have additional needs, or are disadvantaged or vulnerable, to enable them to achieve successful education and wellbeing outcomes; » target the delivery of individual support services to those who require specialised expertise, assessment and intervention in order to overcome barriers to learning; » respond to emerging student wellbeing needs and contribute to identified school and network priorities; » respond to critical incidents involving students, staff and school communities; and » facilitate and strengthen partnerships between SSS in schools, early childhood services, community organisations, and health, family, child, mental health and youth services in order to provide greater options and coordinated service provision for children, young people and their families.</td>
<td>The Department engaged an independent contractor to evaluate the devolution of management of SSS to school networks. Evaluation of the effectiveness of SSS service delivery was not in scope. The evaluation indicated that: » Overall, the change management process employed to devolve the management of SSS has achieved a relatively streamlined transition of the service to networks. » While there are some local issues to resolve, the evaluation did not identify any systemic problems with the change management process and there is evidence of a solid foundation for effective working relationships between networks and schools. The evaluation made 23 suggestions for improvement that are being incorporated as appropriate into policy development and services delivery.</td>
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<tr>
<td>Wellbeing programs and strategic interventions</td>
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<td>School Focused Youth Service (SFYS)</td>
<td>1997</td>
<td>$7.9 million (2013-14)</td>
<td>The objective of the SFYS is to ensure that:</td>
<td>The SFYS has outcomes that align with the Victorian Child and Adolescent Outcomes Framework.</td>
<td>The current iteration of the SFYS commenced in July 2013. The Department has appointed an independent contractor to undertake an evaluation in 2013 and 2014. Previous iterations of the SFYS have also been reviewed. The most recent evaluation was a desk-top program analysis undertaken by an external consultant in February 2012. The purpose of the analysis was to collate and review existing data relevant to the SFYS program to present a clear picture of the program’s objectives, activities and effectiveness. The review made seven recommendations aimed at program improvements in the areas of:</td>
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<td></td>
<td></td>
<td></td>
<td>» ‘at-risk’ young people are well supported in their communities;</td>
<td><strong>Objective:</strong> More connected, resilient and healthy young people</td>
<td>» policy direction and the role of central office;</td>
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<td></td>
<td></td>
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<td>» risk factors are addressed or mitigated; and</td>
<td><strong>Measures:</strong></td>
<td>» accountability; and</td>
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<td></td>
<td></td>
<td></td>
<td>» ‘at-risk’ young people continue to be engaged and connected to education.</td>
<td>» Adequate supports for vulnerable teenagers</td>
<td>» governance.</td>
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<td></td>
<td></td>
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<td>» Increased number of young people who feel that they can access physical health services when needed.</td>
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<td>» Increased number of young people who feel that they can access mental health services when needed.</td>
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<td>» Increased perception by young people of improved support received from services.</td>
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<td>» Reduced incidence of suicide and attempted suicide.</td>
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<td>» Teenagers able to rely on supportive adults</td>
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<td>» Increased number of young people who have a trusted adult in their life.</td>
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<td>» Positive family functioning</td>
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<td>» Increased number of young people living in families with healthy family functioning.</td>
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<td><strong>Objective:</strong> Improved engagement in learning and employment pathways</td>
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<td><strong>Measures:</strong></td>
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<td>» Children attend and enjoy school</td>
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<td>» Increased rates of student attendance at school</td>
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<td>» Reduced rates of approved absences</td>
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<td>» Increased student perception of connectedness with peers</td>
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<td>» Increased level of parental satisfaction with schooling</td>
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<td>» Young people complete secondary education</td>
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<td>» Reduced number of young people disengaging from school</td>
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<td>» Apparent retention rates are increased</td>
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<td>» Increased number of young people who are fully engaged in education or training and/or work</td>
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<td><strong>Objective:</strong> Improved system response to vulnerable young people</td>
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<td><strong>Measures:</strong></td>
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<td>» Evidence of formal partnerships that support coordinated service response</td>
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<td>» Improved identification and evidence of monitoring of individual and groups of at risk young people</td>
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<td></td>
<td>» Improved governance arrangements and evidence of processes that support coordinated service delivery</td>
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<tr>
<td>Wellbeing programs and strategic interventions</td>
<td>Start date and duration</td>
<td>Annual cost/Budget</td>
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<tr>
<td>Healthy Together Victoria</td>
<td>May 2012</td>
<td>$119.8 million (C’wlth) $37.43 million is possible as a reward payment.</td>
<td>Healthy Together Victoria aims to improve people’s health where they live, learn, work and play. It focuses on addressing the underlying causes of poor health in children’s settings, workplaces and communities by encouraging healthy eating and physical activity, and reducing smoking and harmful alcohol use. Healthy Together Victoria is jointly funded by the State Government of Victoria and the Commonwealth Government through the National Partnership Agreement on Preventative Health (NPAPH).</td>
<td>National Partnership Agreement on Preventative Health targets are:  » Increase in proportion of children and adults at unhealthy weight held at less than 5% from baseline by 2016 and returned to baseline by 2018  » Increase in mean number of daily serves of fruit and vegetables by 0.2 for fruit and 0.5 for vegetables by 2016 and 0.6 for fruit and 1.5 for vegetables for children &amp; adults by 2018  » Increase in proportion of children and adults doing moderate physical activity, 60 minutes for children and 30 minutes for adults, by 5% by 2016 and by 15% by 2018  » Reduce adult daily smoking by 2% from 2007 national baseline by 2011 and 3.5% by 2013.</td>
<td>The comprehensive evaluation of the Victorian implementation of the NPAPH (known as Healthy Together Victoria) is anticipated to report in 2017 and will provide supplementary information to the NPAPH performance benchmark assessments in 2016 and 2017. The population measurement undertaken in the 14 LGAs are accompanied by measures taken in matched comparison LGAs, both at baseline points in time (over 2009 to 2012) and at post-test points in time (2015 to 2017). There are multiple measures including child CATI (computer assisted telephone interview) data and data from the Victorian Population Health Survey.</td>
</tr>
<tr>
<td>Healthy Together Victoria Achievement Program</td>
<td>2012</td>
<td>$4 million over four years</td>
<td>To support and recognise the creation of healthy environments for learning, working and living. Jointly developed by the DEECD and the Department of Health. Schools register to participate and work through a series of health priority areas. Once they have achieved a benchmark, they can apply for recognition.</td>
<td>Implementation of the Achievement Program commenced in:  » 2012 in early childhood services and primary schools;  » 2013 in workplaces; and  » 2014 in secondary schools. By 2018 the program aims to involve:  » 75% of all primary schools;  » 30% of all secondary schools; and  » 75% of eligible early childhood education and care services.</td>
<td>The Healthy Together Victoria Achievement Program is being evaluated through the Healthy Together Victoria program (refer above).</td>
</tr>
<tr>
<td>Wellbeing programs and strategic interventions</td>
<td>Start date and duration</td>
<td>Annual cost/ Budget</td>
<td>Objectives</td>
<td>Intended/expected outcomes or Performance measures</td>
<td>Details of any evaluation (i.e. date of evaluation, findings and actions taken as a result, is the program achieving its objectives?)</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
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</tr>
</tbody>
</table>
| Primary School Nursing Program (PSNP)         | 1913                    | $7.4 million        | The PSNP is designed to identify children with potential health-related learning difficulties and to respond to parent and carer concerns and observations about their child’s health, wellbeing and development. | Budget Paper 3 Measures:  
- Number of Prep-aged students assessed by school nurses > 57,500 students.  
- 63,955 prep aged students were assessed in the 2013 school year. | A range of internal School Nursing service data and broader population monitoring has been undertaken over the last five years. This information is used to inform, guide and embed good practice in School Nursing programs. Current program data indicates:  
- 89.3% of parents rated their child’s general health as excellent or very good.  
- Children from a language background other than English and Aboriginal children were less likely to be described as having excellent or very good health (81.0% and 84.7% respectively).  
- In 2012, 14.9% of Victorian children entering school had been diagnosed with asthma and of these, 49 per cent were reported to have an Asthma Action Plan at school.  
- Asthma rates were higher for Aboriginal children (20.9%), children in one parent families (19.1%), boys (18.3%), and children in rural and regional Victoria (16.6%).  
- 11.2% of children were reported to have a known allergy, and 2.4% were at risk of anaphylaxis. These figures have remained steady from 2010 to 2012.  
- 4.4% of children starting school in 2012 were at high risk of clinically significant problems related to behaviour. This rate has remained stable since 2010.  
- The proportion of children with two or more developmental concerns has decreased from 2011 (14.8%) to 2012 (13.5%); however, the proportion of children with one developmental concern increased (19.0% in 2011, to 25.3% in 2012).  
- 13.8% of Victorian children entering school were reported to have difficulties with speech and language in 2012, consistent with previous years.  
- Family stress increased slightly between 2010 and 2012, with 10.2% of families reporting high or very high levels of stress in 2010, compared to 11.4% of families in 2012. One parent families were more likely to report high or very high levels of stress (19.9%), as were Aboriginal families (17.1%).  

The existing School Nursing Information System (SNIS) is currently being updated and redeveloped. It is expected to be fully operational by the start of the 2015 school year. The new SNIS is expected to deliver a range of program efficiencies to enable nurses to better respond to young people with additional needs. A state-wide evaluation of the Victorian School Nursing Program will be undertaken in 2014 to support contemporary, responsive and quality service provision to targeted school communities that responds to increasing demand and service complexity. |
### Wellbeing programs and strategic interventions

<table>
<thead>
<tr>
<th>Program</th>
<th>Start Date</th>
<th>Annual Cost/Budget (in $ million)</th>
<th>Objectives</th>
<th>Intended/expected outcomes or Performance measures</th>
<th>Details of any evaluation (i.e. date of evaluation, findings and actions taken as a result, is the program achieving its objectives?)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Secondary School Nursing Program (SSNP)</strong></td>
<td>2000</td>
<td>$9.8</td>
<td>The SSNP aims to reduce risk to young people and promote better health in the wider community. The goals of the SSNP are to: ■ reduce negative health outcomes and risk taking behaviours among young people, including drug and alcohol abuse, tobacco smoking, eating disorders, obesity, depression, suicide and injuries ■ focus on prevention of ill health and problem behaviours by ensuring coordination between the school and community-based health and support services ■ support the school community in addressing health and social issues facing young people and their families ■ provide an appropriate primary health care through professional clinical nursing, including assessment, care, referral and support ■ establish collaborative working relationships between primary and secondary school nurses to assist young people in their transition to secondary school.</td>
<td>Budget Paper 3 Measures: ■ Number of schools allocated a nurse through the Secondary School Nursing Program = 193. 197 schools were allocated a nurse through the Secondary School Nursing Program in the 2013 school year.</td>
<td>In 2009, the Department engaged KPMG to review the SSNP. The focus of the review was to examine the existing program model and make recommendations about program and service improvements. KPMG concluded that: ■ the SSNP is highly valued by school and community stakeholders for the contribution to the program makes to the health and wellbeing outcomes of students in schools in demonstrated areas of high needs ■ SSNP nurses are well regarded by the school communities and their health promotion interventions align with state government health priorities. KPMG made a number of recommendations to strengthen the SSNP. The Department has implemented the key recommendations in the report. For example: ■ Program administration and management staffing across both the central and regional offices is now structured so that operations and management of the SSNP sits at the regional level, resulting in a locally tailored and responsive service to local need, with DEECD central office leading on state-wide policy and program directions. As noted above, a state-wide evaluation of the Victorian School Nursing Program will be undertaken in 2014. This will include a review of the existing SSNP program guidelines and standards. The existing School Nursing Information System (SNIS) is currently being updated and redeveloped. As noted above for the PSNP, it is expected to be fully operational by the start of the 2015 school year. The new SNIS is expected to deliver a range of program efficiencies to enable nurses to better respond to young people with additional needs. In addition, an updated health promotion planning tool has been developed to replace the annual action plan. The revised tool promotes a best practice and evidence based approach to collaborative health planning and intervention. This tool aligns with the Victorian Government’s ‘Healthy Together- Achievement Program’ and provides further support to a Whole of Government response to the state’s health priorities.</td>
</tr>
<tr>
<td><strong>Student Welfare Coordinators (SWC) Initiative</strong></td>
<td>Long standing initiative</td>
<td>$50.6</td>
<td>SWOs are responsible for helping students handle issues associated with truancy, bullying, drug use and depression. SWOs work with other welfare professionals and agencies to address student needs. Funds have been made available to all government secondary colleges to employ SWOs.</td>
<td>No measures advised.</td>
<td>No evaluations undertaken.</td>
</tr>
<tr>
<td>Wellbeing programs and strategic interventions</td>
<td>Start date and duration</td>
<td>Annual cost/Budget</td>
<td>Objectives</td>
<td>Intended/expected outcomes or Performance measures</td>
<td>Details of any evaluation (i.e. date of evaluation, findings and actions taken as a result, is the program achieving its objectives?)</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
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<td>----------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Bully Stoppers</td>
<td>2013</td>
<td>$14.5 million</td>
<td>The Victorian Government’s Stamp Out Bullying election commitment aims to ensure that action is taken to make schools safer and protect students from bullying and cyber bullying.</td>
<td>$10.5 million invested in the eSmart cyber safety framework developed by the Alannah and Madeline Foundation (AMF) for all Victorian government schools and 300 selected Catholic and independent schools. Over 80 per cent of eligible Victorian schools are involved. $4 million was invested in the Bully Stoppers: Make a stand. Lend a hand initiative. The Bully Stoppers initiative consists of two key elements: » An online toolkit providing specialist information and helpful advice for a range of audiences including students, parents, carers, teachers, principals and the wider school community. A range of leading bullying and cyber bullying prevention experts were involved in the toolkit’s development. » A community awareness campaign to promote the Bully Stoppers key messages. The campaign includes branding, look and feel and a media buy with print media, television and radio partnerships. AMF conducted a pulse check survey of all Victorian schools who have been participating in eSmart for over 6 months. 285 schools responded to this survey, which represents approximately one third of Victorian schools participating in eSmart. Overall the survey results were extremely positive with schools utilising eSmart successfully. A longitudinal evaluation of eSmart is currently in progress by a consortium led by Foundation for Young Australians. Initial data has been collected from principals, teachers, students and parents. Case studies are also being collected. The Department has engaged an independent contractor to undertake an evaluation of the Bully Stoppers initiative. The evaluation will ascertain whether, across the target audiences, the Bully Stoppers initiative leads to: » increased awareness of bullying; » increased understanding of bullying (what is/is not bullying); » increased knowledge of how to act when confronted by bullying (what to do); » increased confidence to act when confronted by bullying (and would do it in a safe way); and » increased confidence in a school’s capacity to respond to bullying. A two-year evaluation strategy for the Bully Stoppers initiative commenced in November 2013. Since the launch of the online toolkit in March 2013, there have been 250,000 visits to the site by in excess of 40,000 unique visitors.</td>
<td></td>
</tr>
<tr>
<td>Resilience Framework</td>
<td>Project commenced October 2013 and finishes July 2014. No ongoing budget. Project cost: $490,000.</td>
<td>Meets commitments Reducing the Alcohol and Drug Toll: Victoria’s Plan 2013-17 for DEECD to develop an integrated and holistic approach to a range of wellbeing areas (including drug education, sex education, respectful relationships, etc.). Will provide a singular access point, linking all the disparate subject areas together and focussing on the key social and emotional competencies of decision-making, help-seeking, relationship skills, self-awareness, etc.</td>
<td>Improved access to resources for teachers and school staff. New Social and Emotional Learning (SEL) curriculum resources to assist schools in delivering this content. Content for non-AusVELS year levels to assist students in Years 11-12 with social and emotional competencies.</td>
<td>Not yet evaluated.</td>
<td></td>
</tr>
<tr>
<td>Wellbeing programs and strategic interventions</td>
<td>Start date and duration</td>
<td>Annual cost/ Budget</td>
<td>Objectives</td>
<td>Intended/expected outcomes or Performance measures</td>
<td>Details of any evaluation (i.e. date of evaluation, findings and actions taken as a result, is the program achieving its objectives?)</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>-------------------------</td>
<td>---------------------</td>
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<td>-------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Mental Health Resources</td>
<td>2012 - 2014</td>
<td>$129,000</td>
<td>To provide online professional learning for school-based staff with a focus on mental health promotion, developmental stages, and touching on early intervention and intervention as part of the continuum. A range of online material for schools covering; » promoting healthy minds; » providing safe, inclusive and empowering environments; » developing social and emotional skills; » developing family, community and service partnerships; » integrated mental health promotion and planning; and » capacity building for mental health promotion.</td>
<td>Improved knowledge and skills around mental health promotion for those staff using the online professional learning resources.</td>
<td>No evaluations undertaken at this stage.</td>
</tr>
<tr>
<td>Psychological First Aid Training and support</td>
<td>2012 - January 2013</td>
<td>$25,000 Start-up costs. $10,000 ongoing</td>
<td>Online learning to assist schools in responding to, and supporting, students who have experienced trauma. This was intended to support schools affected by bushfires.</td>
<td>Improved knowledge and strategies to support students in need for staff who use the training.</td>
<td>Not yet evaluated.</td>
</tr>
<tr>
<td>Guidelines to assist in responding to attempted suicide</td>
<td>2012 - 2013</td>
<td>N/A</td>
<td>Guidance to support schools in responding to instances of student suicide or attempted suicide. Developed to address a gap in guidelines and procedure in managing this issue within schools, based on instances of extreme contagion in particular areas.</td>
<td>Clear process and protocol made available to all schools regarding responding to suicide/attempted suicide. Advice available to support schools in managing and reducing risk of suicide ideation and contagion.</td>
<td>No evaluations undertaken at this stage.</td>
</tr>
<tr>
<td>Partnership with Headspace</td>
<td>2013 - December 2014</td>
<td>$750,000</td>
<td>Key objectives include: » enhanced school capacity to actively intervene with mental health issues, particularly mild mood disorders (anxiety and depression) and self-harm; » increased engagement of parents with schools to promote mental health and early intervention; and » development of clear and effective referral pathways between schools and community youth and mental health services.</td>
<td>Schools are provided with online and face-to-face training to enhance their understanding of mental health issues (particularly anxiety, depression and self-harm). The referral process between schools and community youth and mental health services is clarified, intending to improve the process for both schools and mental health services.</td>
<td>No evaluations undertaken at this stage.</td>
</tr>
</tbody>
</table>

Source: Department of Education and Early Childhood Development, Letter to the Committee, received 14 April 2014, Attachment G.
APPENDIX TO CHAPTER 4
LITERACY AND NUMERACY ACHIEVEMENT

Appendix 4.1  Department of Education and Early Childhood Development teacher capacity building initiatives aimed at improving literacy and numeracy achievement

The Department provided the following information with regard to actions it had implemented to improve teacher training in numeracy and literacy since the Auditor-General’s report was tabled in 2009.1

» The Leading Numeracy course was delivered to two intakes (60 participants) during 2011 and four intakes (160 participants) over 2013. Two intakes are planned for 2014. The course includes workshops, online learning, and school based project work. The course ‘aims to develop school leaders’ strategic knowledge and capacity to achieve and sustain high levels of student learning and engagement in numeracy through an evidence based culture that supports improvement in instructional practice.’

» The Leading Literacy course has been delivered to a total of 240 participants since 2011. The course provides opportunities to explore the latest research into teaching literacy and maximising student outcomes. It also presents leadership modules on leading change in schools, which are based on research findings into effective strategies.

» The key assessment for participants in these two leadership programs is the development and implementation of a school-based initiative related to either a demonstration of new knowledge in teaching literacy or numeracy or leading change in schools.

» The effectiveness of the Leading Numeracy and the Leading Literacy programs is reflected in how participants continue to implement change after completing the course, and improvements in student achievement data in many of the schools which have been involved with the course.

» An independent evaluation of the Bastow Institute’s Leading Literacy program, undertaken over 2010 to 2012, found that all respondents noted that they had used their improved leadership knowledge and had more confidence to lead the implementation of literacy strategies within their schools. The program was found to have had a significant impact on respondents’ classrooms, teams, schools/early childhood setting and/or their leadership practice.

» Online courses have been developed by the Bastow Institute directed at improving the teaching of literacy in the middle years of schooling. The online course, Teaching Students to Read for Understanding was available during 2012 and 2013 and focussed on the middle years of schooling (Years Five to Nine). The design of the online course draws on research which supports adult learning and effective professional development. The course continues to be available “on-demand” along with other online courses such as Teaching Writing and Teaching Vocabulary.

» A number of courses have been offered by the Bastow Institute since 2010 aimed at improving instructional practice. These courses focus on the knowledge, skills and characteristics that school leaders need to link research and performance data to teaching practice and learning outcomes.

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1 Mr Richard Bolt, Secretary, Department of Education and Early Childhood Development, Literacy and Numeracy Achievement (February 2009), Letter to the Committee, received 9 January, 2014, p.5
## APPENDICES TO CHAPTER 10
### USE OF DEVELOPMENT CONTRIBUTIONS BY LOCAL GOVERNMENT

#### Appendix 10.1  Council internal controls - Collection of development contributions associated with Development Contribution Plans and section 173 Voluntary Agreements as at 30 June 2013

<table>
<thead>
<tr>
<th>Council</th>
<th>No. of DCPs in place</th>
<th>No. of s.173 Voluntary Agreements in place</th>
<th>Internal controls over the collection of development contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bass Coast Shire</td>
<td>Nil</td>
<td>12</td>
<td>» Council uses a s.173 Agreement Register to record contributions required and collected.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>» Agreements require works in kind or cash contributions to be paid at specific key milestones.</td>
</tr>
<tr>
<td>Brimbank City Council</td>
<td>Nil</td>
<td>Several hundred. Only a small number require development contributions.</td>
<td>» Timing and amount of contributions due are defined in the s.173 Agreement.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>» The Officer’s Report prepared before the issue of a Statement of Compliance includes a prompt to check that all requirements in the s.173 Agreement have been satisfied.</td>
</tr>
<tr>
<td>City of Bendigo</td>
<td>Nil</td>
<td>2</td>
<td>» Subdivisions trigger the requirement of a development contribution.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>» Subdivision permits contain a condition that a development contribution is required.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>» A Statement of Compliance is not issued on a subdivision until the contribution is paid.</td>
</tr>
<tr>
<td>City of Casey</td>
<td>12</td>
<td>26</td>
<td>» Use of “standard condition” on Planning permits where a DCP overlay applies.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>» Capture payment prior to Statement of Compliance for subdivision permits.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>» Building Surveyor to check payment prior to issue of building/occupancy permit.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>» Follow-up audit of payments received.</td>
</tr>
<tr>
<td>City of Greater Geelong</td>
<td>4 (and 3 pending)</td>
<td>17</td>
<td>» Section 173 Agreement requirements recorded on a register and critical triggers/prompts are registered on the Pathway property application system for monitoring purposes.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>» Development of DCP Manual to guide the administration of development contributions.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>» “DevCap” Software system manages the collection and expenditure of development contributions under DCPs. System enables tracking of individual developers’ liabilities.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>» Strong staff skills base.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>» DCP Steering Committee.</td>
</tr>
<tr>
<td>Council</td>
<td>No. of DCPs</td>
<td>No. of s.173 Voluntary Agreements in place</td>
<td>Internal controls over the collection of development contributions</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------------</td>
<td>-------------------------------------------</td>
<td>------------------------------------------------------------------</td>
</tr>
<tr>
<td>City of Port Phillip</td>
<td>1</td>
<td>Nil</td>
<td>Procedures developed for the collection of DCP contributions including flowchart of processes to be followed.</td>
</tr>
<tr>
<td>City of Whittlesea</td>
<td>7</td>
<td>Nil</td>
<td>Development Infrastructure Levy is payable prior to the release of a Development Contributions Plan (DCP).</td>
</tr>
<tr>
<td>City of Wodonga</td>
<td>Nil</td>
<td>225</td>
<td>Community Infrastructure Levy is payable prior to the release of a Development Contributions Plan (DCP).</td>
</tr>
<tr>
<td>Knox City Council</td>
<td>Nil</td>
<td>1</td>
<td>Development Infrastructure Levy is payable prior to the release of a Development Contributions Plan (DCP).</td>
</tr>
<tr>
<td>Mildura Rural City Council</td>
<td>Nil</td>
<td>1</td>
<td>Development Infrastructure Levy is payable prior to the release of a Development Contributions Plan (DCP).</td>
</tr>
<tr>
<td>Surf Coast Shire</td>
<td>1</td>
<td>10</td>
<td>Development Infrastructure Levy is payable prior to the release of a Development Contributions Plan (DCP).</td>
</tr>
<tr>
<td>Wyndham City Council</td>
<td>6</td>
<td>37</td>
<td>Development Infrastructure Levy is payable prior to the release of a Development Contributions Plan (DCP).</td>
</tr>
</tbody>
</table>

For contributions arising from subdivisions or Planning Permits, checklists ensure a Statement of Compliance is not issued until requirements in the s.173 Agreement have been met.

**Source:** Council responses to the Committee’s questionnaire dated October 2013.
## Appendix 10.2 Processes in place for monitoring/reconciling contributions collected and expended as planned

<table>
<thead>
<tr>
<th>Council</th>
<th>Type of monitoring / reconciliation performed by council</th>
<th>Regularity of monitoring/reconciliations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bass Coast Shire</td>
<td>Key staff in Planning and Infrastructure section, monitor and follow-up via Excel spreadsheets.</td>
<td>Ongoing.</td>
</tr>
<tr>
<td></td>
<td>Finance Report tracks transfers to and from Reserve Accounts.</td>
<td>Monthly.</td>
</tr>
<tr>
<td></td>
<td>Systems for recording and reporting are currently under review.</td>
<td>Annually.</td>
</tr>
<tr>
<td>Brimbank City Council</td>
<td>Contribution Register – records receipts.</td>
<td>Monthly reconciliations of Register.</td>
</tr>
<tr>
<td></td>
<td>Capital Works Committee – reviews expenditures.</td>
<td>Regular reviews (intervals not specified).</td>
</tr>
<tr>
<td>City of Bendigo</td>
<td>Journal transfer of funds received to Reserve Accounts.</td>
<td>Monthly.</td>
</tr>
<tr>
<td></td>
<td>Journal to transfer funds from Reserve Accounts to offset capital works expenditure incurred.</td>
<td>Monthly.</td>
</tr>
<tr>
<td></td>
<td>Development Engineer reviews transactions to Reserve Accounts for drainage associated with Voluntary Agreements to check correct allocation.</td>
<td>Periodically (intervals not specified).</td>
</tr>
<tr>
<td></td>
<td>Capital Works budget process identifies the source of funds including those from Reserve Accounts.</td>
<td>Annually.</td>
</tr>
<tr>
<td>City of Casey</td>
<td>Separate accounts record income, expenditure and works-in-kind on a project by project basis.</td>
<td>(a)</td>
</tr>
<tr>
<td>City of Greater Geelong</td>
<td>“DevCap” Software System records all contributions (cash, works-in-kind or other).</td>
<td>Biannually.</td>
</tr>
<tr>
<td></td>
<td>Reporting to DCP Steering Committee.</td>
<td>Quarterly.</td>
</tr>
<tr>
<td></td>
<td>Report to Council on DCPs.</td>
<td>Annually/year end.</td>
</tr>
<tr>
<td>City of Port Phillip</td>
<td>Reconciliation of Open Space levies and DCP contributions received and transferred to specific Reserve Accounts.</td>
<td>Monthly.</td>
</tr>
<tr>
<td></td>
<td>Reconciliation of contributions received and spent in relation to the DCP undertaken as part of preparation of Council’s financial statements.</td>
<td>Annually.</td>
</tr>
<tr>
<td>City of Whittlesea</td>
<td>Reporting to senior management.</td>
<td>On an “as needs” basis.</td>
</tr>
<tr>
<td>City of Wodonga</td>
<td>Contributions separately recorded in appropriate categories within Reserve Account.</td>
<td>Ongoing.</td>
</tr>
<tr>
<td></td>
<td>Specific conditions/caveats checked by Planning Department.</td>
<td>Ongoing.</td>
</tr>
<tr>
<td></td>
<td>Full reconciliation of contributions collected, allocated to projects and pending.</td>
<td>Annually.</td>
</tr>
<tr>
<td>Knox City Council</td>
<td>DCP levies reconciled prior to transfer to DCP Reserve (statutory reserve) Account.</td>
<td>Annually.</td>
</tr>
</tbody>
</table>
|                               | Independent review of funds collected and expended against agreed purpose reported to Council’s DCP Strategic Working Group and Corporate Management Team. | Recent “once-off”.
| Mildura Rural City Council    | Council reviews DCP deliverables annually.             | Annually.                               |
|                               | Reviews of DCPs track “ins” and “outs” and any changes in scope. | (a)                                     |
| Wyndham City Council          | Contributions allocated to separate Reserve Accounts for each DCP. | Over the duration of the DCP (intervals not specified). |
|                               | Expenditures for projects associated with each DCP are provided through the Capital Works Program and charged against the relevant Reserve Account. | Over the duration of the DCP (intervals not specified). |
|                               | Capital Works Program review – tracks progress.        | Monthly reviews.                        |
|                               | Financial Management Reporting cycle - reviews contribution receipts and allocations to Reserve Accounts. | Quarterly cycle.                        |

(a) Not provided.
(b) Knox City Council – Knox Planning Scheme does not contain any Development Contributions Schemes accordingly Council does not have any systems or procedures in place to administer development contributions. Mr Angelo Kourambas, Director City Development, Knox City Council, Letter to the Committee, received 2 December 2013

Source: Council responses to the Committee’s questionnaire.
### Appendix 10.3  Summary of details provided in Council Annual Budgets and Capital Works Programs for 2013-14

<table>
<thead>
<tr>
<th>Council</th>
<th>Sources of funding – Capital Works Budget</th>
<th>Development contribution revenue separately identified in Capital Works Budget?</th>
<th>List of individual capital works projects detailed in Capital Works Program?</th>
<th>Details of funding sources shown in Capital Works Program</th>
<th>Development contribution amounts applied to individual capital works projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bass Coast Shire</td>
<td>Sources of funding:</td>
<td>No.</td>
<td>Yes.</td>
<td>Funds applied to individual capital works projects from:</td>
<td>No.</td>
</tr>
<tr>
<td></td>
<td>» General revenue</td>
<td>Description of funding categories is not specific about where development</td>
<td>The Capital Works Program categorises all capital works projects by infrastructure programs (e.g. Roads; Drains; Buildings; Open Space; Plant &amp; Equipment).</td>
<td>Development contributions are not separately identified against individual projects.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>» Government capital grants</td>
<td>contributions are included.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>» Special charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>» Other contributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>» Reserve Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>» Loan Funds</td>
<td></td>
<td></td>
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<td></td>
<td>» Sale of assets</td>
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<tr>
<td>Brimbank City Council</td>
<td>No details of funding sources for the Capital Works Budget are shown. Only the planned capital expenditure budget is presented.</td>
<td>No.</td>
<td>Yes.</td>
<td>No.</td>
<td>No.</td>
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<td></td>
<td>Description provided: ‘Contributions – cash’ as included in Council’s ‘Operating Budget’ includes all monies received from State, Federal and Special Rates Schemes for the purposes of funding the capital works program.</td>
<td>Description provided: ‘Contributions – cash’ as included in Council’s ‘Operating Budget’ includes all monies received from State, Federal and Special Rates Schemes for the purposes of funding the capital works program.</td>
<td>The Council’s ‘Annual Capital Expenditure Budget’ lists all capital works projects by infrastructure type (e.g. Walking &amp; Cycling; Drainage; Parks &amp; Gardens; Roads; Sports Facilities; Traffic Management; Plant &amp; Equipment).</td>
<td>Potential Income offsets are shown against individual capital works project but the source of the income is not identified.</td>
<td>Development contributions are not separately identified against individual projects.</td>
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<td></td>
<td>‘Other Income’ in the Operating Budget includes sub-divisional fees and recovery for private works on vehicle crossings, easements etc.</td>
<td>‘Other Income’ in the Operating Budget includes sub-divisional fees and recovery for private works on vehicle crossings, easements etc.</td>
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<tr>
<td>City of Greater Bendigo</td>
<td>Sources of funds:</td>
<td>No.</td>
<td>Yes.</td>
<td>Funding for individual capital works projects allocated from:</td>
<td>No.</td>
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<td></td>
<td>» External:</td>
<td>Description provided: ‘Contributions’ are noted as contributions from various sources to support the delivery of specific projects.</td>
<td>‘Capital Works Program’ lists all capital works projects by infrastructure type (e.g. Open space; Pools; Property; Public furniture; Playgrounds; Bridges; Roads; Child Services) and also by strategic objective (e.g. Planning for Growth; Liveability; Productivity; Sustainability; Good Governance &amp; Decision Making).</td>
<td>Development contributions are not separately identified against individual projects.</td>
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<td></td>
<td>› Grants – Capital</td>
<td>Council’s ‘Operating Budget’ identifies revenue from ‘Contributions – cash’ as monies paid by developers in accordance with planning permits and contributions by various parties towards the provision of services.</td>
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<td></td>
<td>› Contributions</td>
<td>‘Contributions – non-monetary assets’ include developer constructed assets contributed by developers in accordance with planning permits.</td>
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<td>› Proceeds on sale of assets</td>
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<td>» Internal:</td>
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<td></td>
<td>› Reserve Investments</td>
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<td>› Loan funds</td>
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<td></td>
<td>› Working Capital/Operations</td>
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<tr>
<td>Council</td>
<td>Sources of funding – Capital Works Budget</td>
<td>Development contribution revenue separately identified in Capital Works Budget?</td>
<td>List of individual capital works projects detailed in Capital Works Program?</td>
<td>Details of funding sources shown in Capital Works Program</td>
<td>Development contribution amounts applied to individual capital works projects</td>
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</tbody>
</table>
| City of Casey                 | No details of funding sources for the Capital Works Budget are shown. Council’s ‘Budget 2013-14’ shows revenue sources as:  
  » Rates  
  » Operating Grants and Contributions  
  » Capital Grants and Contributions  
  » Interest  
  » User Charges  
  » Statutory fees  
  » Fines  
  » Proceeds from sale of assets  
  » Other Income | No.  
  No notes are provided to the Budget describing what each of the revenue categories comprise. | Yes.  
  The Capital Works Program lists all capital works projects with project budget in alphabetical order. | A ‘Standard Statement of Capital Works’ is provided which shows summary budgeted amounts in broad infrastructure categories with funding sources shown as:  
  » Externally funded; or  
  » Internally funded. | No.  
  Development contributions are not separately identified against individual projects. |
| City of Greater Geelong       | Sources of Funding:  
  » External  
    » Grants – Capital  
    » New loans  
    » Proceeds on sale of assets  
  » Internal  
    » Developer Contributions/Provisions  
    » Movement Cash & Investments  
    » Operations | Partly.  
  Description provided: ‘Developer Contributions/Provisions’ – the accompanying notes suggest this amount includes developer contributions and open space levies but the information is not overly specific. | The Capital Works Program lists individual capital works projects with project budget by infrastructure grouping with Council ward also shown. | Individual capital works project budget listed with any offset income shown against the project. However, the source of the income is not detailed. | No.  
  Development contributions are not separately identified against individual projects. |
| City of Port Phillip          | Source of Funds:  
  » Rates and General Operations  
  » External Income (Grants, contributions, etc.)  
  » Reserve transfers:  
    » Resort & Recreation Reserve  
    » Sustainable Transport Reserve  
    » Other Reserves | The Capital Works Program lists individual projects with project budget listed under Council strategic goals. | Only partially.  
  Contributions form part of ‘Grants & External Income’. | Project funding allocations shown from:  
  » Council contribution:  
    » Cash  
    » Resort & Recreation Reserve  
    » Sustainable Transport Reserve  
    » Other Reserves  
    » Borrowings  
    » Grants & External Income | |
<table>
<thead>
<tr>
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<th>Development contribution amounts applied to individual capital works projects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>City of Whittlesea</strong></td>
<td>Funding sources:</td>
<td>No.</td>
<td>The Capital Works Program lists individual projects with project budget grouped by infrastructure type/asset class.</td>
<td>Funding for each capital works project broken between:</td>
<td>No. Development contributions are not separately identified against individual projects.</td>
</tr>
<tr>
<td></td>
<td>▪ Grants and Contributions Reserves, Cash and Investments</td>
<td>Description provided: ‘Capital grants and contributions’ described as monies received from State and Commonwealth Governments and community sources for the purposes of funding the capital works program, but does not include funds received from developers.</td>
<td>▪ Externally funded; and</td>
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<td></td>
<td>▪ Proceeds from sale of assets</td>
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<td>▪ Internally funded.</td>
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<td></td>
<td>▪ Operations (rates funded)</td>
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<td></td>
<td><strong>Council’s ‘Budgeted Income Statement’</strong></td>
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<td></td>
<td>▪ ‘Contributions – cash’ (developer contributions); and</td>
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<td></td>
<td>▪ ‘Contributions – non-monetary assets’.</td>
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<tr>
<td><strong>City of Wodonga</strong></td>
<td>Sources of funding:</td>
<td>No.</td>
<td>Individual capital works projects listed in Capital Works Program grouped by infrastructure categories (e.g., Buildings; Car Parking; Cycle Paths; Recreation Reserves; Kerb &amp; Channel).</td>
<td>Individual capital works projects listed with any budgeted income offset against individual capital works projects. Development contributions allocated against individual projects.</td>
<td>Yes. The amount of income from development contributions is separately identified in the Capital Works Program against individual projects.</td>
</tr>
<tr>
<td></td>
<td>▪ Capital Grants &amp; Contributions Sale of Assets</td>
<td>Description provided: ‘Capital Grants &amp; Contributions’ described as monies from State, Federal and community sources for capital works. It does not refer to contributions from developers.</td>
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<td>▪ Loan Proceeds</td>
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<td></td>
<td>▪ Council funded – Operating activities</td>
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<tr>
<td><strong>Knox City Council</strong></td>
<td>Funding sources:</td>
<td>Partly.</td>
<td>Individual capital works projects with project budget listed in ‘Capital Works Program’ grouped by works description.</td>
<td>Individual capital works projects budget allocations shown as:</td>
<td>No. Development contributions are not separately identified against individual projects.</td>
</tr>
<tr>
<td></td>
<td>▪ External:</td>
<td>Description provided: ‘Capital Contributions and donations’ represent contributions from developers and other parties for capital works.</td>
<td></td>
<td>▪ Internally funded; and</td>
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<td></td>
<td>▪ Capital grants</td>
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<td>▪ Externally funded.</td>
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<td></td>
<td>▪ Capital contributions and donations</td>
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<td>▪ Proceeds from sale of assets</td>
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<td>▪ Reserve funds</td>
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<td>▪ Carried forward works</td>
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<td></td>
<td>▪ Rate funding</td>
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<td>Council</td>
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<td>Development contribution revenue separately identified in Capital Works Budget?</td>
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</tbody>
</table>
| Mildura Rural City Council | Sources of funding:  
» Current Year funding  
» Grants – Capital  
» Prior years funding  
» Developer Contributions  
» Reserve Cash  
» Unrestricted cash  
» New works  
» Developer Contributions  
» Grants – Capital  
» Proceeds of sale of assets  
» Operations  
» Loan Borrowings  
» Other contributions  
» Internal  
» Reserve cash and investments | Yes.  
‘Developer contributions’ are separately presented. | Individual capital works projects with project budget listed in the ‘Capital Works Program’ grouped by infrastructure categories. | Funding sources for each project identified from:  
» Current Year Funding; and  
» Equity Funding Prior Years. | No.  
Development contributions are not separately identified against individual projects. |
| Surf Coast Shire | Funding sources:  
» Internal  
» Cash reserves and investments  
» Operations  
» External  
» Capital grants  
» Contributions  
» Special charges  
» Proceeds from sale of assets | Partly.  
‘Contributions’ in the ‘Capital Works Budget’ is described as community contributions to capital works.  
The amount shown in the ‘Operating Budget’ refers to the recoupment of expenditures, community contributions to capital works, and monies paid by developers in regard to new subdivision works.  
The Council’s ‘Operating Budget’ shows an amount for ‘Granted Assets’, which relate to assets provided by developers to Council on completion of subdivision works. | Individual capital works projects are listed in the ‘Capital Works Program’ by works description (e.g., Asset Preservation; Community Buildings; Drainage; Open Space and Recreation; Transport; Waste Management). | Individual Capital works project costs listed and source of funding shown from:  
» External Funds;  
» Cash Reserve Funds;  
» Special Rates;  
» Asset Sales; and  
» Shire Funds. | No.  
Development contributions not separately allocated to projects. |
<table>
<thead>
<tr>
<th>Council</th>
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<th>Details of funding sources shown in Capital Works Program</th>
<th>Development contribution amounts applied to individual capital works projects</th>
</tr>
</thead>
</table>
| Wyndham City Council | Sources of Funding:  
  » External  
    » Grants – Capital  
    » Miscellaneous revenue  
    » Proceeds on sale of assets  
    » Contributions  
    » New Loans  
  » Internal  
    » Reserve cash and investments  
    » Operations | Partly.  
  Description provided: 'Contributions' in the 'Capital Works Budget' refers to one contribution from the City of Melton towards the construction of a road.  
  The Council’s ‘Operating Budget’ shows revenue items for both:  
    » ‘Contributions – Cash’; and  
    » ‘Contributions – Non-monetary assets’. | Individual capital works projects are listed in the ‘Capital Works Program’ by asset class (e.g., Buildings; Furniture & Equipment; Land; Open space; Plant & Equipment; Roads; Waste Management). | Yes.  
  Council provides a ‘Summary of projects funded from statutory reserves by growth fronts’.  
  This summary shows the amount of Development Contributions funding allocated to each project. |