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Parliament of Victoria
Public Accounts and Estimates Committee

Review of the Performance Measurement and Reporting System

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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.

ACRONYMS AND TERMS

Agency	Government entities which generally receive their funding through 'departments' and for which 'departments' are responsible for reporting. Examples include Victoria Police, hospitals and TAFEs. Agencies, like 'departments', are directly accountable through one or more ministers to Parliament.
Asset initiative	A new program or project ('initiative') that delivers assets. See 'asset investment'.
Asset investment	Expenditure on assets (generally infrastructure such as roads or hospitals) as opposed to expenditure on the delivery of products and services ('outputs').
BFMG	Budget and Financial Management Guidance
BP	Budget Paper
Budget estimates	Forecasts for future years made in the budget papers about matters such as income, expenditure, assets, liabilities and goods and services to be delivered.
DBI	Department of Business and Innovation
DEECD	Department of Education and Early Childhood Development
DEPI	Department of Environment and Primary Industries
Department	Large government entities. In 2013-14 there are 9 departments in Victoria, plus the Parliamentary Departments. Funding for most 'agencies' is generally provided through departments and departments are required to report on the financial and performance results of the agencies for which they are responsible. Departments, like 'agencies', are directly accountable through one or more ministers to Parliament.
DOH	Department of Health
DOJ	Department of Justice
DPC	Department of Premier and Cabinet
DTF	Department of Treasury and Finance
Entity	Either a 'department' or an 'agency'.

Expenditure reduction initiative	Changes in the provision of ‘outputs’ that result in reductions to the cost of the ‘output’. This may be done by reducing the services provided or providing the same services more efficiently. Expenditure reduction initiatives are only one factor affecting ‘output expenditure’. Thus, they may not reduce a department’s total ‘output expenditure’ compared to the previous year if other factors (such as ‘output initiatives’) are greater in value. Expenditure reduction initiatives are usually perpetual.
Forward estimates period	The period for which estimates are made in the budget papers. This includes the budget year and the following three financial years. The forward estimates period for the 2013-14 Budget is 2013-14 to 2016-17 inclusive.
FRD	Financial Reporting Direction
General government sector	Government ‘entities’ which provide services either with no charge to the user or with charges significantly below the cost of providing the services. This includes all ‘departments’ and many ‘agencies’.
General-purpose (GST) grants	Grants from the Commonwealth Government to the State Government sourced from GST revenue. There are no restrictions imposed by the Commonwealth Government on how the funding can be spent.
GST	Goods and Services Tax
Initiative	A specific program or project detailed in the budget papers. Budget papers can include ‘asset initiatives’, ‘output initiatives’, ‘revenue initiatives’, ‘revenue foregone initiatives’ and ‘savings initiatives’.
(the) Model Report	<i>2012-13 Model Report for Victorian Government Departments</i>
Output	An aggregate of goods and services (such as health care or policing services) delivered by a ‘department’ or its ‘agencies’. Outputs are identified in the budget papers.
Output expenditure	Expenditure on ‘outputs’ (that is, goods and services). This is distinct from ‘asset investment’, although it includes some expenditure on ‘public private partnerships’.
Output initiative	A new program or project (‘initiative’) that delivers goods and services (part of a department’s ‘outputs’). Output initiatives are usually for a limited period of time, although they are sometimes perpetual.
PAEC	Public Accounts and Estimates Committee

PPP/Public private partnership	An arrangement in which the private sector delivers an asset on behalf of the Government. Ownership of the asset usually passes to the Government after a defined period of time.
Public financial corporations sector	Government ‘agencies’ which provide financial services, such as the Treasury Corporation of Victoria or the Transport Accident Commission.
Public non-financial corporations sector	Government ‘agencies’ which provide goods or services with charges that recover most of the cost of producing them, such as water authorities and trusts administering certain facilities. Does not include ‘agencies’ providing financial services (see ‘public financial corporations sector’).
Public sector as a whole	The ‘general government sector’, ‘public non-financial corporations sector’ and ‘public financial corporations sector’ consolidated together. Referred to in the budget papers and Annual Financial Report as the ‘State of Victoria’.
Revenue	Income received by the Government, mostly from State taxes and grants from the Commonwealth Government.
Revenue initiative	Changes in policy which result in an increase in ‘revenue’. Examples include new taxes or increasing existing taxes. Revenue initiatives are usually perpetual.
State of Victoria	See ‘public sector as a whole’.
TEI/Total estimated investment	An estimate of the total amount of expenditure required to deliver an ‘asset investment’ project.
VAGO	Victorian Auditor-General’s Office

CHAIR'S FOREWORD

I am pleased to present this report on the *Review of the Performance Measurement and Reporting System*, which is the first part of a two-part report by the Public Accounts and Estimates Committee on its *Inquiry into the 2012-13 Financial and Performance Outcomes*.

Victoria's performance measurement system has undergone many changes in recent years, with more changes planned in the future. This report reflects the Committee's interest in the continued development of a strong performance measurement system. A robust and effective system enables Parliament and the State of Victoria to better allocate resources against realistic targets and objective indicators.

The Committee has incorporated earlier assessments of the performance measurement system into both its annual inquiries into the budget estimates and outcomes. A separate report on performance measures was tabled as part of its 2012-13 Budget Estimates Inquiry. The Committee is pleased to note that more than 80% of its recommendations in earlier reports have been supported by the Government in a variety of areas including guidance materials, establishing performance measures, departmental objectives and their indicators, results reporting and better explanation of variances.

This report builds on the Committee's earlier recommendations, following a review of progress by departments in implementing those recommendations. The Committee welcomes the improved transparency that has resulted from the Government's reforms to the performance measurement system during this 57th Parliament. Major changes have been made including:

- the incorporation of departmental objectives and objective indicators;
- enhancement of explanation requirements in the budget papers and annual reports;
- the review of proposed discontinued performance measures; and
- ensuring historical data are more readily available.

In this report, the Committee acknowledges a shared responsibility between individual departments and central agencies for developing and implementing continual improvement to the performance reporting system. The Committee has identified the good practices of many departments, some of which are leading edge, and has made recommendations directed at individual departments where specific components could be strengthened.

The committee considers that the central agencies are critical to future system-wide development. The Department of Treasury and Finance has an ongoing role through the constant refinement of guidance material, and its day to day work with departments to achieve the desired standards. That important role would be strengthened by an annual, independent review of departmental performance measures conducted by the Department of Premier and Cabinet.

This initiative would provide an assessment entirely independent of those charged with developing the measures. Further cyclical reviews by the Auditor-General would add a further independent view.

I would like to express my sincere thanks to all of the people whose contributions and cooperation have made this report possible. This includes my fellow Committee members, the ministers, departmental secretaries and their staff who provided responses to our questionnaires, and the Committee's secretariat.

DAVID MORRIS MP
Chair

FINDINGS AND RECOMMENDATIONS

CHAPTER 1

1.2

Introduction

Key findings and recommendations

FINDING: In many cases, departments are following the Department of Treasury and Finance's guidance and better practice with respect to performance measurement and reporting. However, through its review of the performance measurement and reporting system, the Committee has identified a number of areas in each department where there is potential for improvement. *page 2*

RECOMMENDATION 1: The Department of Education and Early Childhood Development:

- (a) review the departmental objectives listed in Appendices A3.1 and A3.2;
- (b) review the performance measures listed in Appendix A4.1;
- (c) review the targets for the performance measures listed in Appendix A5.1; and
- (d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.11. *page 2*

RECOMMENDATION 2: The Department of Environment and Primary Industries:

- (a) review the performance measures listed in Appendix A4.2;
- (b) review the targets for the performance measures listed in Appendix A5.2; and
- (c) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.12. *page 3*

RECOMMENDATION 3: The Department of Health:

- (a) review the departmental objectives listed in Appendix A3.1;
- (b) review the performance measures listed in Appendix A4.3;
- (c) review the targets for the performance measures listed in Appendix A5.3; and
- (d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.13. *page 3*

RECOMMENDATION 4: The Department of Human Services:

- (a) review the departmental objectives listed in Appendix A3.2;
- (b) review the performance measures listed in Appendix A4.4;
- (c) review the targets for the performance measures listed in Appendix A5.4; and
- (d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.14. *page 3*

RECOMMENDATION 5: The Department of Justice:

- (a) review the departmental objectives listed in Appendix A3.1;
- (b) review the performance measures listed in Appendix A4.5;
- (c) review the targets for the performance measures listed in Appendix A5.5; and
- (d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.15. *page 3*

RECOMMENDATION 6: The Department of Premier and Cabinet:

- (a) review the performance measures listed in Appendix A4.6;
- (b) review the targets for the performance measures listed in Appendix A5.6; and
- (c) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.16. *page 4*

RECOMMENDATION 7: The Department of State Development, Business and Innovation:

- (a) review the departmental objectives listed in Appendices A3.1 and A3.2;
- (b) review the performance measures listed in Appendix A4.7;
- (c) review the targets for the performance measures listed in Appendix A5.7; and
- (d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.17. *page 4*

RECOMMENDATION 8: The Department of Transport, Planning and Local Infrastructure:

- (a) review the departmental objectives listed in Appendix A3.1;
- (b) review the performance measures listed in Appendix A4.8;
- (c) review the targets for the performance measures listed in Appendix A5.8; and
- (d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.18. *page 4*

RECOMMENDATION 9: The Department of Treasury and Finance:

- (a) review the departmental objectives listed in Appendix A3.1;
- (b) review the performance measures listed in Appendix A4.9;
- (c) review the targets for the performance measures listed in Appendix A5.9; and
- (d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.19. *page 4*

RECOMMENDATION 10: The Parliamentary Departments:

- (a) review the performance measures listed in Appendix A4.10; and
- (b) review the targets for the performance measures listed in Appendix A5.10. *page 4*

RECOMMENDATION 11: The Victorian Auditor-General's Office review the performance measures listed in Appendix A4.11. *page 5*

FINDING: The Committee considers that a strengthened quality control process by independent agencies may improve the performance measurement system in future years. *page 5*

1.3**Scope of the report**

RECOMMENDATION 12: When conducting annual reviews of their performance measurement systems, departments consider the sorts of analyses undertaken by the Committee in this report and conduct similar analyses to identify items of the system that could be improved. *page 6*

CHAPTER 2**Victoria's Performance Measurement System****2.3****The purpose of the performance measurement system**

FINDING: For setting up funding arrangements, DTF has established three key roles: the funder (that is, the Government), which selects outputs to fund and sets the desired outcomes; the purchaser (ministers and departments), which manages the delivery of funded outputs; and the provider, which delivers the goods and services.

page 16

FINDING: DTF and the Government have indicated that DTF plays a variety of roles in the performance measurement system, ensuring that the system assists the Government in deciding what to fund, that goods and service are delivered effectively and efficiently, and that it provides accountability to the public for the use of public funds.

page 18

2.4**Government guidance**

FINDING: The requirements for the performance measurement system continue to be spread through a substantial number of different documents, and over different locations on DTF's website.

page 20

2.5**Recent changes to the system**

FINDING: Objectives at the departmental level were introduced in the 2011-12 budget papers. Departmental objectives were specifically linked to outputs for the first time in the 2012-13 budget papers. Indicators for departmental objectives were introduced in the 2013-14 budget papers.

page 21

FINDING: Online data sets with information related to the current performance measures from 2007-08 onwards (where available) have been published on DTF's website.

page 23

2.6**Previous Committee recommendations**

FINDING: The Committee has made 97 recommendations relating to the performance measurement system during the 57th Parliament. The Government has expressed full or partial support for 84 per cent of the recommendations to which it has responded to date.

page 24

CHAPTER 3**3.2****Departmental Objectives and Departmental Objective Indicators****Departmental objectives**

FINDING: Though some departmental outcomes included in the 2013-14 budget papers meet the Government's requirement to be outcomes-based, others only partially meet this requirement or do not meet it at all. Some, including the Victorian Auditor-General's Office and the Parliamentary Departments, have difficulty in expressing objectives as outcomes as they do not primarily deliver services to the community. *page 31*

FINDING: In some cases, the linkage between departmental objectives and outputs in the budget papers is not clear. *page 31*

RECOMMENDATION 13: In preparing future budget papers, departments focus on ensuring that the causal connection between outputs and departmental objectives is clear. *page 32*

RECOMMENDATION 14: The Department of Education and Early Childhood Development and Department of Health clarify the causal connection between their outputs and departmental objectives in future years by establishing objectives which are relevant to only some of their outputs, rather than objectives to which all outputs contribute. *page 32*

3.3**Departmental objective indicators**

FINDING: Two departments provided actual results for their departmental objective indicators in their 2012-13 annual reports. The Committee considers that the Department of Education and Early Childhood Development's report was particularly informative. *page 33*

RECOMMENDATION 15: In updating the Model Report to detail reporting on departmental objective indicators, the Department of Treasury and Finance use the Department of Education and Early Childhood Development's 2012-13 annual report as a model. *page 33*

FINDING: In some cases, departmental objective indicators appear not to align with all aspects of the relevant departmental objective. Some indicators appear not to be relevant to the objective, and some outcomes identified in objectives are not measured by any indicators. *page 34*

RECOMMENDATION 16: The Department of Treasury and Finance alter its guidance to specify that all key aspects of departmental objectives should be measured by objective indicators. *page 35*

RECOMMENDATION 17: The Department of Treasury and Finance alter its guidance to recommend a higher number of indicators than three as the maximum for each departmental objective. *page 35*

CHAPTER 4

4.2

The Clarity and Quality of Performance Measures

Clarity

FINDING: For most performance measures, sufficient details are provided for the Parliament and community to understand what is being measured. However, some measures would benefit from additional details to enhance the clarity of the measure and enable better assessment of the measure's appropriateness and relevance to the output. *page 41*

FINDING: For many measures, the way that results are calculated is clear from the measure. In some cases, additional details would clarify the measure. *page 43*

FINDING: Depending on the performance measures, a result above the target, a result below the target or a result of exactly the target may be the most desirable outcome. In most cases, it is clear which of these options the department is aiming for. However, for some measures it is not clear. *page 46*

RECOMMENDATION 18: The Department of Treasury and Finance update the guidance for performance measures in 'BFMG-09 Output Specification and Performance Measures' to note that it should be clear whether exceeding, coming under or precisely achieving the target is preferable for each performance measure. *page 46*

RECOMMENDATION 19: The Department of Treasury and Finance amend the Model Report to recommend that departments, when reporting on their performance measures, adopt a system similar to that implemented by Victoria Police, which indicates whether:

- (a) the target was achieved or exceeded in a desirable way;
- (b) the actual result varied from the target in an undesirable direction but by less than 5 per cent; or
- (c) the actual result varied from the target in an undesirable direction by more than 5 per cent. *page 46*

4.3

Meaningfulness

FINDING: Evidence received in responses to the Committee's questionnaires suggests that, for some outputs, the performance measures do not comprehensively cover all key activities. *page 48*

RECOMMENDATION 20: When conducting base reviews of outputs, the Department of Treasury and Finance ensure that the performance measures cover all the major activities of the output. *page 48*

FINDING: There appears to be some variation in the importance of activities that are measured for some outputs. A review of performance measures may identify opportunities for measures of relatively less important activities to be replaced by measures of higher-priority activities. *page 49*

FINDING: The proportion of quality measures has increased from 24.6 per cent in the 2011-12 Budget to 25.7 per cent in the 2013-14 Budget. *page 50*

FINDING: Five outputs in the Department of Health and two in the Department of Transport, Planning and Local Infrastructure have no quality measures. *page 51*

RECOMMENDATION 21: The Department of Health review those outputs with no quality measures to identify whether meaningful quality measures could be added. *page 51*

RECOMMENDATION 22: The Department of Transport, Planning and Local Infrastructure review those outputs with no quality measures to identify whether meaningful quality measures could be added. *page 51*

FINDING: In some outputs, the different types of performance measures reflect unrelated activities. In these cases, it may not be possible to see whether the department is making any trade-offs between the quantity, quality, timeliness and cost of services provided by compromising one type to hit targets for another type. *page 52*

RECOMMENDATION 23: The Department of Treasury and Finance update the Budget and Financial Management Guidances to specify that, within an output, the quantity, quality, timeliness and cost measures should all relate to the same activities. *page 52*

FINDING: Departments often use quantity measures where the results primarily reflect levels of external demand. These measures can provide useful context for understanding departments' performance with respect to the quantity, quality, timeliness and cost of services delivered. However, the current guidance does not allow for these measures. *page 53*

RECOMMENDATION 24: In future budget papers, the Department of Treasury and Finance introduce a new category of performance measure to be called 'demand measures'. A performance measure should be classified as a demand measure when:

- (a) it provides important information about the services provided by a department; but
- (b) the results are not primarily determined by the department's actions. *page 53*

FINDING: Some performance measures track performance compared to a specific minimum standard. Where this minimum standard relates to a basic level of performance such as compliance with legislation, the performance measure may not provide a challenging target. *page 54*

FINDING: Such measures do not enable a department to demonstrate any levels of service delivery that exceed the minimum requirements of legislation. They will also not identify any decline in service delivery until the department is no longer complying with legislation. There may be advantages to identifying a decline in service delivery prior to this point. *page 55*

FINDING: In 2013-14, there are 142 performance measures with targets of 100 per cent. While such targets can be appropriate in some circumstances, in other cases they may not be sufficiently challenging and cannot be used as a way to drive continuous improvement. *page 56*

RECOMMENDATION 25: When reviewing performance measures with departments, the Department of Treasury and Finance pay particular attention to measures with targets of 100 per cent, to ensure that these measures are appropriately challenging. *page 56*

FINDING: For some performance measures, it is not possible to acquire data that relate to the financial year. This reduces the ability of stakeholders to use the performance measurement system to identify the efficiency and effectiveness of performance. The Committee understands that performance measures relating to other periods are unavoidable in some instances, but emphasises that this should be avoided as far as possible. *page 57*

RECOMMENDATION 26: All departments seek to better align the time periods measured by performance measures within each output, so that, as far as possible, all measures within an output relate to the same time period. *page 57*

4.4

Robustness

FINDING: Minimising the number of changes to performance measures is important for ensuring comparability over time. In the last three budgets, 473 measures have been discontinued or replaced and 427 new measures have been introduced. *page 58*

FINDING: The Auditor-General has found that results for some measures are calculated using a sound methodology but that problems exist with others. The Department of Treasury and Finance is considering requiring departments to publish detailed information about how performance measures are calculated. *page 60*

FINDING: The Committee has previously made a number of recommendations about ways that performance measures can be made more robust, including that:

- measures relating to project milestones use original milestones and not updated ones;
- departments consider providing results at 50th and 90th percentiles for some measures; and
- measures which solely indicate whether or not a task has been performed be replaced by timeliness or quality measures. *page 61*

FINDING: Action has been taken in response to these recommendations. The Committee considers that some additional performance measures would also benefit by being reviewed with these criteria in mind. *page 61*

FINDING: For some measures, targets are set as defined ranges, rather than a single number. In these cases, fewer actual results will require explanations than if a single number were used as the target. *page 62*

RECOMMENDATION 27: Departments review measures with ranges as targets, and modify them to single numbers except where a range is necessary and appropriate. *page 62*

FINDING: Where targets for performance measures have been set as greater than or less than a specific number, some departments have not provided explanations for significant variances between the specified numbers and actual results. *page 63*

RECOMMENDATION 28: The Department of Treasury and Finance update the Model Report to explicitly require departments to provide explanations where:

- (a) a performance measure has a target of greater than or less than a specific number; and
- (b) the actual result varies from that specific number by 5 per cent or more. *page 63*

FINDING: Where targets for performance measures are 100 per cent, most departments only explain variances greater than 5 per cent. However, the Committee considers that if a performance measures is important enough to have a target of 100 per cent, any variance is significant enough to require explanation. *page 63*

RECOMMENDATION 29: The Department of Treasury and Finance update the Model Report to require departments to provide explanations for any variances between the target and actual result when the target is 100 per cent. *page 63*

CHAPTER 5

5.2

Setting Targets and Reporting Results

Overall performance

FINDING: The proportion of performance measures delivered to within 10 per cent of targets has risen gradually over the past five years. In 2012-13, 74 per cent of actual results were within 10 per cent of target. *page 67*

FINDING: The Department of State Development, Business and Innovation has cited a series of factors that have contributed to variances from targets in 2012-13. A number of these factors were also cited as contributing to variances in the past. *page 69*

5.3

Targets

FINDING: A number of measures relate to basic minimum standards and only extraordinary circumstances would prevent the target being met. *page 70*

FINDING: Results for the last five years suggest that some targets have been set by departments at levels that are either not sufficiently challenging or not achievable. *page 72*

FINDING: The Department of State Development, Business and Innovation has the highest proportion of exceeded targets. *page 72*

FINDING: The Department of State Development, Business and Innovation initiated a review of performance measures following recommendations of this Committee. The Department has advised that the performance measures were still under review in 2013 and consequently the Committee considers this year's outcome to be an interim result. *page 74*

RECOMMENDATION 30: The Department of State Development, Business and Innovation continue to review those performance measures for which results have consistently exceeded targets to ensure that targets in future budget papers are more challenging than in previous years. *page 74*

RECOMMENDATION 31: The Department of State Development, Business and Innovation examine the performance measures it has received from other departments to determine methods of improving its target setting in future budgets. *page 74*

FINDING: The Committee has made a number of recommendations over the past five years regarding performance against targets for the Department of State Development, Business and Innovation (or its predecessors). These recommendations have been accepted by the Government and comments received suggest that the Department would carry out the tasks in the recommendations. *page 75*

FINDING: In some cases, expected outcomes for 2011-12 appear not to have been used as a basis for 2012-13 targets by departments. *page 76*

FINDING: Existing guidance requires targets set below the previous year's expected levels be explained, though it does not require explanations for targets above the previous year's expected outcome. In some cases, explanations have not been provided. *page 76*

RECOMMENDATION 32: The Department of Treasury and Finance amend its guidance to also require explanations for targets that are significantly higher than the previous year's expected outcome. *page 77*

FINDING: Government guidance requires targets to be reassessed where there is constant significant over or underperformance against the target. However, the Committee has identified 145 examples of measures where results varied from their targets by an average of 10 per cent over the past five years. This suggests that trend behaviour over time may not have been considered by departments in some cases when setting targets. *page 78*

5.4

Expected outcomes for performance measures

FINDING: The Department of Treasury and Finance does not provide guidance to other departments about how to calculate expected outcome estimates for performance measures. *page 81*

RECOMMENDATION 33: The Department of Treasury and Finance provide guidance for departments on better practice techniques for estimating expected outcomes. *page 81*

FINDING: In 2012-13, the expected outcomes for 83 per cent of measures were within 10 per cent of the eventual actual results. This is a slightly higher level of accuracy than the past three years. *page 82*

FINDING: For 11 of the 12 departments (including the Parliament), more than 78 per cent of expected outcomes included in the 2013-14 budget papers were within 10 per cent of the actual results included in annual reports. *page 83*

RECOMMENDATION 34: The Department of State Development, Business and Innovation review its policy of setting conservative estimates for expected outcomes. *page 83*

FINDING: For a number of measures, explanations have not been given for significant expected variances. Several of these are for measures that have been proposed to be discontinued. *page 84*

RECOMMENDATION 35: The Department of Treasury and Finance alter guidance to explicitly state that the requirement to provide explanations for expected variances from targets extends to measures that are proposed to be discontinued. *page 84*

5.5

Explanations for actual results

FINDING: A number of explanations for variances give an intermediate factor for the variance, but do not reveal the underlying cause of the variation. *page 86*

FINDING: A number of explanations for variances in annual reports do not identify whether causes of the variances are internal or external factors. This is explicitly required by the Government for variances between targets and expected outcomes in the budget papers. However, there is no equivalent requirement for variances between targets and actual results in annual reports. *page 86*

RECOMMENDATION 36: The Model Report be updated to require explanations for variances between targets and actual results to indicate whether the causes of the variances are internal or external factors, as is required for explanations in the budget papers. *page 87*

FINDING: A number of explanations for variances restate the result and do not explain the cause for the variance. *page 87*

FINDING: The Department of Treasury and Finance required variances of 5 per cent or more between targets and actual results to be explained in 2012-13 annual reports. While explanations were provided in most cases, the Committee identified a large number of variances of 5 per cent or more where no explanation was provided. *page 88*

FINDING: The Department of Justice has not provided explanations for variances between 5 and 10 per cent. The 5 per cent level was a new threshold for 2012-13 annual reports. *page 89*

RECOMMENDATION 37: The Department of Justice, in future annual reports, ensure that explanations are provided for all variances from targets of 5 per cent or more, as required by the Model Report. *page 89*

FINDING: Guidance provided by the Department of Treasury and Finance specifies that an explanation is required for a 5 per cent increase or decrease from target. Some departments appear to have interpreted this to mean a 5 percentage point increase or decrease. *page 89*

RECOMMENDATION 38: The Department of Treasury and Finance specify in the Model Report that the 5 per cent variation threshold for requiring an explanation is not the same as a 5 percentage point variation. *page 89*

FINDING: For a number of performance measures with significant variances between targets and actual results, departments have indicated that the variation is a 'positive' outcome, with no explanation. This suggests that they believe that positive outcomes do not require explanations. *page 90*

RECOMMENDATION 39: The Department of Treasury and Finance update the Model Report to explicitly note that explanations are required for positive outcomes as well as negative outcomes. *page 90*

CHAPTER 6

6.2

The Role of the Department of Treasury and Finance

Who is responsible for the performance measurement system?

FINDING: Departments are responsible for developing and reviewing departmental objectives, departmental objective indicators, performance measures and targets. They are required to follow the Department of Treasury and Finance's guidelines in doing this. *page 92*

FINDING: The Department of Treasury and Finance is the lead central agency with responsibilities for the performance measurement system. Legislation, government guidance and the Department's output descriptions note a variety of roles for the Department connected with the performance measurement system, including working with departments to ensure the appropriateness of performance measures and monitoring compliance with guidelines. *page 94*

FINDING: The Department of Treasury and Finance seeks to meet its responsibilities through providing guidance to departments and working with them to implement it. However, the Government considers that portfolio ministers are ultimately responsible for their departments' components of the performance measurement system. *page 95*

RECOMMENDATION 40: The Government consider requiring a nominated person to certify the accuracy and appropriateness of the performance measurement system of each department in the annual report, as is done in Western Australia. *page 96*

6.3

Clarity of guidance from the Department of Treasury and Finance

FINDING: The Committee has identified a number of areas where DTF's guidance could be improved. These relate to clarifying some existing guidelines, supplementing guidelines and addressing some new areas. *page 98*

6.4

Quality control processes

FINDING: Although the Department of Treasury and Finance has established guidance and works with departments on its implementation, the Committee has identified a significant number of cases where it has not been followed. *page 100*

FINDING: Ensuring the accuracy of the Department of Treasury and Finance's processes for reviewing components of the performance measurement system may improve the standard of the performance measurement system. *page 100*

RECOMMENDATION 41: The Department of Treasury and Finance review this report to identify any additional ways that it might assess components of the performance measurement system when working collaboratively with departments. *page 101*

FINDING: Quality control processes for the performance measurement system are currently undertaken by the Department of Treasury and Finance, which is also involved in the creation of the components of the system. Departments are also not obliged to address issues identified by the Department. The quality control processes may be strengthened by making them the responsibility of an independent body and by ensuring that issues are addressed. *page 102*

RECOMMENDATION 42: The Department of Premier and Cabinet undertake annual reviews of departments' performance measurement systems. These reviews should ensure that the performance measurement system is adequate to meet the Government's requirements and should consider departmental objectives, departmental objective indicators, performance measures and performance measure targets. These reviews should consider whether:

- (a) each of these components complies with Government guidance;
- (b) performance measures are clear, meaningful and robust;
- (c) targets for performance measures are appropriately challenging and realistic;
- (d) the components as a group comprehensively describe the departments' activities; and
- (e) the components are sufficient to provide a clear picture of departmental performance.

page 103

RECOMMENDATION 43: The Government ensure that departments are required to address any issues with their components of the performance measurement and reporting system which are identified through quality control processes.

page 103

FINDING: The Auditor-General has undertaken audits of the performance measurement system in previous years and has planned another for 2014-15. The Auditor-General is well placed to have a continuing role providing independent quality control of the performance measurement system on a cyclical basis.

page 104

RECOMMENDATION 44: In undertaking the planned review of 'public sector performance measurement and reporting', the Auditor-General consider the issues identified in this report. The audit could identify and report on the reasons why Government guidance with respect to the performance measurement and reporting system is not always followed by departments and how this might be rectified.

page 104

RECOMMENDATION 45: The Auditor-General, on a cyclical basis, review departmental objectives, departmental objective indicators, performance measures and targets to ensure that they meet with better-practice criteria.

page 104

CHAPTER 7**Review of the 2012-13 Annual Reports****7.2****Summary of compliance with the Government's requirements**

FINDING: The departments and water entities assessed by the Committee have generally complied with the selected guidance for annual reports. Most entities need to make some improvement to fully comply with all mandatory requirements. *page 107*

RECOMMENDATION 46: The Victorian Auditor-General consider the findings of this report when conducting the planned audit into 'compliance with non-financial requirements of annual reporting'. *page 107*

7.3**Budget portfolio outcomes (FRD 8B)**

FINDING: The budget portfolio outcomes provides a comparison between the financial statements for each department in the budget papers and the actual results. In 2012-13, two departments complied with every requirement set out for the budget portfolio outcomes. *page 110*

RECOMMENDATION 47: The Department of Treasury and Finance include a model set of budget portfolio outcomes statements in future Model Reports. *page 110*

RECOMMENDATION 48: The Department of Treasury and Finance work with departments to ensure that they are aware of and understand the requirements for budget portfolio outcomes. *page 111*

7.4**Disclosure index (FRD 10)**

FINDING: Four of the examined entities fully met the requirements of FRD 10 for the disclosure index. *page 112*

7.5**Government advertising (FRD 22D)**

FINDING: Eight departments and two of the examined water entities complied with the new requirements for disclosing advertising expense. Their compliance was made clear through providing either details of expenditure or 'nil reports' (indicating that there was no relevant expenditure). The Department of State Development, Business and Innovation has made details available 'upon request'. For the other entities examined, it is not possible to tell from the annual reports whether there was relevant expenditure to report. *page 113*

RECOMMENDATION 49: The Department of Treasury and Finance require all departments and agencies to include 'nil reports' when their activities do not trigger the disclosure requirements of relevant Financial Reporting Directions or the Model Report. *page 113*

RECOMMENDATION 50: The Department of Treasury and Finance update the 2012-13 Model Report to reflect the disclosure of advertising expenditure required by FRD 22D. *page 113*

7.6

Capital projects (Model Report)

FINDING: Five of the 11 departments included a reference to the disclosure of capital projects in the budget papers, as required by the 2013 *Model Report*. The Department of Environment and Primary Industries also provided valuable additional information about completed projects which is not published elsewhere. *page 115*

RECOMMENDATION 51: The Department of Treasury and Finance update the Model Report to require additional disclosure about completed capital projects, using the Department of Environment and Primary Industries' 2012-13 *Annual Report* as a model. *page 115*

7.7

Tabling dates

FINDING: All reviewed entities met the Financial Management Act deadline for tabling the 2012-13 annual reports. *page 115*

1.1

Background

An effective performance measurement and reporting system is an essential component of transparent and accountable government. An effective system provides for the State's interest in understanding what a government actually achieves and scrutinising a government's performance. It can provide a basis for a government to make decisions about resource allocation.

The Committee has taken a particular interest in the performance measurement system during the 57th Parliament as part of its inquiries into budget estimates and outcomes. The Committee has identified a number of opportunities for strengthening the system and has made a substantial number of recommendations as a result (see further details in Section 2.6 of this report).

Most of the Committee's recommendations have been supported by the Government and a number have been implemented. The Committee notes that Victoria's performance measurement and reporting system is an evolving system which has undergone a number of changes in recent years. The Committee also notes that further changes are planned for future years.

This report has been produced with this evolution in mind. Its intentions are to identify areas where better practice is currently being achieved and to identify areas where future improvements would be beneficial. It is hoped that the resulting recommendations will be of benefit to the Government as it further refines the system.

1.2

Key findings and recommendations

Responsibility for the Victorian performance measurement and reporting system is shared between individual departments and central agencies. Recommendations have therefore been made both to individual departments about their components of the system and to central agencies about the system in general.

1.2.1

Specific components developed by departments

The Department of Treasury and Finance has indicated that departments and their ministers are primarily responsible for the development of specific components of the performance measurement system (such as the selection of performance measures and the setting of targets). Many of the recommendations in this report are therefore addressed to individual departments about the components of the system related specifically to each department.

The Committee identified many examples of good practice currently being undertaken, as well as potential areas of improvement. The main ways that departments could strengthen their systems are by ensuring that:

- » departmental objectives meet the criteria specified by the Government – in particular, it is important that the objectives are focused on the outcomes achieved in the community rather than the goods and services delivered, as this is what differentiates departmental objectives from performance measures;

- » departmental objective indicators are related to the objectives and cover all key aspects of the objectives;
- » performance measures are clear, meaningful and robust – improvements to some measures would provide a clearer picture of departmental performance, assist government decision-making and better facilitate continuous improvement;
- » performance measure targets are challenging but achievable – among other things, the Committee has identified a number of measures where the targets are currently either exceeded every year or never achieved; and
- » explanations for changes to targets and variances between targets and results are sufficiently informative – explanations could be improved to provide a better understanding of the reasons for departments' performance.

Chapters 3 to 5 of this report discuss these areas in more detail.

The appendices to these chapters list, for each department, particular components of the system which would benefit from being reviewed by the department. For each identified component, the Committee has suggested one or more factors that should be considered by the department.

As discussed in Section 1.3 of this report, the Committee's methodology has not identified all objectives, measures and targets which would benefit from review. In addition, in some cases, there may be good reasons why objectives, measures or targets should remain as they are. However, the Committee believes that it would be a valuable exercise for each department to consider the components identified by the Committee and make changes where appropriate.

FINDING: In many cases, departments are following the Department of Treasury and Finance's guidance and better practice with respect to performance measurement and reporting. However, through its review of the performance measurement and reporting system, the Committee has identified a number of areas in each department where there is potential for improvement.

RECOMMENDATION 1: The Department of Education and Early Childhood Development:

- (a) review the departmental objectives listed in Appendices A3.1 and A3.2;
- (b) review the performance measures listed in Appendix A4.1;
- (c) review the targets for the performance measures listed in Appendix A5.1; and
- (d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.11.

RECOMMENDATION 2: The Department of Environment and Primary Industries:

- (a) review the performance measures listed in Appendix A4.2;
- (b) review the targets for the performance measures listed in Appendix A5.2; and
- (c) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.12.

RECOMMENDATION 3: The Department of Health:

- (a) review the departmental objectives listed in Appendix A3.1;
- (b) review the performance measures listed in Appendix A4.3;
- (c) review the targets for the performance measures listed in Appendix A5.3; and
- (d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.13.

RECOMMENDATION 4: The Department of Human Services:

- (a) review the departmental objectives listed in Appendix A3.2;
- (b) review the performance measures listed in Appendix A4.4;
- (c) review the targets for the performance measures listed in Appendix A5.4; and
- (d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.14.

RECOMMENDATION 5: The Department of Justice:

- (a) review the departmental objectives listed in Appendix A3.1;
- (b) review the performance measures listed in Appendix A4.5;
- (c) review the targets for the performance measures listed in Appendix A5.5; and
- (d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.15.

RECOMMENDATION 6: The Department of Premier and Cabinet:

- (a) review the performance measures listed in Appendix A4.6;
- (b) review the targets for the performance measures listed in Appendix A5.6; and
- (c) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.16.

RECOMMENDATION 7: The Department of State Development, Business and Innovation:

- (a) review the departmental objectives listed in Appendices A3.1 and A3.2;
- (b) review the performance measures listed in Appendix A4.7;
- (c) review the targets for the performance measures listed in Appendix A5.7; and
- (d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.17.

RECOMMENDATION 8: The Department of Transport, Planning and Local Infrastructure:

- (a) review the departmental objectives listed in Appendix A3.1;
- (b) review the performance measures listed in Appendix A4.8;
- (c) review the targets for the performance measures listed in Appendix A5.8; and
- (d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.18.

RECOMMENDATION 9: The Department of Treasury and Finance:

- (a) review the departmental objectives listed in Appendix A3.1;
- (b) review the performance measures listed in Appendix A4.9;
- (c) review the targets for the performance measures listed in Appendix A5.9; and
- (d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.19.

RECOMMENDATION 10: The Parliamentary Departments:

- (a) review the performance measures listed in Appendix A4.10; and
- (b) review the targets for the performance measures listed in Appendix A5.10.

RECOMMENDATION 11: The Victorian Auditor-General's Office review the performance measures listed in Appendix A4.11.

1.2.2 Departmental reporting

The Committee also examined the quality of annual reporting. The explanations provided for variances between targets and actual results are considered in Section 5.5 of this report. Chapter 7 compares selected reports against a sample of mandatory requirements.

1.2.3 The role of central agencies

Central agencies also have a critical role in the performance measurement system. The Department of Treasury and Finance (DTF) is currently responsible for setting the standards for the system and working with departments to help them achieve those standards. However, as discussed in Chapter 6 of this report, this work has not always been sufficient to ensure that all components of the system meet the required standards.

The Committee has identified a number of ways throughout this report that DTF's guidance could be clarified or expanded. These have been summarised in Section 6.3.2 of this report.

The Committee also considers that there would be benefits to expanded quality control processes being put in place. In particular, the Committee considers that the Department of Premier and Cabinet should undertake annual reviews of departments' performance measurement systems. Additionally, the Committee recommends that the Auditor-General review, on a cyclical basis, departmental objectives, departmental objective indicators, performance measures and targets. Whereas the Department of Treasury and Finance is involved in the development of other departments' components of the system, the Department of Premier and Cabinet is more at arms-length from the role. Its involvement, together with independent reviews by the Auditor-General, would allow for a more robust quality control process.

Increased quality control will protect the Government's interest by ensuring that the performance measurement and reporting system enables the Government to make informed decisions.

The Committee considers that it is also essential that issues identified through quality control reviews are addressed. As discussed in Section 6.2.3, the Committee has been informed that this is currently not necessarily the case. Resolving this will strengthen the system in future years.

This proposed strengthening of the quality control process is discussed further in Section 6.4 of this report.

FINDING: The Committee considers that a strengthened quality control process by independent agencies may improve the performance measurement system in future years.

1.3

Scope of the report

This report has used the latest information available to the Committee at the time of preparation (early 2014). This generally means drawing on the 2013-14 budget papers and the 2012-13 departmental annual reports.

Analyses of longer-term trends have also been undertaken where possible. However, longer-term data are not available for all performance measures, such as measures which have been created in the last few years. As a result, some analyses do not include all measures. Where this has occurred, this is noted in the text.

Departmental objectives and their indicators are relatively new additions to the performance measurement system and not all details have been made publicly available to date. The Committee has examined the information currently available, but further scrutiny of these items will be required in the future when more details have been published.

The Committee has sought to identify the measures, targets and other components most likely to benefit from review by departments. However, the number of measures across Victorian departments has meant that it has not been possible to investigate every measure in detail. The Committee sought further detail from departments about selected measures and targets through questionnaires but this has not been possible in all cases.

As a result, some of the items identified for review may not need adjustment. Departments and central agencies with access to more data about the particular cases are better placed to decide which of the identified measures, targets or other components should be modified.

In addition, there may be items not identified by the Committee which should be adjusted.

This review is not meant to take the place of the regular reviews of the performance measurement system that departments and the Department of Treasury and Finance are required to undertake.¹ These regular reviews are especially important given that performance measures change each year. However, the Committee hopes that the analyses undertaken in this report will assist departments in determining what to consider when undertaking such reviews in the future. The particular components identified for review and the reasons behind them can stand as examples for departments of the sorts of issues that should be considered.

RECOMMENDATION 12: When conducting annual reviews of their performance measurement systems, departments consider the sorts of analyses undertaken by the Committee in this report and conduct similar analyses to identify items of the system that could be improved.

¹ Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.110

1.4**Acknowledgement**

The Committee appreciates the work that a significant number of people have undertaken in order to provide the Committee with the information it needed. In particular, the Committee would like to thank the Presiding Officers, Premier, Deputy Premier, Treasurer, Assistant Treasurer, Attorney-General, ministers, departmental secretaries and heads of agencies, along with the many staff supporting them. The responses provided to the Committee's questions have been essential in the production of this report.

1.5**Cost**

The cost of producing this report was approximately \$80,900.

VICTORIA'S PERFORMANCE MEASUREMENT SYSTEM

2.1

Introduction

The essential components of Victoria's current performance management and reporting framework were implemented in 1998-99.² The approach was primarily driven by the transition from input-based to output-based budgeting with the introduction of an accrual accounting method in the 1998-99 Budget.³

The Committee notes that the performance measurement system has evolved since 1998, including a number of changes in recent years. These changes aim to improve the quality and usefulness of the system. In discussing Victoria's performance measurement system, this chapter examines the following:

- » What are the components of Victoria's performance measurement system? (Section 2.2)
- » What is the purpose of the performance measurement system? (Section 2.3)
- » What guidance does the Government provide to departments on how to fulfil their role? (Section 2.4)
- » What changes have been made to the performance measurement system during the 57th Parliament? (Section 2.5)
- » What recommendations for improving the performance measurement system have been made by the Committee during the 57th Parliament? (Section 2.6)

2.2

Overview of the Government's performance measurement system

2.2.1

The components of the performance measurement system

Currently, Victoria's performance measurement system includes six principal components (see Figure 2.1):

- » the Government's priorities and intended outcomes, that is, its policies and their desired impact on the community;
- » mission statements identified by the departments, which support the Government's intended outcomes;
- » departmental objectives, which reflect a department's intended outcomes (impacts on the community) through its service delivery;
- » departmental objective indicators, which assess progress towards departmental objectives;
- » outputs, which are specifications of the goods and services to be delivered by departments; and

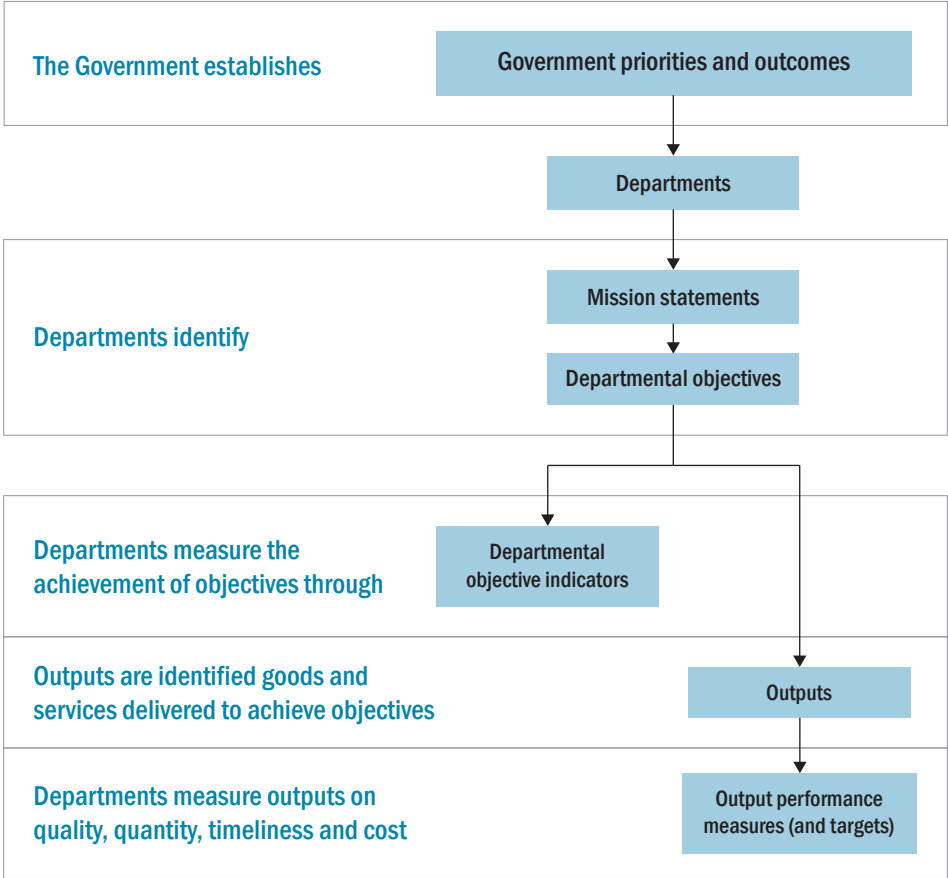
² Victorian Auditor-General's Office, *Performance Reporting by Departments*, May 2010, p.3

³ Department of Treasury and Finance, *Reform of the Budget Sector: Elements of Financial Management*, October 1997, p.3

» output performance measures (and targets), which measure the quantity, quality, timeliness and cost of goods and services delivered as part of the outputs.

Figure 2.1

Victoria’s performance measurement system



Source: Compiled by the Committee based on Department of Treasury and Finance, *A Guide to Corporate and Long-term Planning*, June 2013, p.14; Department of Treasury and Finance, *Budget and Financial Management Guidances*, ‘BFMG – 02 Performance Management Framework’, July 2012, pp.97-8

Departmental objectives

Departmental objectives ‘are results-based and reflect the extent of the department’s service delivery ambitions over the forward estimates period ... They are quantifiable stepping stones that help take a department towards the desired outcomes articulated in its vision or mission statement’.⁴

Guidance from the Department of Treasury and Finance (DTF) indicates that departmental objectives ‘should clearly articulate the intended outcomes of outputs’⁵ and should be expressed ‘as the impact on the community that a group of outputs can reasonably achieve. ... They should clearly identify what is to be achieved, rather than what outputs are delivered or what processes are followed’.⁶

4 Department of Treasury and Finance, *Budget and Financial Management Guidances*, ‘BFMG – 08 Departmental Objectives and Departmental Objective Indicators’, May 2013, p.103
5 *ibid.*, p.104
6 *ibid.*

DTF also indicates that *'the suite of departmental objectives must represent the totality of the Department's output budget'*.⁷

In the 2013-14 budget papers, there were 57 objectives across the government departments.⁸ Departmental objectives are discussed further in Section 3.2 of this report.

Departmental objective indicators

Departmental objective indicators appeared for the first time in the 2013-14 budget papers.⁹ These indicators show a department's progress towards the achievement of its objectives.

According to DTF's guidance, good quality departmental objective indicators should:¹⁰

- » *provide a link between a single departmental objective and its supporting outputs;*
- » *indicate the impact that delivery of outputs is having on the community and thereby helping to achieve departmental objectives;*
- » *indicate results of Government action rather than external factors;*
- » *remain relevant over the medium term so progress can be tracked and compared;*
- » *be free of perverse incentives and balanced with other departmental objective indicators;*
- » *ideally rely on existing, regularly updated data streams; and*
- » *avoid overly burdensome reporting processes.*

DTF's guidance also states that, in general, *'there should be no more than three indicators for each departmental objective and, in most circumstances, a small set of indicators for each objective will best demonstrate results and avoid misinterpretation of results'*.¹¹

In 2013-14 budget papers, there were 111 departmental objective indicators.¹² Section 3.3 of this report looks at departmental objective indicators in more detail.

Outputs

Departmental outputs are groupings of the goods and services delivered to the community by departments, either directly by the department, through other public entities or through external providers. Each output is intended to *'describe a distinct product or service that the department provides to an external customer'*.¹³

⁷ *ibid.*, p.103

⁸ Budget Paper No.3, *2013-14 Service Delivery*, May 2013, Chapter 2

⁹ *ibid.*

¹⁰ Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 08 Departmental Objectives and Departmental Objective Indicators', May 2013, pp.106-7

¹¹ *ibid.*, p.106

¹² Budget Paper No.3, *2013-14 Service Delivery*, May 2013, Chapter 2

¹³ Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.111

Every year, departmental budgets are defined in terms of the outputs they plan to deliver. The Government funds the outputs which it considers best meet its priorities (see Section 2.3.1 of this report).

According to the *Budget and Financial Management Guidances*, goods and services should be aggregated into outputs in a way that will:¹⁴

- » *assist the Government to determine the outputs it will purchase;*
- » *best inform the department's own internal management decision making; and*
- » *provide effective reporting to Parliament and stakeholders.*

There were 116 outputs in the 2013-14 budget papers.

Output performance measures and targets

Performance measures are intended to demonstrate how efficiently and effectively a department delivers the goods and services contributing to an output.¹⁵ Each performance measure is associated with a target for the year that specifies the expected standard of output delivery.

Targets for performance measures are set for each output in relation to:

- » the quantity of goods and services delivered;
- » the quality of goods and services delivered;
- » the timeliness of their delivery; and
- » the cost of their delivery.

Each department's output mix (that is, quantity, quality, timeliness and cost) '*should give a balanced and complete performance picture of what the output is trying to achieve and how the delivery of the output will be measured*'.¹⁶

Each budget sees a number of existing measures discontinued and a number of new measures introduced.

Ideally, performance measures should be comparable over time. Nonetheless, the guidance notes the appropriateness of changing or discontinuing measures in a number of scenarios:¹⁷

- » *where a current measure can be replaced by a more appropriate measure and the new measure will provide significantly more meaningful information to the Parliament and the public;*
- » *it is no longer relevant due to a change in Government policy or priorities and/or departmental objectives;*
- » *milestones, projects or programs have been completed, substantially changed, or discontinued;*

¹⁴ *ibid.*

¹⁵ *ibid.*, p.109

¹⁶ *ibid.*, p.114

¹⁷ *ibid.*, p.117

- » *funding is not provided in the current budget for the continuation of the initiative; and*
- » *Parliament and the public can judge the success of output delivery without the measure.*

According to DTF, when setting targets for performance measures departments should:¹⁸

- » *be clear about what is to be delivered;*
- » *examine past trends, variations in performance and the performance of other providers;*
- » *align, where possible, with targets under the national reporting framework for COAG [the Council of Australian Governments];*
- » *consider the extent of influence the department can exert over the service to be delivered; and*
- » *consult with responsible ministers where required.*

As with performance measures, it is desirable that targets remain constant over time. However, targets should be reassessed where:¹⁹

- » *there is constant significant over or underperformance against the current target;*
- » *a policy change makes the current target unachievable; or*
- » *there is a change in the funding allocated to the delivery of goods and services measured under the output.*

There were 1,187 performance measures for 2013-14.²⁰ Performance measures are discussed further in Chapter 4 of this report and targets in Chapter 5.

2.2.2

Reporting on performance measures

Performance measurement is a key component of the regular reporting cycle. Plans and estimates are presented in the budget papers before the start of each financial year. A comparison of each department's results to its plans is included in the department's annual report after the end of the financial year.

This reporting cycle is shown in Figure 2.2.

Performance reporting to DTF is done twice every year, after the first six months of the financial year and at the end of the financial year in June.²¹ The end-of-year results are made publicly available through the departmental annual reports. The mid-year results are made exclusively to DTF. This reporting is intended to form the basis on which funding is provided to departments (see Section 2.3.2).

¹⁸ *ibid.*, p.115

¹⁹ *ibid.*

²⁰ Including one measure proposed for discontinuation in the 2013-14 budget papers which was reinstated in the 2013-14 Budget Update.

²¹ Department of Treasury and Finance, *Budget and Financial Management Guidances* 'BFMG – 48 Performance Reporting', October 2007, p.78

Figure 2.2

Reporting cycle in Victoria



Source: Public Accounts and Estimates Committee

2.2.3

Long-term and corporate plans

Departmental planning ‘helps departments identify and deliver outputs and infrastructure that will contribute in an effective, efficient, economical and timely way to the achievement of the department’s objectives and the delivery of the outcomes government wants to achieve’.²²

In 2013, the Government introduced new requirements for long-term and corporate plans which will be phased in over a number of years. When fully implemented, it is expected that these plans will be integrated with other components of the performance measurement system and the budgeting process.²³

2.3

The purpose of the performance measurement system

The performance measurement system is a tool to inform internal and external stakeholders about departments’ achievements. It assesses each department’s delivery of goods and services to the community, measures their impact, and compares the results during the financial year to what was planned in that year’s budget.

To understand how the system is intended to operate, it is important to understand the different roles that the Government, central agencies and departments play, exemplified by the ‘funder-purchaser-provider’ model.

2.3.1

The ‘funder-purchaser-provider’ model

The financial management reform program, which was implemented from 1998-99, included the following key elements:²⁴

- » *strategic oversight of resources by government;*
- » *an output management focus by departments;*
- » *protection of the Government’s interest as owner of the State’s businesses through enhanced management of capital assets; and*
- » *accountability for the use of resources.*

²² Department of Treasury and Finance, *A Guide to Corporate and Long-term Planning*, June 2013, p.2

²³ *ibid.*, pp.2-3

²⁴ Department of Treasury and Finance, *Reform of the Budget Sector: Elements of Financial Management*, October 1997, p.3

- DTF identified three main roles as part of this system:²⁵
- » the funder (that is, the Government), which decides which goods and services (outputs) best meet its priorities and funds them at specified levels of quantity, quality and price;
 - » the purchaser (the Ministers, departmental Secretaries and the departmental purchasing support group), which advises the Government which outputs will best meet its priorities and manages the provision of outputs in the most efficient and effective manner to achieve the Government's intended outcomes; and
 - » the provider, which actually delivers the goods and services – the provider may be departments' business units, government agencies or the private sector.

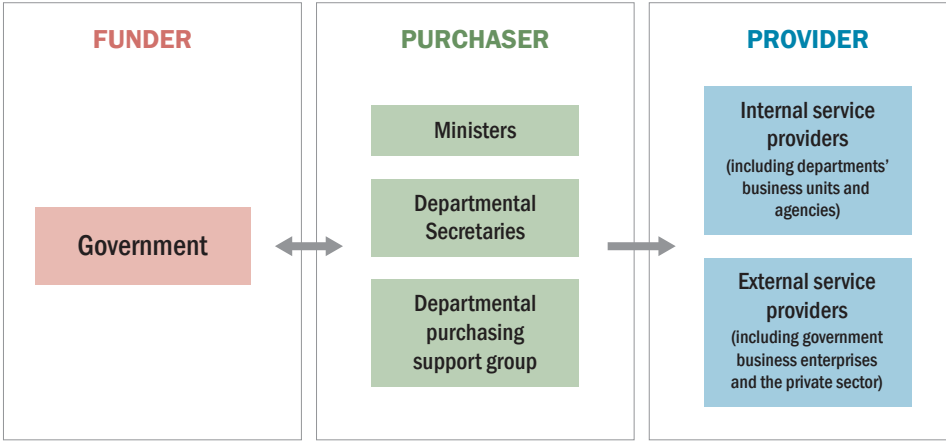
The Government also has a role as owner. In this capacity, it is responsible for maintaining and improving the productivity of the public sector asset base and maintaining departments' capacities to meet output delivery targets.²⁶

Central agencies have a role advising the Government.²⁷ Chapter 6 of this report examines the role of central agencies in more detail.

Figure 2.3 shows the interaction between the Government, departments and agencies under the framework.

Figure 2.3

The funder, purchaser and provider roles



Source: PAEC, based on Department of Treasury and Finance, *Reform of the Budget Sector: Elements of Financial Management*, October 1997, p.10

According to DTF, *'separation of the funder, purchaser and provider roles supports the exercise of choice in service providers and promotes value for taxpayers' money through clear purchasing options'*.²⁸ The system was intended to allow flexibility for departments to manage the provision of services, while allowing the Government to retain ultimate accountability for the State's finances.²⁹

25 *ibid.*, pp.10-11
26 *ibid.*, p.11
27 *ibid.*, p.10
28 *ibid.*, p.11
29 *ibid.*, p.9

2.3.2

The use of performance measurement information

In explaining the reform program in 1998-99, DTF indicated that:³⁰

Resource allocation decisions about which outputs to fund will be based on each output's contribution to government outcomes. This linkage will strengthen government's strategic and fiscal control, enabling limited resources to be allocated in line with government policy objectives.

...

... funding and purchasing decisions will be based on output specifications listing outputs and performance measures that inform the Government what it is funding, and at what price and quality standards. Output specifications and performance measures will support the monitoring of output delivery performance throughout the year.

The performance measurement system plays a number of key roles in the funder-purchaser-provider model.

In the first place, it details what the Government expects the purchasers (ministers and departments) to acquire. That is:³¹

... the outputs and their associated quantity, quality, timeliness and cost measures published in the budget papers represent the agreement between the Government and each respective Portfolio Minister, and their supporting department, on the goods and services that the Government intends to deliver in the coming financial year.

The system is also intended to communicate to the Government what departments believe they can achieve. The Government states that:³²

The Performance Management Framework requires departments to clearly describe what they intend to achieve for the community over the forward estimates period (i.e. current year plus three further years) and how the mix of outputs (goods and services) is intended to contribute to the achievement of departmental objectives.

This information is intended to be used by the Government in deciding what to fund.

³⁰ *ibid.*, pp.7-8

³¹ Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.118

³² Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 02 Performance Management Framework', July 2012, p.97; cf. Department of Treasury and Finance, *Reform of the Budget Sector: Elements of Financial Management*, October 1997, p.8

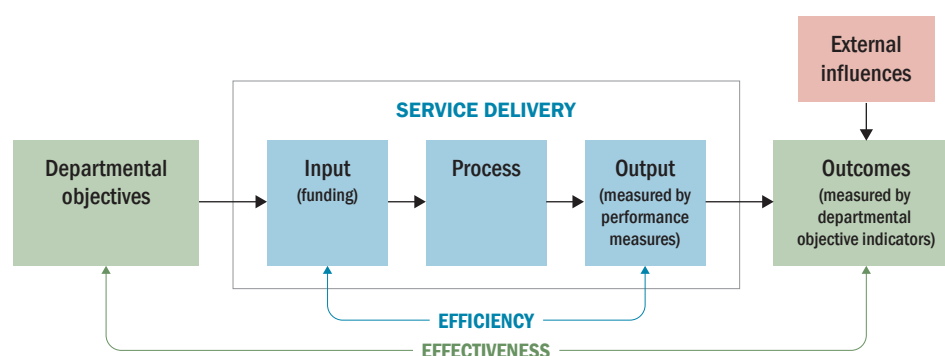
In addition, the system provides a means for monitoring performance. This can be useful for internal management within departments.³³ It also assists the Government to assess departments in their role as purchasers. Departmental performance statements are the basis for revenue certification, which is the acceptance by the Minister for Finance of a department's claim for funding. The decision is supposed to be based on the goods and services delivered by the department during the financial year. The Government's guidance indicates that, *'Revenue claimed by Departments is rejected when outputs do not meet their performance measures and service delivery has not occurred.'*³⁴

Similarly, DTF has indicated that the performance measurement system is supposed to reflect new initiatives³⁵ and to identify any impacts on service delivery from expenditure reduction initiatives.³⁶

Another key role of the system is to allow the Government to assess the efficiency and effectiveness of service delivery. Ensuring that the Government's intentions are met in an efficient and effective manner is a key part of the purchaser role in the funder-purchaser-provider model.³⁷ Efficiency can be measured through comparing the inputs (funding) to the outputs achieved with that funding (as assessed by the performance measures).³⁸ Effectiveness can be measured by comparing the intended outcomes (departmental objectives) with the actual outcomes (as identified through departmental objective indicators).³⁹ These relationships can be seen in Figure 2.4.

Figure 2.4

The performance measurement system's components, efficiency and effectiveness.



Source: Public Accounts and Estimates Committee, based on Victorian Auditor-General's Office, *Environment and Sustainability Sector*, June 2013, Figure 1A, p.2

33 Department of Treasury and Finance, *Budget and Financial Management Guidelines*, 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.116

34 Department of Treasury and Finance, *Budget and Financial Management Guidelines* 'BFMG – 51 Output Revenue Certification – Year End', December 2007, p.83; cf. Department of Treasury and Finance, *Reform of the Budget Sector: Elements of Financial Management*, October 1997, p.8. However, cf. Victorian Auditor-General's Office, *Portfolio Departments and Associated Entities: Results of the 2011-12 Audits*, November 2012, p.22

35 Department of Treasury and Finance, *Budget and Financial Management Guidelines* 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.113; Department of Treasury and Finance, *Guidance – General Government Sector (Budget Papers and Estimates Update)*, n.d., p.3

36 Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 111th Report to the Parliament – Report on the 2012-13 Budget Estimates – Part Two, tabled 12 March 2013, p.12

37 Department of Treasury and Finance, *Reform of the Budget Sector: Elements of Financial Management*, October 1997, p.11

38 Cf. Department of Treasury and Finance, *Budget and Financial Management Guidelines* 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.109

39 Department of Treasury and Finance, *Budget and Financial Management Guidelines* 'BFMG – 08 Departmental Objectives and Departmental Objective Indicators', May 2013, p.106

This information can be valuable for departments to fulfil their role of purchaser by:

- » helping them compare actual and potential service providers;⁴⁰ and
- » providing data to enable continuous improvement.⁴¹

A final key role for the performance measurement system is providing accountability to the public for a government's performance. As explained by the Victorian Auditor-General:⁴²

Performance reporting is central to achieving public accountability. It is important to demonstrate to Parliament and the community the extent to which public funds spent by agencies have achieved their intended outcomes.

Overall, according to DTF's guidance, good quality output performance measures:⁴³

- » *help Government to make informed decisions about allocating its resources;*
- » *allow departments to develop and assess standards of service delivery in line with Government expectations;*
- » *allow Parliament and the public to scrutinise and assess government performance and spending of public funds; and*
- » *provide the drive for continuous improvement.*

All of these functions rely on a robust and effective performance measurement system.

FINDING: DTF and the Government have indicated that DTF plays a variety of roles in the performance measurement system, ensuring that the system assists the Government in deciding what to fund, that goods and service are delivered effectively and efficiently, and that it provides accountability to the public for the use of public funds.

2.4

Government guidance

The Government has set out various requirements to guide departments in the development of appropriate components of the performance measurement system.

Table 2.1 shows the main documents that set out the performance measurement and reporting framework in the State. Additional documents set out requirements related solely to financial performance reporting.

40 Department of Treasury and Finance, *Budget and Financial Management Guidances* 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.111

41 *ibid.*, p.114; *Standing Directions of the Minister for Finance under the Financial Management Act 1994*, May 2012, p.51

42 Victorian Auditor-General's Office, *Performance Reporting by Departments*, May 2010, p.1

43 Department of Treasury and Finance, *Budget and Financial Management Guidances* 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.115

Table 2.1

Main guidance from the Government related to performance measurement and reporting in Victoria

Document	Relation to the performance measurement and reporting system
<i>Financial Management Act 1994</i>	Requires a description of the outputs to be delivered and the available funding, and a report of operations tabled at the end of the financial year (including a performance statement).
<i>Standing Directions of the Minister of Finance under the Financial Management Act 1994</i>	Sets out the basic requirements for the report of operations. It also requires departments to develop the performance measurement components according to the rules contained in the <i>Budget and Financial Management Guidances</i> and the Financial Reporting Directions.
Financial Reporting Directions (FRDs), especially FRD 22D 'Standard Disclosures in the Report of Operations'	Sets out requirements for the report of operations and financial information as part of departments' annual reports.
<i>2012-13 Model Report for Victorian Government Departments</i> (Model Report)	Introduces better practices and brings together requirements set out elsewhere for annual reports.
<i>Strategic Management Framework</i>	Defines the key elements involved in the management cycle for programs and projects, including the development of performance measures.
Budget and Financial Management Guidances (BFMGs) BFMG – 01 'Departmental Budget Planning'	Provides the framework for the annual budgeting process.
BFMG – 02 'Performance Management Framework'	Sets out the elements for resource allocation and how the departments should determine their performance measurement components.
BFMG – 03 'Corporate and Long-term Planning Requirements'	Specifies the minimum requirements for departments to develop their corporate and long-term plans.
BFMG – 08 'Departmental Objectives and Departmental Objective Indicators'	Specifies how to develop departmental objectives and departmental objective indicators.
BFMG – 09 'Output Specification and Performance Measures'	Specifies how departments should develop their outputs, output performance measures and targets.
BFMG – 15 'Specification and Pricing of Outputs Partly Funded Externally'	Describes the process when an output is partly funded from external sources.
BFMG – 16 'Changes to a Department's Budgeted Output Mix'	Provides the procedure to follow when a budgeted output mix needs to be amended during the financial year.
<i>A Guide to Corporate and Long-Term Planning</i>	Sets out the requirements for departments in developing their corporate and long-term plans.
Ministerial Reporting Directions	Ministerial Reporting Directions require certain aspects of information to be reported as part of relevant reports.
<i>Performance Management Framework</i>	Sets out the elements for resource allocation as part of departments' budget proposals.

Source: Public Accounts and Estimates Committee

The Committee notes that there are numerous documents that set out the framework for the performance measurement system. Some of these documents stand alone, while others make reference to additional requirements documented elsewhere. Some expand on requirements set out in other documents. The Model Report brings together all requirements relating to annual reports. However, there is no central document that is a single point of reference for all requirements of the performance measurement system.⁴⁴

In a previous report, the Committee recommended that DTF establish a central access point for all documents and resources related to performance management in Victoria.⁴⁵ In response, the Government supported this recommendation in principle indicating that ‘*DTF will continue to review access to guidance material and resources related to performance management to facilitate easy access by departments*’.⁴⁶

As discussed in the following chapters, departments have not always followed all aspects of the Government’s guidance. The Committee considers that making all guidance related to performance measurement easily available and readily accessible will help departments meet the Government’s requirements. Other ways of improving compliance are discussed in Chapter 6 of this report.

FINDING: The requirements for the performance measurement system continue to be spread through a substantial number of different documents, and over different locations on DTF’s website.

2.5

Recent changes to the system

The Government has introduced several modifications to the performance measurement system in recent years. In 2012-13, the budget papers indicated that:⁴⁷

The Government is implementing a number of reforms to enhance performance reporting informed by the recommendations of the Public Accounts and Estimates Committee’s (PAEC) 102nd Report on the 2011-12 Budget Estimates and the Victorian Auditor-General. Driving improvements in performance reporting supports clear and transparent accountability for service delivery and improved operations.

In 2012-13, departments have increased clarity of performance measures and output descriptions and reviewed performance targets.

Changes to performance statements in 2012-13 reflect a focus on:

- » *refining departmental objectives;*
- » *clearly linking objectives and outputs;*
- » *improving the quality of output descriptions;*

⁴⁴ Public Accounts and Estimates Committee, *Report on the 2012-13 Budget Estimates — Part Two*, September 2012, pp.118-9

⁴⁵ *ibid.*, Recommendation 30, p.119

⁴⁶ Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee’s 111th Report on the 2012-13 Budget Estimates – Part Two, tabled 29 November 2012, p.15

⁴⁷ Budget Paper No.3, *2012-13 Service Delivery*, May 2012, p.83

- » *renaming, editing, replacing and improving performance measures; and*
- » *enhancing explanations for changes to performance measures and targets.*

Furthermore, the 2013-14 budget papers indicate that '*the Government is continuing to reform departmental performance statements, building on reforms in previous years to improve the accountability and transparency of performance reporting*'.⁴⁸

The Committee notes that some of these modifications respond to the Committee's recommendations (discussed in Section 2.6), while others have been introduced as part of changes in the Government's approach to measuring performance.

The major changes to the performance measurement system relate to:

- » adding new departmental components to the system (specifically, departmental objectives and objective indicators);
- » enhancing explanation requirements in the budget papers and annual reports;
- » providing for a review of measures proposed for discontinuation each year; and
- » making historic data more readily available.

2.5.1

Departmental objectives and departmental objective indicators

Since the 2011-12 Budget, the budget papers have identified objectives at the departmental level. This replaced a previous system in which objectives were identified at a whole-of-government level.⁴⁹

Departmental objectives were specifically linked with individual outputs for the first time in the 2012-13 budget papers.⁵⁰ This linkage was further refined in the 2013-14 budget papers.⁵¹ This is discussed further in Section 3.2 of this report.

Indicators for departmental objectives were introduced in the 2013-14 budget papers.⁵² These indicators are intended to demonstrate, in conjunction with output performance measures, departments' achievements compared to their intentions.

Two departments have provided actual results for these indicators in their 2012-13 annual reports (see Section 3.3.1 of this report). The Committee anticipates more departments will report on these in future years.

FINDING: Objectives at the departmental level were introduced in the 2011-12 budget papers. Departmental objectives were specifically linked to outputs for the first time in the 2012-13 budget papers. Indicators for departmental objectives were introduced in the 2013-14 budget papers.

48 Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.67

49 Budget Paper No.3, *2010-11 Service Delivery*, May 2010, Chapter 2

50 Budget Paper No.3, *2012-13 Service Delivery*, May 2012, Chapter 2

51 *ibid.*

52 Budget Paper No.3, *2013-14 Service Delivery*, May 2013, pp.67-8

2.5.2

Explanation requirements

Explanations for changes to performance measures and targets, as well as for variances between targets and actual results, are essential for stakeholders to understand the Government's intentions and actual results. The Committee has previously identified a number of areas where explanations could be strengthened, including:⁵³

- » ensuring explanations are clear and complete;
- » identify the underlying cause of variances and/or whether the factors are internal or external;
- » providing more than just a restatement that there was a variance; and
- » reducing the extent to which explanations are speculative.

The Government has subsequently enhanced the guidance for explanations in the budget papers (through the Budget Papers and Estimates Update)⁵⁴ and departmental annual reports (through the Model Report).⁵⁵

Explanations for changes in performance measures and targets, as well as the clarity and usefulness of explanations for variations between targets and actual results, are discussed in Chapter 5 of this report.

2.5.3

Reviewing discontinued measures

Since the 2011-12 Budget, the Government has invited the Committee to review the output performance measures that departments have proposed be discontinued or substantially changed. After receiving the Committee's advice, the Government makes changes where it considers appropriate. The Government states:⁵⁶

This is to ensure measures that are substantially changed, or are proposed to be discontinued, are given a high degree of scrutiny. This review also ensures that comparisons of service delivery performance can be maintained from year to year, while recognising the importance of annually evaluating the quality of measures.

The Government has also developed criteria to help departments determine when it is appropriate to substantially change or discontinue a measure.⁵⁷ These criteria are similar to criteria used by the Committee in its reviews.⁵⁸

The number of performance measures reviewed by the Committee since 2011-12 is shown in Table 2.2.

53 Public Accounts and Estimates Committee, *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, April 2012, pp.194-8

54 Department of Treasury and Finance, *Budget Papers Guidance – General Government Sector (Budget Papers and Estimates Update)*, n.d., pp.9-10

55 Department of Treasury and Finance, *2012-13 Model Report for Victorian Government Departments*, April 2013

56 Budget Paper No.3, *2011-12 Service Delivery*, May 2011, p.149

57 Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 09 Output Specification and Performance Measures', July 2012, pp.117-8

58 Public Accounts and Estimates Committee, *Report on the 2011-12 Budget Estimates – Part Two*, June 2011, p.25; *Report on the 2012-13 Budget Estimates – Part One*, June 2012, p.24

Table 2.2

Number of performance measures reviewed by the Committee, 2011-12 to 2013-14

	Proposed by the Government to be discontinued	Proposed by the Committee to be reinstated	Performance measures reinstated in the Budget Update
2011-12	128	9	9
2012-13	194	25	12
2013-14	106	4	1
Total	428	38	22

Source: Public Accounts and Estimates Committee

2.5.4

Historic data

With the 2012-13 Budget, DTF started publishing historic information about performance measures on its website. This includes results data from 2007-08 onwards and targets from 2008-09 onwards for measures included in the latest budget. Data have been matched with the 2013-14 output structure to allow comparability (even in cases where performance measures have been renamed or restructured).⁵⁹

FINDING: Online data sets with information related to the current performance measures from 2007-08 onwards (where available) have been published on DTF's website.

2.5.5

Long-term and corporate plans

As noted in Section 2.2.3 of this report, the Government produced a new planning framework for departments in 2013 '*to ensure the sustainability of both the Budget position and the delivery of outputs and infrastructure to Victoria*'.⁶⁰ This framework is described in *A Guide to Corporate and Long-term Planning*. According to this document, effective long-term planning can:⁶¹

- » *inform government on how their desired outcomes are being achieved; and*
- » *enable government to consider reform options and set future priorities for departments.*

The new framework is being phased in over a number of years. It requires departments to develop long-term plans with a 10-year horizon, with reviews and updates every four years (on an annual basis, initially). Additionally, the Government requires departments to develop four-year corporate plans (budget year plus the forward estimates period), with annual revisions and updates.⁶²

It is intended that the new plans will be integrated with the performance measurement system and budget processes.

⁵⁹ Department of Treasury and Finance, 'Departmental Statements', <www.dtf.vic.gov.au/Publications/Victoria-Economy-publications/Departmental-statements>, accessed on 18 September 2013

⁶⁰ Department of Treasury and Finance, *A Guide to Corporate and Long-term Planning*, June 2013, p.1

⁶¹ *ibid.*

⁶² *ibid.*, p.7

2.6

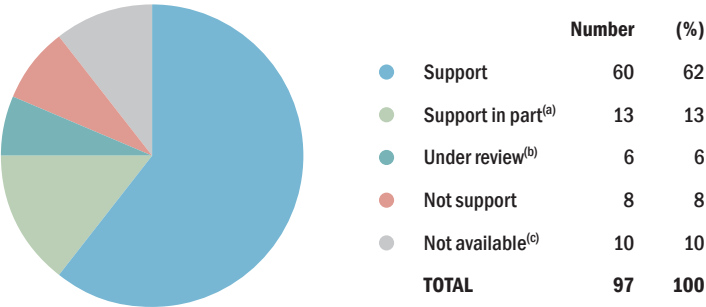
Previous Committee recommendations

The Committee has made 97 recommendations related to the performance measurement system in previous reports during the 57th Parliament. These recommendations have mostly emphasised areas where the system’s components can be more effectively aligned to better practice and areas where the Government could improve its guidance to departments.

Figure 2.5 shows the Government’s responses to the Committee’s recommendations. A detailed list of these recommendations and the Government’s responses is provided in Appendix A2.1.

Figure 2.5

Responses to the Committee’s recommendations on performance measurement during the 57th Parliament



(a) Includes responses ‘support in part’ and ‘support in principle’.
(b) Includes responses ‘under review’ and ‘for further consideration’
(c) These refer to recommendations made in the *Report on the 2013-14 Budget Estimates – Part Two*
Source: Public Accounts and Estimates Committee

Of the 87 recommendations that have been responded to so far, the Government has indicated that it fully or partially supports 84 per cent of the recommendations with 69 per cent fully supported.

The implementation of these recommendations is discussed throughout this report.

FINDING: The Committee has made 97 recommendations relating to the performance measurement system during the 57th Parliament. The Government has expressed full or partial support for 84 per cent of the recommendations to which it has responded to date.

2.6.1

The Committee’s focus in previous recommendations

The Committee’s previous recommendations on the performance measurement system have addressed a variety of areas, including:

- » Government guidance to departments and DTF’s quality control processes;
- » the development of better-practice performance measures, departmental objectives and departmental objective indicators;
- » the integration of goals, plans and targets through planning and reporting;
- » reporting results and explaining variances; and
- » producing expected outcomes and setting targets.

The Committee has emphasised in different reports the importance of each of these areas. The Committee acknowledges the changes made in recent years (see Section 2.5 of this Chapter) and understands that further changes are planned. Some of the recent changes have been in response to the Committee's recommendations.

The following chapters of this report examine the current situation with respect to these areas.

Government guidance to departments

As one of the central agencies, DTF is responsible for producing and updating practical guidance for departments relating to the performance measurement system.

As discussed in Section 2.4, a number of documents provide departments with guidance on how to develop the components of the system.

The Committee has previously noted the importance of consolidating and simplifying this guidance to make it easy for departments to follow.⁶³

The performance measurement system includes the involvement of multiple people and organisations, including DTF, the departments, relevant ministers and the Minister for Finance. The Committee has previously noted the importance of defining the responsibilities of each participant in relation to performance measures, targets and the expected outcomes published in the budget papers.⁶⁴

The role of DTF and quality assurance processes in the performance measurement system are discussed in Chapter 6 of this report.

Development of better-practice performance measures, departmental objectives and departmental objective indicators

The Committee's *Report on the 2011-12 Budget Estimates* detailed the criteria for good performance measures acknowledged in the current authoritative literature, along with three key principles developed by the Victorian Auditor-General (relevance, appropriateness and presentation).⁶⁵

The Committee has continually advocated, along with the development of practical guidance materials, for all departments to ensure that they meet better practice in performance measurement.⁶⁶ The Committee has encouraged DTF to work with departments to increase the number of meaningful, transparent and appropriate performance measures, especially regarding the qualitative aspects of service delivery.⁶⁷

Chapter 4 of this report discusses the clarity and quality of performance measures in Victoria.

63 Public Accounts and Estimates Committee, *Review of the 2009-10 and 2010-11 Annual Reports*, June 2011, p.9

64 Public Accounts and Estimates Committee, *Report on the 2011-12 Financial and Performance Outcomes*, May 2013, p.55

65 Public Accounts and Estimates Committee, *Report on the 2011-12 Budget Estimates — Part Two*, June 2011, pp.6-9

66 *ibid.*, pp.6-9, 13

67 *ibid.*, pp.19-21, 38

Prior to the introduction of departmental objectives and departmental objective indicators, the Committee made a number of recommendations about the importance of ensuring that some performance measures are outcomes-focused.⁶⁸ The introduction of separate departmental objectives and departmental objective indicators makes these recommendations redundant. The Committee has previously made recommendations to ensure that these objectives and indicators relate to the impact on the community.⁶⁹ Objectives and objective indicators are discussed in detail in Chapter 3 of this report.

The integration of goals, plans and targets throughout documents

The Committee has noted the extent to which the different components of the performance measurement system are integrated into departments' planning and reporting documents. The Committee considers that this integration, including the clear linkage between policy objectives, inputs, outputs and expected outcomes, is crucial in enhancing transparency and accountability.⁷⁰

The Committee has recommended that all entities should explicitly quote the strategic goals, objectives and targets set out in previous documents, and indicate the entity's progress for the year towards those goals, objectives and targets.⁷¹

The new *Guide to Corporate and Long-term Planning* has introduced requirements for departments to develop 10-year long-term plans and four-year corporate plans, with an emphasis of integrating these into the budgetary process.⁷² As these requirements are currently being phased in, the Committee has not examined the extent to which integration has been achieved to date.

Reporting results and explaining variances

In the *Review of the 2009-10 and 2010-11 Annual Reports*, the Committee introduced the key elements and criteria for better-practice reporting (see further in Section 7.3 of this report). The Committee recommended these criteria for departments' consideration when producing annual reports and for DTF's consideration in producing guidance.⁷³

The Committee has also previously identified cases where explanations for variances between actual results and targets could be improved. The Committee recommended that DTF provide departments with further guidance relating to the required standards for explanations about these variances.⁷⁴

Better practice in reporting results and providing explanations for variances is discussed in Chapter 5 of this report.

68 Public Accounts and Estimates Committee, *Report on the 2011-12 Budget Estimates — Part Two*, June 2011, p.13

69 Public Accounts and Estimates Committee, *Report on the 2012-13 Budget Estimates — Part Two*, September 2012, p.101; and Public Accounts and Estimates Committee, *Report on the 2013-14 Budget Estimates — Part Two*, October 2013, p.135

70 Public Accounts and Estimates Committee, *Report on the 2011-12 Budget Estimates — Part Two*, June 2011, p.13

71 Public Accounts and Estimates Committee, *Review of the 2009-10 and 2010-11 Annual Reports*, February 2012, p.43

72 Department of Treasury and Finance, *A Guide to Corporate and Long-term Planning*, June 2013, pp.7, 16

73 Public Accounts and Estimates Committee, *Review of the 2009-10 and 2010-11 Annual Reports*, February 2012, pp.15-19

74 Public Accounts and Estimates Committee, *Report of the 2009-10 and 2010-11 Financial and Performance Outcomes*, April 2012, Recommendation 41, p.197

Providing expected outcomes and setting targets

The Committee has previously highlighted cases where targets were not set appropriately, either at an unambitious level which could easily be exceeded, or at an unrealistic level.

The Committee has recommended that DTF ensure it has systems in place to assess the appropriateness and robustness of targets suggested by the departments.⁷⁵

Each department is responsible for reporting its expected outcomes for the financial year at the time of the Budget (that is, approximately two months before the end of the financial year). The expected outcome for each performance measure is one of the main inputs into the process of setting the target for the next year.

In previous reports, the Committee has highlighted cases where the expected outcome varies significantly from the actual result published in the annual report. The Committee has recommended that DTF ensure it has systems in place to assess if a department's expected outcomes are reliable.⁷⁶

The appropriateness of current targets is discussed in detail in Section 5.2.

⁷⁵ *ibid.*, Recommendation 39, p.194.

⁷⁶ *ibid.*, Recommendation 40, p.194

DEPARTMENTAL OBJECTIVES AND DEPARTMENTAL OBJECTIVE INDICATORS

3.1

Introduction

Chapter 2 of this report discusses the components of the performance measurement system and how they relate to each other. This chapter focuses on departmental objectives and departmental objective indicators, how they are expressed and how progress towards their achievement is reported.

The Government's performance measurement framework is currently undergoing a transition which is not expected to be complete before the end of 2015-16.⁷⁷ Departmental objectives were introduced for the first time in the 2011-12 budget papers, replacing the previous system of whole-of-government objectives. The departmental objectives were refined in subsequent budgets. Links between the departmental objectives and departments' outputs were introduced in the 2012-13 budget papers. Departmental objective indicators, with links to departmental objectives, were included for the first time in the 2013-14 budget papers.

Along with these developments in the budget papers, requirements for departmental planning documents are also being refined. These documents are required to progressively introduce links to the departmental objectives and objective indicators contained in the budget papers. It is also expected that departmental objectives and departmental objective indicators will be reported on in future departmental annual reports.⁷⁸

As the new requirements are still being phased in, the Committee will assess the extent to which budget papers, departmental planning documents and annual reports are currently aligned, as part of a future inquiry.

The questions addressed in this chapter are:

- » What are the requirements for departmental objectives? Have departments satisfied these requirements? (Section 3.2)
- » How much progress have departments made towards constructing and reporting against departmental objective indicators? (Section 3.3)

The objectives and objective indicators assessed in this chapter are the ones included in the 2013-14 budget papers.

As a result of its investigations, the Committee has identified a number of objectives where the objective or its indicators should be reviewed by departments. These are listed in Appendices A3.1 and A3.2. Recommendations relating to these objectives have been included in Chapter 1 of this report. Departments might focus on these objectives as they refine their components of the performance measurement system in future years.

⁷⁷ Department of Treasury and Finance, *A Guide to Corporate and Long-term Planning*, June 2013, p.16

⁷⁸ Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.68

3.2

Departmental objectives

As discussed in Chapter 2 of this report, the Government's guidance requires that departmental objectives be:

- » outcomes-based (that is, they should identify the impact on the community rather than detail what is delivered);⁷⁹ and
- » linked to the department's outputs.⁸⁰

3.2.1

Objectives are outcomes-based

The Committee examined the 2013-14 objectives to determine whether they were outcomes-based. In order to be outcomes- (or results-) based, an objective must primarily focus on the effect the department's activities have on the community, rather than the goods or services the department provides.⁸¹

The Committee found that a number of the objectives in the 2013-14 budget papers were outcomes-based.⁸² The following objectives, for example, both demonstrate a clear focus on outcomes in the community:

- » Reduced impact of major bushfires and other extreme events on people, infrastructure and the environment;⁸³ and
- » With its partners, the Department supports people in crisis, and helps individuals and families get their lives back on track.⁸⁴

However some objectives in the 2013-14 budget papers did not have a clear outcomes focus. For example, the measure '*Deliver efficient whole of government common services to the Victorian public sector*';⁸⁵ is centred around services for the benefit of government departments, without identifying a desired impact on the wider community.

In addition, there are a number of objectives that the Committee considers are only partially outcomes-based, require additional assumptions or are unclear. For example, the objective '*Improve the quality, effectiveness and efficiency of healthcare services for Victorians*'⁸⁶ was considered only partially outcomes-based. While the quality and effectiveness of healthcare relate to benefits to the community, in terms of cost reduction, the efficiency of the services results in a benefit to the Department, rather than the community.

Appendix A3.1 contains further examples of departmental objectives that the Committee considers should be reviewed to determine whether a stronger or clearer outcomes focus could be introduced.

79 Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 02 Performance Management Framework', July 2012, p.97

80 Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 08 Departmental Objectives and Departmental Objective Indicators', May 2013, p.104

81 *ibid.*

82 In some cases, this was not apparent from the departmental objectives themselves, but was made clear from the associated indicators.

83 Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.96

84 *ibid.*, p.149

85 *ibid.*, p.278

86 *ibid.*, p.118

The Committee notes that the Victorian Auditor-General's Office and the Parliamentary Departments did not express any of their objectives as outcomes, but instead included a list of aims in the budget papers.⁸⁷ None of these identifies community benefits. The Committee understands that it is difficult to express objectives as outcomes in this case as the Victorian Auditor-General's Office and the Parliamentary Departments do not primarily deliver services to the community.

FINDING: Though some departmental outcomes included in the 2013-14 budget papers meet the Government's requirement to be outcomes-based, others only partially meet this requirement or do not meet it at all. Some, including the Victorian Auditor-General's Office and the Parliamentary Departments, have difficulty in expressing objectives as outcomes as they do not primarily deliver services to the community.

3.2.2

Linkage to departmental outputs

Departments are required to link each departmental objective with its supporting outputs in the budget papers.⁸⁸ This linkage is important to assist the Government and the community in understanding how the outputs will contribute to the Government's intended outcomes.

However, in some cases, the way in which outputs support their objectives has not been made clear, as:

- » in the table linking objectives with outputs, some activities listed under the heading 'outputs' as supporting objectives are not the outputs listed in the budget papers;⁸⁹ and
- » two departments⁹⁰ have listed all outputs as supporting all objectives. The contribution of some of these outputs to their objectives is clear. However, an objective relating to the *Ambulance Services and Ageing, Aged and Home Care* outputs, to 'reduce preventable disease and protect the community from public health hazards'⁹¹ requires additional explanation.

These practices make it harder for stakeholders to understand what activities the departments are undertaking to achieve their objectives. The Committee hopes to see these issues addressed as part of future improvements to the system.

FINDING: In some cases, the linkage between departmental objectives and outputs in the budget papers is not clear.

⁸⁷ *ibid.*, pp.301-2

⁸⁸ Department of Treasury and Finance, *Budget Papers Guidance – General Government Sector (Budget Papers and Estimates Update)*, n.d., p.2; *Budget and Financial Management Guidances*, 'BFMG – 08 Departmental Objectives and Departmental Objective Indicators', May 2013, p.103 and 'BFMG – 02 Performance Management Framework', July 2012, p.96

⁸⁹ For example, the Department of Premier and Cabinet's 'Monitor and coordinate delivery of responses to significant issues' (Budget Paper No.3, 2013-14 Service Delivery, May 2013, p.201)

⁹⁰ The Department of Education and Early Childhood Development and the Department of Health.

⁹¹ Budget Paper No.3, 2013-14 Service Delivery, May 2013, p.118

RECOMMENDATION 13: In preparing future budget papers, departments focus on ensuring that the causal connection between outputs and departmental objectives is clear.

RECOMMENDATION 14: The Department of Education and Early Childhood Development and Department of Health clarify the causal connection between their outputs and departmental objectives in future years by establishing objectives which are relevant to only some of their outputs, rather than objectives to which all outputs contribute.

3.3

Departmental objective indicators

The Committee examined some aspects of the 2013-14 departmental objective indicators in its *Report on the 2013-14 Budget Estimates — Part Two*.⁹² The Committee made several recommendations about ways that the indicators could be brought more closely into line with the Government's guidance. The Government is expected to respond to recommendations in this report in April 2014. Since the Committee's report, departments have released their annual reports for 2012-13, some of which report on the departmental objective indicators. This has enabled the Committee to better understand some departmental objective indicators.

The Committee notes again that the system of reporting is still in transition towards more integration between budget papers and annual reports. This is the first year that departments have reported actual results for departmental objective indicators in their annual reports. The process of quantifying these indicators has prompted some changes in departments' objectives and indicators.⁹³ The Committee expects that this process will continue while the new system is in its infancy.

3.3.1

Results in annual reports

In the 2012-13 budget papers, no departments provided departmental objective indicators. However, the 2013-14 budget papers specified indicators and stated that progress figures for departmental objective indicators would be published in the 2012-13 annual reports.⁹⁴ The Committee is not aware of any further guidance provided for departments. Financial Reporting Directions and the *2012-13 Model Report for Victorian Government Departments* (the Model Report) require only that departments 'articulate the department's ... objectives',⁹⁵ with no mention of departmental objective indicators.

⁹² Public Accounts and Estimates Committee, *Report on the 2013-14 Budget Estimates — Part Two*, October 2013, pp.134-7

⁹³ Notably, the Department of Transport, Planning and Local Infrastructure has consolidated its four transport-related objectives into three, as the indicators for the fourth objective 'contribute to the achievement of the three [remaining] objectives' (*Annual Report 2012-13*, p.14)

⁹⁴ Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.68

⁹⁵ Department of Treasury and Finance, *2012-13 Model Report for Victorian Government Departments*, April 2013, p.10. Cf Financial Reporting Direction 22D (Standard Disclosures in the Report of Operations), June 2013, p.2

The Committee has previously recommended that the Department of Treasury and Finance alter the Model Report to require departments to report on their actual results for all objective indicators stated in the budget papers.⁹⁶ The Government has not yet responded to the recommendation.

Most government departments⁹⁷ followed the guidance in the Model Report and listed their departmental objectives.

Two departments⁹⁸ provided quantified actual results for their departmental objective indicators in their 2012-13 annual reports.

The annual report of the Department of Education and Early Childhood Development contains a five-page section⁹⁹ that includes:

- » quantifying the departmental objective indicators that were listed in the 2013-14 budget papers;
- » up to five years of actual results for each indicator;
- » sources for the results;
- » commentary on the results; and
- » in some cases, the identification of areas for future improvement.

The Committee considers this to be better practice, as it clearly documents the Department's progress towards its objectives, supports transparency for the Department and provides accountability to stakeholders. This information enables the reader to understand the results by providing a comparison to previous years, explanations for changes and potential understanding of limitations of the data. It meets a number of the better-practice criteria for annual reporting identified by the Committee (see Chapter 7 of this report).

The Committee encourages other departments to use this as a standard in future annual reports.

FINDING: Two departments provided actual results for their departmental objective indicators in their 2012-13 annual reports. The Committee considers that the Department of Education and Early Childhood Development's report was particularly informative.

RECOMMENDATION 15: In updating the Model Report to detail reporting on departmental objective indicators, the Department of Treasury and Finance use the Department of Education and Early Childhood Development's 2012-13 annual report as a model.

⁹⁶ Public Accounts and Estimates Committee, *Report on the 2013-14 Budget Estimates — Part Two*, October 2013, Recommendation 25, p.137

⁹⁷ The Department of Health has included a list of objectives, but these are the focus areas set out in the 2013-14 budget papers (Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.117) which are different to the Department's formal departmental objectives (Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.118).

⁹⁸ The Department of Education and Early Childhood Development and the Department of Transport, Planning and Local Infrastructure.

⁹⁹ Department of Education and Early Childhood Development, *Annual Report 2012-13*, pp.19-23

3.3.2

Assessment of indicators

All government departments listed departmental objective indicators in the 2013-14 budget papers. In addition, as noted above, two departments provided results for their objective indicators in their 2012-13 annual reports.

However, it will not be possible to fully assess some indicators until actual results are published in future budget papers or annual reports. How an indicator will be measured is not always clear from its description. Seeing how an indicator is quantified will allow a better understanding of the scope and content of the indicator, and how it supports the objective.

The Committee notes that the system is still in development.

As the system is further developed, the Committee expects that work ensuring that indicators are relevant and comprehensive will be beneficial. Objectives where the indicators should be considered have been included in Appendix A3.2. Chapter 1 of this report includes recommendations that departments should review these objectives.

The Committee is not aware of any guidance from the Department of Treasury and Finance¹⁰⁰ that requires departmental objective indicators to be comprehensive.

The guidance notes that *'each departmental objective may require one or more indicators in order to demonstrate performance and that the objective has been achieved'*.¹⁰¹ However, the guidance also points out that *'in general, there should be no more than three indicators for each departmental objective'*.¹⁰²

The Committee understands that a requirement that departmental objective indicators comprehensively cover all aspects of departmental objectives may be unworkable. However, it considers that, to avoid missing important aspects of departmental objectives, the guidance should specify that all key aspects of departmental objectives should be supported by departmental objective indicators.

The restriction to generally no more than three indicators may also make it harder for departments to cover all key aspects of some objectives. The Committee notes that five departments¹⁰³ have included more than three indicators for at least one of their departmental objectives. This suggests that there are cases where departments considered that three indicators were unable to comprehensively describe the objective. The Committee considers that this restriction should be altered.

FINDING: In some cases, departmental objective indicators appear not to align with all aspects of the relevant departmental objective. Some indicators appear not to be relevant to the objective, and some outcomes identified in objectives are not measured by any indicators.

100 Guidance for departmental objectives and departmental objective indicators is primarily contained in the Department of Treasury and Finance's 'BFMG – 08 Departmental Objectives and Departmental Objective Indicators'.

101 Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 08 Departmental Objectives and Departmental Objective Indicators', May 2013, p.106

102 *ibid.*

103 Department of Education and Early Childhood Development; Department of Health; Department of Justice; Department of Premier and Cabinet; and Department of Transport, Planning and Local Infrastructure.

RECOMMENDATION 16: The Department of Treasury and Finance alter its guidance to specify that all key aspects of departmental objectives should be measured by objective indicators.

RECOMMENDATION 17: The Department of Treasury and Finance alter its guidance to recommend a higher number of indicators than three as the maximum for each departmental objective.

THE CLARITY AND QUALITY OF PERFORMANCE MEASURES

4.1

Introduction

Performance measures are set in the budget papers before the start of each financial year. As discussed in Chapter 2, performance measures are supposed to clearly identify what the Government expects to be delivered with the funding it provides to departments. Departments' actual performance compared to targets is reported each year in their annual reports.

This information serves a number of functions which are essential in the funder-purchaser-provider model (see Section 2.3.1 of this report). The Budget and Financial Management Guidances (BFMGs) explain that:¹⁰⁴

Good quality output performance measures:

- » *help government to make informed decisions about allocating its resources;*
- » *allow departments to develop and assess standards of service delivery in line with government expectations;*
- » *allow Parliament and the public to scrutinise and assess government performance and spending of public funds; and*
- » *provide the drive for continuous improvement.*

These functions are further discussed in Section 2.3.2 of this report.

To effectively fulfil these functions, performance measures must be able to clearly communicate what the Government expects and what departments actually achieve in a year. If performance measures cannot communicate this information, the Government, Parliament, community and departments will not be able to use them to achieve the goals listed above.

Recent reports by the Committee have included a number of recommendations related to the clarity and quality of performance measures, most of which have been supported by the Government (see Section 2.6 of this report). This chapter examines the current performance measures and identifies areas where further improvements could be made.

The performance measures are examined in relation to the following themes:

- » What makes a clear performance measure? (Section 4.2)
- » What sorts of measures best provide meaningful information about departmental performance? (Section 4.3)
- » How can measures be made robust so that they provide reliable information? (Section 4.4)

¹⁰⁴ Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.115

This chapter examines the way in which performance measures are constructed. This includes the types of target that result from the ways that measures are constructed. Chapter 5 of this report looks at the actual numbers chosen for targets and whether or not these are appropriate.

Overall, the Committee identified 225 performance measures which it considers that departments should review. These measures are listed by department in Appendices A4.1-4.11 of this report. In many cases, relatively minor changes to the measures would make them significantly clearer. The following sections of this chapter detail the different sorts of improvement that should be considered.

Recommendations relating to each department have been included in Chapter 1.

4.1.1

Limitations of this review

In undertaking this review, the Committee has mostly been restricted to publicly available information. Using this information, the Committee has identified performance measures where a review by departments may be beneficial. However, in some cases, this information is limited and insufficient to properly understand the measure. As a result, some of the measures listed in the appendices to this chapter may not need any change. There may also be measures which need change that have not been identified through this process.

The difficulty of understanding the performance measures from the information currently available does not only impact on the Committee. Any person trying to understand some measures (and therefore departmental performance) will experience similar limitations.

The Committee recognises that the amount of information that can be included in the budget papers and annual reports is limited by practical considerations. However, the Committee has previously recommended that supporting information be published elsewhere, explaining the basis for performance measures.¹⁰⁵ The Committee cited the United Kingdom's 'measurement annexes' as a model for consideration. These are spreadsheets which provide a number of details for each measure that are published online. The Government responded to this recommendation by indicating that it would be considered during 2013.

In the meantime, the Committee has undertaken this review to highlight areas where departments may wish to look in more detail at their measures. This review is not intended to replace the need for departments to undertake their own reviews, as is required by the BFMGs.¹⁰⁶ The Committee hopes that the work undertaken in this chapter and the next may stand as an example of the type of analyses that departments and others should regularly undertake in their reviews.

¹⁰⁵ Public Accounts and Estimates Committee, *Report on the 2012-13 Budget Estimates — Part Two*, September 2012, Recommendation 27, p.115

¹⁰⁶ Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.110

4.2

Clarity

For performance measures to effectively communicate information about departments' performance, it must be clear exactly what is being measured. The BFMGs explain:¹⁰⁷

High quality output performance measures should be written in clear, concise, and non-technical language so that they can be easily understood and easily related to the performance of the output. There should be no ambiguity about what is being measured.

The BFMGs also include the following checklist to assess the quality of performance measures:¹⁰⁸

- » *Is the measure written in clear language and unambiguous?*
- » *Is the measure readily interpretable by Parliament and the community?*
- » *Is it clear what the measure is intended to show and why it is important?*

A lack of clarity can potentially lead to uncertainty, confusion or misinterpretation, which will reduce stakeholders' capacity to use performance measures in the ways intended.

The Committee considers that a performance measure can be considered clear and precise when:

- » it is clear what is being measured;
- » it is clear how it is measured;
- » the title is expressed in plain English; and
- » it is clear what results count as a desirable outcome.

4.2.1

Clarity about what is measured

As noted above, the BFMGs require there to be no ambiguity about what is measured. In most cases, the titles are sufficiently clear to prevent ambiguity. The number of 'Country road cases' within the *Ambulance Emergency Services* output,¹⁰⁹ for example, appears to be straight-forward.

In some cases where there might be ambiguity, information has been included in the titles to explain what is being measured. Examples include:

- » 'Funded projects (any project or activity funded from the Office of Women's Affairs budget, including programs funded by Office of Women's Affairs but delivered in partnership with another agency or service) meet agreed project objectives', which explains what counts as a funded project;¹¹⁰ and

¹⁰⁷ *ibid.*, p.116

¹⁰⁸ *ibid.*

¹⁰⁹ Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.128

¹¹⁰ *ibid.*, p.168

- » ‘Percentage of VET [vocational education and training] graduates who rate quality of training as four or more out of five’, which clearly indicates whose opinion is measured and what standard is expected.¹¹¹

In other cases, notes within the budget papers clarify aspects of the measurement of performance measures. With respect to the ‘Kindergarten participation rate’, the budget papers explain:¹¹²

This performance measure relates to the calendar year.

This performance measure excludes second year participants.

For some measures, however, there are ambiguities which are not explained in the title or in notes. This is an issue which has been raised by the Committee previously and addressed in some cases.

For example, the Committee previously noted the ambiguity as to what was being measured by Department of Transport, Planning and Local Infrastructure’s measure ‘Progress of Regional Rail Link’.¹¹³ It was not clear whether the measure related to the proportion of funding spent, milestones met, track laid or some other proportion. The Committee notes that the Department’s *Annual Report 2012-13* includes a comment that, ‘*The percentage progress reflects cumulative expenditure for the project compared to the total approved budget.*’¹¹⁴ This disclosure provides improved clarity and should be reflected in future budget papers and annual reports.¹¹⁵

The Committee notes that there are a number of performance measures where similar clarification of what is measured would also be beneficial. Examples include:

- » ‘Transport safety regulation: audits conducted to identify gaps between currently deemed accredited bus operators systems and the *Bus Safety Act 2009 (Vic)* requirements’,¹¹⁶ where the target is the proportion of applicable operators,¹¹⁷ although the budget papers only indicate that the target was a percentage, without stating what it is a percentage of;
- » ‘Compliance with relevant industry standards for animal welfare’,¹¹⁸ which has a target of 25 – the Department of Primary Industries’ annual report indicates that this measures the number of audits conducted,¹¹⁹ but this is not clear from the performance measure title;
- » ‘Deadlines met for major milestones’,¹²⁰ for which no details are provided about what projects this is in relation to or what constitutes a major milestone; and

111 *ibid.*, p.88

112 *ibid.*, p.78

113 *ibid.*, p.258 (formerly just ‘Regional Rail Link’); see Public Accounts and Estimates Committee, *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, April 2012, p.185; Public Accounts and Estimates Committee, *Report on the 2011-12 Financial and Performance Outcomes*, May 2013, p.90

114 Department of Transport, Planning and Local Infrastructure, *Annual Report 2012-13*, p.118

115 While the Committee considers that an improved description would provide clarity, this does not mean that the Committee considers that this measure is necessarily appropriate or sufficient for the *Regional Rail Link* project. As noted in Section 4.3.1 of this report, having only this one measure for the project seems disproportionate to the size of the investment and the level of detail of other projects.

116 Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.245

117 Department of Transport, Planning and Local Infrastructure, response to the Committee’s 2012-13 Financial and Performance Outcomes – Entity-Specific Questionnaire, received 6 February 2014, p.4

118 Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.112

119 Department of Primary Industries, *Annual Report 2012-13*, p.66

120 Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.297

- » ‘Success measures of projects achieved’,¹²¹ for which there are also no details about the projects measured or what constitutes a ‘success measure’ – the Department informed the Committee that this is about time and cost milestones for infrastructure projects, but this is not clear from the budget papers.¹²²

Further examples where the clarity of what is being measured could be improved have been included in Appendices A4.1-A4.11. A number of these measures use terms such as ‘interactions’, ‘activities’ or ‘products’. The Committee considers that such terms by themselves are generally not sufficient to provide clarity about what is measured.

In some cases, in addition to improving the clarity of the measure, other changes would also be beneficial. Where this has been identified by the Committee, the Appendices indicate multiple factors for departments to consider (and these factors are discussed in the other sections of this chapter). In some cases, however, the lack of clarity around the measure makes it impossible to assess whether it is relevant to the outputs and provides appropriate information about departmental performance. Further assessments of performance measures may be required once what is being measured has been clarified.

FINDING: For most performance measures, sufficient details are provided for the Parliament and community to understand what is being measured. However, some measures would benefit from additional details to enhance the clarity of the measure and enable better assessment of the measure’s appropriateness and relevance to the output.

4.2.2

Clarity about how it is measured

The Government’s guidance also highlights the importance of transparency in performance measures. The BFMGs explain:¹²³

Performance measures need not only to be transparent themselves, but the information collected also needs to be transparent.

It must be clear how the performance data is collected (and in some circumstances why), and any limitations must be disclosed.

The Committee considers that in many cases it is not necessary for this information to be included in budget papers or annual reports, as the methods of collecting and counting data are not surprising or controversial. However, in circumstances where there may be ambiguity about how data are collected or counted, the Committee considers that details should be provided.

¹²¹ *ibid.*, p.211

¹²² Department of Premier and Cabinet, response to the Committee’s Financial and Performance Outcomes – Entity-Specific Questionnaire, received 6 February 2014, pp.4, 11

¹²³ Department of Treasury and Finance, *Budget and Financial Management Guidances*, ‘BFMG – 09 Output Specification and Performance Measures’, July 2012, p.117

This information assists readers to accurately interpret results. It is also essential to ensuring consistency in reporting from one year to another and facilitating the auditing of data.¹²⁴

The Committee notes that the Department of Education and Early Childhood Development has specified for a number of its measures that the data are based on NAPLAN (National Assessment Program Literacy and Numeracy) tests.¹²⁵ As details about the NAPLAN tests are publicly available, any interested person can investigate exactly how this score is determined and any limitations that might apply to this technique.

Examples where the methods of collecting data or calculating results are specified to avoid any confusion include:

- » ‘Activities Area projects delivered against agreed project implementation documents, as set for the financial year’;¹²⁶
- » ‘Service provision rating (Commissioner assessment of Secretariat performance)’;¹²⁷ and
- » ‘Timely handling of objections (within 90 days)’.¹²⁸

The Committee has previously identified measures where the method of calculating the result has not been obvious. In relation to the former measure ‘Delivery of nominated Major Projects Victoria projects complies with agreed plans,’¹²⁹ the former Department of Business and Innovation explained to the Committee that:¹³⁰

- » only material variations were counted;
- » compliance was only measured compared to the most recent plans rather than the initial plans; and
- » not all nominated Major Projects Victoria projects were included in any one year.

The Committee considered that these facts were not clear from the performance measure title. The Committee notes that this measure was replaced by more specific measures in the 2013-14 Budget, with notes providing details about what counts as not meeting targets and an explanation that performance was measured relative to targets as set for the particular year.¹³¹ Following a Committee recommendation,¹³² the Department also now publishes a list of which projects are counted towards this measure in its report of operations¹³³ (only projects in the delivery phase are counted).¹³⁴ In response to the Committee’s questionnaire, the Department has

124 Cf. *ibid.*

125 Budget Paper No.3, *2013-14 Service Delivery*, May 2013, pp.80-6

126 *ibid.*, p.268

127 *ibid.*, p.298

128 *ibid.*, p.299

129 Public Accounts and Estimates Committee, *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, April 2012, pp.227-9

130 Department of Business and Innovation, response to the Committee’s 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 23 December 2011, pp.2-4; though cf. Victorian Auditor-General’s Office, *Managing Major Projects*, October 2012, pp.47-8

131 Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.231

132 Public Accounts and Estimates Committee, *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, April 2012, Recommendation 49, p.229

133 Department of State Development, Business and Innovation, *Annual Report 2012-13*, p.22

134 Department of State Development, Business and Innovation, response to the Committee’s Financial and Performance Outcomes – Entity-Specific Questionnaire, received 31 January 2014, p.5

also clarified that a result would be considered to not comply if the total cost, final completion date or total scope varied by more than ± 5 per cent during the financial year.¹³⁵

The Committee has noted a number of other measures which would also benefit from clarification about how the result is calculated, including:

- » 'Tram – procurement of new rolling stock',¹³⁶ which is measured as a percentage, without specifying whether it is a proportion of the trams that have been ordered, the funding provided or the timeframe for delivery of all trams; and
- » 'Provide MPs with a functional electorate office',¹³⁷ which is also measured as a percentage, without specifying whether it is the proportion of days in which all MPs have offices, the number of MPs or some other factor.

Other examples have been included in Appendices A4.1-A4.11.

FINDING: For many measures, the way that results are calculated is clear from the measure. In some cases, additional details would clarify the measure.

4.2.3

Plain English

The BFMGs indicate that performance measures should be in '*non-technical language*'.¹³⁸ For the Committee, this means using plain English as far as possible and not using unexplained technical terms. This is important given that the audience for performance measures includes the Parliament and the community, including people who are not specialists in every area of government service delivery.

The Committee notes that the Department of Environment and Primary Industries has included bracketed explanations for technical language for several of its measures, such as:

- » 'Victorian water shares (entitlements to a share of water in large rural storages) recorded in the water register';¹³⁹ and
- » 'Native Vegetation Credit Trading Agreements (which produce potential offsets to clearing of native vegetation) signed through the BushBroker program'.¹⁴⁰

However, the Committee has identified a number of other measures where technical terms are used without any explanation, such as:

¹³⁵ *ibid.*

¹³⁶ Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.259

¹³⁷ *ibid.*, p.306

¹³⁸ Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.116

¹³⁹ Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.101

¹⁴⁰ *ibid.*, p.106

- » ‘Weighted Inlier Equivalent Separations (WIES) – all hospitals except small rural health services’ (Department of Health),¹⁴¹ where no explanation is provided of what a ‘weighted inlier equivalent separation’ is; and
- » ‘Prosecutable images’ (Department of Justice).¹⁴²

Additional examples have been included in Appendices A4.1-A4.11 for consideration by departments.

4.2.4

Clear desirable outcomes

The BFMGs recommend that performance measures be ‘*readily interpretable*’¹⁴³ and that departments consider whether ‘*the measure and target clearly set out performance expectations for the output*.’¹⁴⁴ To meet these criteria, it must be clear from the measure what the desired result is.

Performance measures can be structured in three different ways with respect to what is desired. Measures can be set so that:

- » results above the target number are preferred (such as measures of satisfaction);
- » results below the target number are preferred (such as hospital waiting times); or
- » results exactly meeting the target number (or a specified range) are preferred (where two factors need to be balanced¹⁴⁵).

It is relatively obvious what the desired result is for most measures. However, for some measures it is less clear.

This can particularly occur when a department is responsible for both preventing a problem and treating it. For example, with the measure ‘Increase in EPA [Environment Protection Agency] notices issued for illegal dumping of waste’,¹⁴⁶ it is unclear whether the Department is:

- » aiming to achieve below the target (because that may mean that programs to prevent illegal dumping are working); or
- » aiming to achieve above the target (because that may mean that the department is doing a more thorough job of policing illegal dumping of waste).

The desirable outcome can also be unclear in situations where a department has to balance competing factors. For example, the Department of Education and Early Childhood Development has a performance measure ‘Average Prep – Year 2 class size’.¹⁴⁷ While too large a class is associated with poorer learning outcomes, smaller class sizes may require additional expenditure which may not be in accord with the Department’s priorities. Consequently, it may be unclear at any point in time

¹⁴¹ *ibid.*, p.121

¹⁴² *ibid.*, p.179

¹⁴³ Department of Treasury and Finance, *Budget and Financial Management Guidances*, ‘BFMG – 09 Output Specification and Performance Measures’, July 2012, p.116

¹⁴⁴ *ibid.*

¹⁴⁵ In relation to the Department of Health’s former measure of ‘Average wait between client registration and ACAS assessment – hospital-based assessment’, the budget papers explained ‘*The waiting time of 2.5 days was set in order to ensure that hospitals did not enforce wait times on ACAS that were too short, which is not in the patient’s best interests.*’ (Budget Paper No.3, 2012-13 *Service Delivery*, May 2012, p.349) That is, an ideal assessment in this case was neither too soon nor too late.

¹⁴⁶ Budget Paper No.3, 2013-14 *Service Delivery*, May 2013, p.107

¹⁴⁷ *ibid.*, p.82

whether the Department is seeking to decrease class sizes, keep them the same or increase them.

For some performance measures, the desired result may be counter-intuitive. The Committee previously noted the former performance measure 'Reductions in crimes against the person'.¹⁴⁸ The Committee noted that, in 2010-11, this performance measure had a target of reducing crimes by 2 per cent.¹⁴⁹ The actual result was an increase in crimes against the person by 5.7 per cent.¹⁵⁰ Victoria Police indicated that this increase was a positive result (as it indicated higher levels of reporting of family violence).¹⁵¹

The Department of Justice modified this measure in the 2013-14 budget papers, splitting it into two measures. One measure records crimes against the person excluding crime related to family violence and the other records only crimes against the person related to family violence. The target for the former is specified as '≤653.8', while for the latter the target is '≥323.0'.¹⁵² The Committee considers this to be a significant improvement in clarity.

In other cases, a department's intentions may not be clear to an outsider without contextual information. For example, without contextual information, it is unclear whether an increase or decrease is preferred for the measures 'Percentage of new clients to existing clients' or 'Workspace ratio' (measured as square metres per full-time equivalent employee).¹⁵³

Some performance measures relate to factors outside the control of a department, such as the number of people presenting to hospital emergency departments or the number of proceedings in certain courts. In these cases, it may not be appropriate to refer to a preferred result. These measures are discussed further in Section 4.3.3 of this report.

In a previous report, the Committee recommended that:¹⁵⁴

The Department of Treasury and Finance indicate in budget papers whether exceeding, coming under or precisely achieving the target is preferable for each performance measure.

The Government supported this in principle, responding that:¹⁵⁵

Budget Paper No. 3 Service Delivery, currently indicates whether exceeding or coming under performance measures is preferable in some instances. The Department of Treasury and Finance will seek opportunities to broaden this practice.

148 Public Accounts and Estimates Committee, *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, April 2012, p.190; Public Accounts and Estimates Committee, *Report on the 2011-12 Financial and Performance Outcomes*, May 2013, p.90

149 Budget Paper No.3, *2010-11 Service Delivery*, May 2010, p.138

150 Department of Justice, *Annual Report 2010-11*, p.55

151 Victoria Police, *Annual Report 2010-11*, p.19

152 Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.176

153 *ibid.*, pp.147, 295

154 Public Accounts and Estimates Committee, *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, April 2012, Recommendation 22, p.163

155 Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 109th Report to the Parliament – Report on the 2009-10 and 2010-11 Financial and Performance Outcomes, tabled 19 October 2012, p.9

The Committee notes that the better-practice criteria for performance measures listed in the BFMGs do not specifically mention the need to ensure that it is clear what sort of result is preferable. Including this requirement may help with the creation of clearer performance measures in future budgets.

Victoria Police has taken steps in its 2012–13 annual report to clarify whether the results are what was desired or not. Next to each result, one of three symbols has been included to indicate that:¹⁵⁶

- » the target was achieved or exceeded in a desirable way;
- » the actual result varied from the target in an undesirable direction but by less than 5 per cent; or
- » the actual result varied from the target in an undesirable direction by more than 5 per cent.

The Committee considers that this is a positive innovation that should become more widespread.

FINDING: Depending on the performance measures, a result above the target, a result below the target or a result of exactly the target may be the most desirable outcome. In most cases, it is clear which of these options the department is aiming for. However, for some measures it is not clear.

RECOMMENDATION 18: The Department of Treasury and Finance update the guidance for performance measures in 'BFMG-09 Output Specification and Performance Measures' to note that it should be clear whether exceeding, coming under or precisely achieving the target is preferable for each performance measure.

RECOMMENDATION 19: The Department of Treasury and Finance amend the Model Report to recommend that departments, when reporting on their performance measures, adopt a system similar to that implemented by Victoria Police, which indicates whether:

- (a) the target was achieved or exceeded in a desirable way;
- (b) the actual result varied from the target in an undesirable direction but by less than 5 per cent; or
- (c) the actual result varied from the target in an undesirable direction by more than 5 per cent.

¹⁵⁶ Victoria Police, *Annual Report 2012-13*, p.26

4.3

Meaningfulness

The BFMGs specify that measures should be useful and relevant:¹⁵⁷

USEFUL

Performance measures should be capable of being used in a variety of ways. In addition to assessing and reporting performance they should also inform decision making by the organisation and by Government as well as helping other stakeholders understand the organisation's performance. The data should be available to meet relevant planning and reporting timeframes.

RELEVANT

High quality output performance measures should be a measure of the services delivered. Performance measures should align with both the departmental objectives and the relevant output.

To meet these criteria, the Committee considers that it is important for outputs to contain measures that:

- » comprehensively measure the key activities;
- » provide an appropriate balance of quantity, quality, timeliness and cost measures;
- » are related to the department's performance rather than external factors;
- » provide an appropriate level of challenge; and
- » are related to the reporting period.

4.3.1

Comprehensively measure the key activities

Departments undertake a large number of activities in any one year. The Committee understands that it may not be possible for a department to cover every single activity without developing an unmanageable number of performance measures. However, it is essential that a department's performance measures comprehensively cover its key activities.

If there are significant activities undertaken by a department for which there are no measures, then it will not be possible for stakeholders to properly understand what is being delivered. Without information about key activities, the performance measurement system will not be able to indicate the efficiency and effectiveness of a department's service delivery (one of the purposes of the system – see Section 2.3.2 of this report). Without this information, it may also be difficult to identify the impacts on performance of changes in government policy, expenditure reduction initiatives and external factors (see Section 2.3.2).

¹⁵⁷ Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.116

The Committee has made a number of recommendations in previous reports about ensuring that measures are comprehensive.¹⁵⁸ These have been supported either in full or in principle by the Government.

The Government's guidance recommends that '*the set of measures provide coverage of the key aspects of performance*'.¹⁵⁹ The guidance also notes that '*performance measures are required for every major initiative approved by BERC [the Budget and Expenditure Review Committee] for the 2013-14 budget and every new government portfolio*'.¹⁶⁰ A similar requirement was also in place for 2012-13.¹⁶¹

Major programs and projects with no measures

The Committee sought details in the Financial and Performance Outcomes Questionnaire of any major¹⁶² programs or projects undertaken in 2012-13 with no non-cost performance measures associated with them. Eight government departments¹⁶³ indicated that there were none, with three departments identifying small numbers of programs or projects (relating to grants programs, allowances, routine maintenance and asset investment).

Information about all of the activities undertaken by each department is not publicly reported. Independent assessment of the extent to which outputs have comprehensive suites of performance measures is therefore not currently possible. However, the evidence above indicates that some key activities are not currently covered by performance measures.

FINDING: Evidence received in responses to the Committee's questionnaires suggests that, for some outputs, the performance measures do not comprehensively cover all key activities.

RECOMMENDATION 20: When conducting base reviews of outputs, the Department of Treasury and Finance ensure that the performance measures cover all the major activities of the output.

Measures focused on less significant activities

The Committee observed some measures which appear to focus on less significant activities. For example, one of the measures relating to the *Public Transport Network Improvements and Maintenance* output is the number of 'W-Class Trams fully restored'. This measure had an actual result of one tram in 2012-13¹⁶⁴ and has a

158 Public Accounts and Estimates Committee, *Report on the 2011-12 Budget Estimates — Part Two*, June 2011, Recommendation 15, p.38; *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, April 2012, Recommendation 25, p.177; *Report on the 2012-13 Budget Estimates — Part One*, June 2012, Recommendation 4, p.37; *Report on the 2012-13 Budget Estimates — Part Two*, September 2012, Recommendations 28-9, p.118

159 Department of Treasury and Finance, *Budget and Financial Management Guidelines*, 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.116

160 Department of Treasury and Finance, *Budget Papers Guidance – General Government Sector (Budget Papers and Estimates Update)*, n.d., p.3

161 Department of Treasury and Finance, *Information Request No.11-23: 2012-13 departmental performance statements for publication in the budget papers*, December 2011, p.3

162 'Major programs and projects' were defined as ones with a total expenditure of \$20.0 million or more over the life of the project.

163 Including the former Department of Planning and Community Development and Department of Primary Industries.

164 Department of Transport, Planning and Local Infrastructure, *Annual Report 2012-13*, p.114

target of two in 2013-14.¹⁶⁵ By way of comparison, the *Regional Rail Link* project, worth \$4.8 billion,¹⁶⁶ similarly has only one non-cost performance measure associated with it.¹⁶⁷

Other measures which appear to focus on lower priority activities of departments include:

- » 'Applications for aids and equipment acknowledged in writing within 10 working days';¹⁶⁸ and
- » 'Payroll processing completed accurately and within agreed timeframes'.¹⁶⁹

Given that departments cannot have unlimited numbers of performance measures, the Committee considers that measures of less important activities should be reviewed to see if they may be replaced by measures of higher priority and higher funded activities. Measures for review have been included in Appendices A4.1-A4.11.

FINDING: There appears to be some variation in the importance of activities that are measured for some outputs. A review of performance measures may identify opportunities for measures of relatively less important activities to be replaced by measures of higher-priority activities.

4.3.2

Balanced quantity, quality, timeliness and cost measure types

There are four types of performance measures used by Victorian departments:

- » quantity;
- » quality;
- » timeliness; and
- » cost.

Each of these types assesses different critical elements of a department's performance. To fully understand a department's effectiveness and efficiency at delivering its outputs (see Section 2.3.2 of this report), it is important for there to be an appropriate mix of all four types. The BFMGs indicate that:¹⁷⁰

The mix of quality, quantity, timeliness and cost measures for each output should give a balanced and complete performance picture of what the output is trying to achieve and how the delivery of the output will be measured.

¹⁶⁵ Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.259

¹⁶⁶ Budget Paper No.4, *2013-14 State Capital Program*, May 2013, p.125

¹⁶⁷ Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.258

¹⁶⁸ *ibid.*, p.155

¹⁶⁹ *ibid.*, p.306

¹⁷⁰ Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.114

The Committee has observed two areas where there is scope for improvement in terms of the mix of output types:

- » the number of quality measures; and
- » the right balance to show trade-offs between quantity, quality, timeliness and cost.

Quality measures

The Committee has highlighted the importance of quality measures in previous reports.¹⁷¹ Quality measures are an integral part of the Government's specification of the goods and services it expects departments to supply.

In relation to the 2011-12 performance measures, the Committee found that:¹⁷²

The most common type of performance measure looks at the quantity of goods or services delivered, with 45 per cent of the Budget's performance measures being quantitative. Only 25 per cent of measures are related to the quality of service delivery, and as little as 14 per cent in one department. There are also 14 outputs with no quality measures. The Committee considers that it would be appropriate for the Government to consider the addition of quality measures in these instances.

The Committee recommended that:¹⁷³

The Department of Treasury and Finance work with those departments with the highest proportions of quantity measures and the lowest proportions of quality measures to examine whether, on the basis of their responsibilities, there is scope for increasing the proportion of appropriate quality measures.

This recommendation was supported by the Government.¹⁷⁴

Overall, there were 305 quality measures in the 2013-14 budget papers. This is the same number of measures as there were in the 2011-12 Budget. However, given the decrease in the total number of performance measures, the 2013-14 figure represents a higher proportion of the total number of measures (25.7 per cent in 2013-14 compared to 24.6 per cent in 2011-12).¹⁷⁵

FINDING: The proportion of quality measures has increased from 24.6 per cent in the 2011-12 Budget to 25.7 per cent in the 2013-14 Budget.

¹⁷¹ See further Public Accounts and Estimates Committee, *Report on the 2012-13 Budget Estimates — Part Two*, September 2012, pp.109-10

¹⁷² Public Accounts and Estimates Committee, *Report on the 2011-12 Budget Estimates — Part Two*, June 2011, p.15

¹⁷³ *ibid.*, Recommendation 6, p.19

¹⁷⁴ Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 102nd Report – Report on the 2011-12 Budget Estimates Part Two, tabled 7 February 2012, p.3

¹⁷⁵ Committee calculations based on budget papers.

In the *Report on the 2011-12 Budget Estimates*, the Committee also recommended that:¹⁷⁶

The Department of Treasury and Finance examine whether there is scope for appropriate measures to be developed to assess the quality of service delivery for those outputs which currently do not have any quality measures.

In response, the Government indicated that ‘Departments will aim to ensure that there is at least one measure that assesses the quality of service delivery in each of its output categories for 2012-13.’¹⁷⁷

The 2011-12 budget papers proposed 14 outputs with no quality performance measures.¹⁷⁸ The 2012-13 budget papers included 12 outputs that have no quality measures¹⁷⁹ and the 2013-14 budget papers included seven.¹⁸⁰ Of the seven remaining outputs with no quality measures, five are within the Department of Health. The other two outputs are within the Department of Transport, Planning and Local Infrastructure.

FINDING: Five outputs in the Department of Health and two in the Department of Transport, Planning and Local Infrastructure have no quality measures.

RECOMMENDATION 21: The Department of Health review those outputs with no quality measures to identify whether meaningful quality measures could be added.

RECOMMENDATION 22: The Department of Transport, Planning and Local Infrastructure review those outputs with no quality measures to identify whether meaningful quality measures could be added.

Making trade-offs transparent

Where an output does not contain a balance of different measure types, departments may make trade-offs in their service delivery that cannot be seen through the performance measurement system. Such trade-offs could include:

- » reducing quality standards to meet quantity, timeliness or cost targets;
- » reducing the quantity of outputs to meet quality or timeliness targets; or
- » delaying project delivery to meet quality and quantity targets.

An appropriate balance of measure types can make such trade-offs transparent.

¹⁷⁶ Public Accounts and Estimates Committee, *Report on the 2011-12 Budget Estimates — Part Two*, June 2011, Recommendation 7, p.21

¹⁷⁷ Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 102nd Report – Report on the 2011-12 Budget Estimates Part Two, tabled 7 February 2012, p.4

¹⁷⁸ Public Accounts and Estimates Committee, *Report on the 2011-12 Budget Estimates — Part Two*, June 2011, pp.20-1

¹⁷⁹ Public Accounts and Estimates Committee, *Report on the 2012-13 Budget Estimates — Part Two*, September 2012, p.112

¹⁸⁰ Public Accounts and Estimates Committee, *Report on the 2013-14 Budget Estimates — Part Two*, October 2013, p.143

However, this will only occur if the quantity, quality, timeliness and cost measures relate to the same activities.

FINDING: In some outputs, the different types of performance measures reflect unrelated activities. In these cases, it may not be possible to see whether the department is making any trade-offs between the quantity, quality, timeliness and cost of services provided by compromising one type to hit targets for another type.

RECOMMENDATION 23: The Department of Treasury and Finance update the Budget and Financial Management Guidances to specify that, within an output, the quantity, quality, timeliness and cost measures should all relate to the same activities.

4.3.3

Linked to departmental performance

The BFMGs indicate that good quality measures will be ‘*directly attributable to programs and/or activities delivered by the organisation under the output*’.¹⁸¹ The BFMGs further explain:¹⁸²

High quality output performance measures should not be unduly influenced by changes in external factors, such as economic and environmental conditions. Successful delivery of the activities/programs within an output should be directly attributable to the actions of the organisation.

The Committee agrees that most measures should meet these criteria, but also understands that external factors can significantly impact on the quantity, quality, timeliness or cost of service delivery. In particular, where services are demand-driven (such as ambulance services or court cases), understanding the quantity of services delivered is critical to understanding the efficiency and effectiveness of output delivery. However, the level of demand may be primarily determined by factors outside the department’s control.

The Committee notes that there are a large number of measures in the budget papers that reflect levels of external demand rather than actions of the departments. They are particularly prevalent in relation to health services and criminal matters. Other examples include:

- » ‘Households receiving mains electricity concessions’;¹⁸³
- » ‘State elections, municipal and statutory elections, by-elections, polls and electoral representation reviews’;¹⁸⁴ and
- » ‘Road vehicle and driver regulation: driver licences renewed’.¹⁸⁵

¹⁸¹ Department of Treasury and Finance, *Budget and Financial Management Guidances*, ‘BFMG – 09 Output Specification and Performance Measures’, July 2012, p.115

¹⁸² *ibid.*

¹⁸³ Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.162

¹⁸⁴ *ibid.*, p.190

¹⁸⁵ *ibid.*, p.244

Measures of this sort are currently classified as quantity measures.

Although these measures do not meet the criterion of being attributable to the departments' actions, the Committee considers that they are valuable and should be retained. However, the Committee considers that it should be made clear that these measures are not primarily under the control of the department. To achieve this, the Committee considers that a new performance measure type should be introduced, which might be called 'demand measures'. Measures which quantify service delivery where the quantity of services delivered is primarily driven by forces outside departments' control should be classified as demand measures.

FINDING: Departments often use quantity measures where the results primarily reflect levels of external demand. These measures can provide useful context for understanding departments' performance with respect to the quantity, quality, timeliness and cost of services delivered. However, the current guidance does not allow for these measures.

RECOMMENDATION 24: In future budget papers, the Department of Treasury and Finance introduce a new category of performance measure to be called 'demand measures'. A performance measure should be classified as a demand measure when:

- (a) it provides important information about the services provided by a department; but
- (b) the results are not primarily determined by the department's actions.

4.3.4

Providing appropriate levels of challenge

The BFMGs advise that:¹⁸⁶

Performance targets need to be challenging, but achievable. Targets should act as a driving goal for those working to achieve it.

This is a balancing exercise: on the one hand, targets that are too achievable do not encourage continuous improvement, and, on the other hand, targets that are impossible to achieve will not provide Parliament and the public with useful information.

Many measures achieve this balance, providing targets that are both challenging and achievable.

However, the Committee has identified some measures where the targets appear not be appropriately challenging. This may occur because the number selected as a target is inappropriately low (that is, not challenging). It may also occur where the number selected is too high (that is, not achievable). These cases are discussed further in Section 5.3.4 of this report.

¹⁸⁶ Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.116

In some cases, though, the performance measures themselves make it impossible to set a challenging number. This particularly occurs with some measures based on whether or not service delivery has met certain minimum standards, and measures where the target is set at 100 per cent.

Basic minimum standards

Comparing service delivery to a specific minimum standard can be an effective way to indicate the quality of performance. In some cases, however, the standards against which performance is measured are basic levels of performance which the Government should take for granted or expect from a professional department. These include compliance with legislation and basic industry standards.

Examples of measures using basic minimum standards include:

- » ‘Challenges to VEC [the Victorian Electoral Commission] conduct upheld in Court’, with a target of zero;¹⁸⁷
- » ‘Environmental effects statements, referrals and assessments completed in accordance with Ministerial Guidelines’, with a target of 100 per cent;¹⁸⁸ and
- » ‘Arts portfolio public body annual reports tabled in Parliament by the required statutory dates’, with a target of 100 per cent.¹⁸⁹

The Committee considers that these are not appropriately challenging targets, and notes that the actual results for all three have been zero or 100 per cent in every year since the measure was introduced.

These measures are not as meaningful as other measures because they have no capacity to demonstrate how much better a department’s performance is than the minimum standard. For example, the first measure does not make clear whether the Victorian Electoral Commission’s conduct of elections only just met the bare minimum standard required to prevent successful challenges in court or whether, in fact, services were of a much higher standard.

This lack of detail tells us very little about the department’s performance in any one year. It also makes it difficult to track performance over time (see Section 4.4.1 of this report). Without more fine-grained information, a trend of declining performance will not be identified until it has fallen below the minimum standard. There would be benefits to knowing about declining performance before performance falls to such a low level that a department is no longer complying with legislation.

Departments should consider whether or not these measures might be replaced by ones with more challenging standards.

FINDING: Some performance measures track performance compared to a specific minimum standard. Where this minimum standard relates to a basic level of performance such as compliance with legislation, the performance measure may not provide a challenging target.

¹⁸⁷ Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.190

¹⁸⁸ *ibid.*, p.268

¹⁸⁹ *ibid.*, p.213

FINDING: Such measures do not enable a department to demonstrate any levels of service delivery that exceed the minimum requirements of legislation. They will also not identify any decline in service delivery until the department is no longer complying with legislation. There may be advantages to identifying a decline in service delivery prior to this point.

Targets of 100 per cent

In the 2013-14 budget papers, there are 142 performance measures with 100 per cent as their target (representing 12.0 per cent of all measures). This includes some of the measures of compliance with basic minimum standards (discussed above) along with a variety of other measures. These measures are particularly common in the Department of Transport, Planning and Local Infrastructure, which has responsibility for 46 of the measures.

Targets of 100 per cent can be appropriate where the measure relates to something of particular importance, such as the measure 'Emergency Category 1 treated immediately' within the Department of Health's *Emergency Services* output.¹⁹⁰ It can also be appropriate where achieving the target is appropriately challenging.

However, in some cases a target of 100 per cent may not be challenging. For example, in relation to the measure 'Victoria represented in major industrial relations cases and inquiries', the Committee was informed that:¹⁹¹

It is a requirement of the Government that the State is represented in all major industrial relations cases and inquiries. The only circumstance where the State would not be represented in an industrial relations case or inquiry would be under the instruction of the Government.

Other departments identified relatively unlikely scenarios which would have to occur for the target of 100 per cent not to be met, such as 'A failure by LGV [Local Government Victoria] to invite feedback from the local government sector on proposed legislative and regulatory change'¹⁹² or failing to follow statutory requirements.¹⁹³

The Committee identified 50 measures for which the target and actual result have been 100 per cent every year since 2009-10.¹⁹⁴

One purpose of performance measures is to 'help establish the building blocks of an accountability system that provides the drive for continuous improvement ...'¹⁹⁵ (see Section 2.3.2 of this report). Where a target is 100 per cent and is always achieved, the department is not able to drive improvement by increasing the target. Instead, it is necessary to replace the measure with a different measure.

¹⁹⁰ *ibid.*, p.125

¹⁹¹ Department of State Development, Business and Innovation, response to the Committee's Financial and Performance Outcomes – Entity-Specific Questionnaire, received 31 January 2014, p.10

¹⁹² Department of Planning and Community Development, response to the Committee's Financial and Performance Outcomes – Entity-Specific Questionnaire, received 6 February 2014, p.7

¹⁹³ Department of Justice, response to the Committee's Financial and Performance Outcomes – Entity-Specific Questionnaire, received 5 February 2014, p.8

¹⁹⁴ This includes one measure for which the 2012-13 result was an estimate.

¹⁹⁵ Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.114

A number of performance measures which have targets of 100 per cent and a history of achieving those targets have been included in Appendices A4.1-A4.11 with a suggestion that departments consider a more challenging performance measure in future years. The Committee considers that measures with targets of 100 per cent should be particularly scrutinised by the Department of Treasury and Finance when it works with departments on their annual review of performance measures (see Section 6.4 of this report).

FINDING: In 2013-14, there are 142 performance measures with targets of 100 per cent. While such targets can be appropriate in some circumstances, in other cases they may not be sufficiently challenging and cannot be used as a way to drive continuous improvement.

RECOMMENDATION 25: When reviewing performance measures with departments, the Department of Treasury and Finance pay particular attention to measures with targets of 100 per cent, to ensure that these measures are appropriately challenging.

4.3.5

Related to the reporting period

As discussed in Section 2.3.2 of this report, one purpose of the performance measurement system is to identify the efficiency and effectiveness of the department's delivery of the output. This is done through comparing the different aspects of performance measured within each output.

However, meaningful comparisons are not possible where some performance measures use data relating to different periods than other measures within an output. The Department of Health has one measure ('Trained alcohol and drug workers') for which it notes in the 2012-13 annual report, '*Figures as per 2009-10 AOD [Alcohol and Other Drug] Workforce Census, the most up to date information available.*'¹⁹⁶

Within the Department of Education and Early Childhood Development's *Early Childhood Development* output for 2012-13:¹⁹⁷

- » six of the ten performance measures relate to 2011-12;
- » two measures relate to the 2012 calendar year; and
- » two measures relate to the 2012-13 financial year.

The Department indicated that it has addressed the problem for this output, stating that '*In the 2013-14 Budget the Department revised its approach to use current financial year performance information (rather than previous financial year).*'¹⁹⁸

¹⁹⁶ Department of Health, *Annual Report 2012-13*, p.187

¹⁹⁷ Department of Education and Early Childhood Development, *Annual Report 2012-13*, p.24

¹⁹⁸ Department of Education and Early Childhood Development, response to the Committee's Financial and Performance Outcomes – Entity-Specific Questionnaire, received 31 January 2014, p.5

The Department of Education and Early Childhood Development also has a substantial number of measures in other outputs which relate to the calendar year rather than the financial year.

The Committee understands that it is not always possible to align important data to financial years. However, to enable the performance measure information to be used as intended, it is important that these situations be kept to a minimum. The Committee notes that the BFMGs already recommend that ‘*data be collected at a frequency that aligns with planning and reporting cycles.*’¹⁹⁹

FINDING: For some performance measures, it is not possible to acquire data that relate to the financial year. This reduces the ability of stakeholders to use the performance measurement system to identify the efficiency and effectiveness of performance. The Committee understands that performance measures relating to other periods are unavoidable in some instances, but emphasises that this should be avoided as far as possible.

RECOMMENDATION 26: All departments seek to better align the time periods measured by performance measures within each output, so that, as far as possible, all measures within an output relate to the same time period.

4.4

Robustness

In addition to being clear and meaningful, performance measures also need to provide data that are robust so that the results are not misleading. The business rules in BFMG-09 include:²⁰⁰

4. *Outputs and performance measures should be developed to enable meaningful comparison and benchmarking over time, across departments and against other jurisdictions.*
5. *Performance measures should be measurable in terms of their efficiency and effectiveness. The data and methodology underpinning performance measures should be auditable and verified for accuracy. Performance measures should remain consistent over time wherever possible to ensure useful information can be tracked.*

To be fully robust, the Committee considers that performance measures should:

- » provide data which can be compared over time;
- » have results based on methodologically rigorous processes;
- » provide results that clearly indicate the department’s performance; and
- » be established in a way that requires explanations for important variances.

¹⁹⁹ Department of Treasury and Finance, *Budget and Financial Management Guidances*, ‘BFMG – 09 Output Specification and Performance Measures’, July 2012, p.116

²⁰⁰ *ibid.*, p.110

4.4.1

Comparability over time

The BFMGs emphasise that an important function of performance measures is to measure performance over time.²⁰¹ To enable this, it is important to minimise the number of measures that are changed from one year to the next. However, the BFMGs also acknowledge that this need must be balanced against the need for performance measures to be changed as Government policies and programs evolve.²⁰²

Departments should review their output and performance measure specifications each year as part of their planning process to ensure that outputs and performance measures remain relevant to departmental objectives. However, to ensure comparability, changes should not be made on a regular basis.

Each budget sees a number of measures discontinued and a number of new measures added.

Since the 2011-12 Budget, the Committee has been given the opportunity each year to comment on the measures that have been proposed for discontinuation (see Section 2.5.3). The Committee considers that this innovation has provided the opportunity for increased accountability within the performance measurement system. It provides the opportunity for the Committee to recommend that measures be retained when it considers that continuity is required.

Over the last three budgets, 473 measures have been discontinued or replaced and 427 new measures have been introduced.²⁰³ A total of 84 measures were discontinued after only one year within the same period.

The Committee notes that short-lived measures can be appropriate in some cases. The Department of Transport, Planning and Local Infrastructure, in particular, tends to have a substantial number of performance measures related to the construction of particular infrastructure projects. As projects are completed or milestones reached, it is not possible to continue the performance measures. The Committee considers that this is helpful and relevant information, especially given the size of the infrastructure program undertaken by the Department and its controlled general government sector entities (\$1.6 billion in 2012-13²⁰⁴).

However, as identified in the BFMGs, change needs to be kept to a minimum to ensure comparability over time.

FINDING: Minimising the number of changes to performance measures is important for ensuring comparability over time. In the last three budgets, 473 measures have been discontinued or replaced and 427 new measures have been introduced.

201 *ibid.*, pp.110, 113, 116

202 *ibid.*, p.110 (see also p.113)

203 Committee calculations based on budget papers and budget updates.

204 Department of Transport, Planning and Local Infrastructure, *Annual Report 2012-13*, p.107

4.4.2

Sound methodology

The BFMGs note the importance of performance measures having a sound evidence base.²⁰⁵ To support this, they recommend documenting a number of aspects of data collection and methodology. The BFMGs indicate that departments should establish processes ‘*to retain performance records to a standard that allows an independent auditor to verify information integrity*’.²⁰⁶ The Department of Treasury and Finance has also produced specific guidance relating to information management and data integrity.²⁰⁷

Three recent audits by the Victorian Auditor-General have examined the evidence base for selected performance measures. The audits have shown mixed results, with effective processes for data collection in some cases and problems in other cases.²⁰⁸

The Committee notes that departments have accepted the Auditor-General’s recommendations in relation to these audits. The 2013-14 budget papers also indicate several measures across departments where the methodology used to calculate results has been changed.²⁰⁹

The Department of State Development, Business and Innovation informed the Committee that it has made a number of changes recently to performance measurement for Major Projects Victoria. These include a new reporting framework (tackling how data are defined, collected, collated and managed), an auditable trail of data changes and review by a steering committee.²¹⁰

The Department of Transport, Planning and Local Infrastructure informed the Committee that it had clarified target-setting methods and made them more explicit for measures relating to Public Transport Victoria.²¹¹ The Department also stated that it has introduced ‘*more stringent spot checks of [regional bus] operator self-reporting*’.²¹²

The Committee welcomes and encourages moves to clarify the methodology behind performance measures and strengthen quality control processes.

It is beyond the scope of this review to examine the methodology behind performance measures in detail. To assist others to undertake such examinations, the Committee has previously recommended that departments publish supporting information explaining the basis for performance measures.²¹³ In May 2013, the Department of Treasury and Finance indicated that this recommendation was still under review.²¹⁴

205 Department of Treasury and Finance, *Budget and Financial Management Guidances*, ‘BFMG – 09 Output Specification and Performance Measures’, July 2012, p.117

206 *ibid.*

207 Victorian Auditor-General, *Performance Reporting Systems in Education*, September 2013, pp.2-4

208 Victorian Auditor-General, *Performance Reporting Systems in Education*, September 2013; Victorian Auditor-General, *Environment and Sustainability Sector: Performance Reporting*, June 2013, Chapter 3; Victorian Auditor-General, *Managing Major Projects*, October 2012, Chapter 4

209 Budget Paper No.3, *2013-14 Service Delivery*, May 2013, pp.100, 162, 255

210 Department of State Development, Business and Innovation, response to the Committee’s Financial and Performance Outcomes – Entity-Specific Questionnaire, received 31 January 2014, pp.4-5

211 Department of Transport, Planning and Local Infrastructure, response to the Committee’s Financial and Performance Outcomes – Entity-Specific Questionnaire, received 6 February 2014, p.5

212 *ibid.*, p.7

213 Public Accounts and Estimates Committee, *Report on the 2012-13 Budget Estimates — Part Two*, September 2012, Recommendation 27, p.115

214 Department of Treasury and Finance, response to the Committee’s 2013-14 Budget Estimates Questionnaire, received 9 May 2013, p.46

Chapter 6 of this report further discusses oversight in relation to the methodology used for performance measures.

FINDING: The Auditor-General has found that results for some measures are calculated using a sound methodology but that problems exist with others. The Department of Treasury and Finance is considering requiring departments to publish detailed information about how performance measures are calculated.

4.4.3

Clearly indicating performance

The results for a robust performance measure will clearly indicate whether the department's performance is good or needs improvement. The Committee has previously identified some ways that performance measures can be structured so that they clearly indicate departments' performance.

Three relevant recommendations have been supported by the Government (fully, in part or in principle):²¹⁵

*Where departments have performance measures that are based on project milestones, they calculate results based on the original milestones for the project, and not milestones that have been subsequently altered to reflect changes.*²¹⁶

*Departments review their performance measures to determine whether providing results at the 50th and 90th percentiles would convey a more comprehensive understanding of departmental performance to stakeholders.*²¹⁷

*Departments review those performance measures which solely indicate whether or not a task was performed and, where meaningful, replace them with measures of the timeliness or quality of the task's performance.*²¹⁸

The Committee notes that some work has been undertaken addressing each of these recommendations. In response to the Committee's questionnaires, a number of departments indicated that they had reviewed their performance measures with these recommendations in mind and some indicated that they intended to undertake further reviews before the 2014-15 Budget.

The Department of Transport, Planning and Local Infrastructure provided an example of a change, explaining:²¹⁹

In the 2012-13 Budget Paper 3, the 'East West Link: planning and development progressed' performance measure only indicated whether or not the task was performed. In the 2013-14 Budget Paper 3, this

²¹⁵ See further in Appendix A2.1.

²¹⁶ Public Accounts and Estimates Committee, *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, April 2012, Recommendation 30, p.182

²¹⁷ *ibid.*, p.184

²¹⁸ *ibid.*, p.186

²¹⁹ Department of Transport, Planning and Local Infrastructure, response to the Committee's 2012-13 Financial and Performance Outcomes General Questionnaire, received 18 November 2013, p.89

was changed to 'East West Link – Eastern Section: Request for proposal released', a timeliness performance measure.

The Committee considers that there are further measures which should be reviewed with respect to these three recommendations. These are included in Appendices A4.1-A4.11.

FINDING: The Committee has previously made a number of recommendations about ways that performance measures can be made more robust, including that:

- measures relating to project milestones use original milestones and not updated ones;
- departments consider providing results at 50th and 90th percentiles for some measures; and
- measures which solely indicate whether or not a task has been performed be replaced by timeliness or quality measures.

FINDING: Action has been taken in response to these recommendations. The Committee considers that some additional performance measures would also benefit by being reviewed with these criteria in mind.

4.4.4

Requiring explanations for important variances

An important part of the performance measurement system is explaining variances from targets. These explanations help the reader to understand the reasons for a department's performance in a particular year. They may indicate that variations between targets and actual results are due to decisions of the department, changes to government policy, forces outside the department's control or any other relevant factors. Explanations are critical if the performance measures are to be used to monitor and assess performance (see Section 2.3.2).

The Department of Treasury and Finance's guidance does not require explanations for every variance, but only for variances meeting certain criteria.²²⁰ The Committee notes that this guidance was updated in 2013. The update explicitly noted a larger number of conditions as requiring explanations (see Section 2.5.2).

However, the Committee considers that there are some further situations where explanations would be appropriate, but where explanations are not always provided. These include situations where targets are set:

- » as defined ranges, rather than a specific number;
- » as either greater than or less than a specific number; or
- » with a goal of 100 per cent.

Each of these is discussed below. The quality of explanations given is discussed in Section 5.5.1 of this report.

²²⁰ Department of Treasury and Finance, *2012-13 Model Report for Victorian Government Departments*, April 2013, p.16

Targets as defined ranges

Where targets are set as ranges, the Department of Treasury and Finance's guidance requires explanations when an actual result varies by more than 5 per cent from either extreme of the range.²²¹ A wide target range therefore means that a wide range of actual results will not require explanation.

This is well illustrated by the Department of Human Services' *Youth Justice Custodial Services* output. Four of the seven performance measures in this output had ranges in 2012-13. Some of these ranges are quite broad, e.g. 15-25 (which is equivalent to a target of 20 with a variation of 25 per cent in either direction) and 40-65 (which is equivalent to 52.5 with a 24 per cent variation in either direction). If, instead of setting a range, the target for all of the measures had been the mid-point of the range, the results for all four performance measures would have required explanations in 2012-13.²²² With ranges as targets, given the current guidance, no measure required an explanation.

While ranges can be appropriate in some cases, the Committee considers it important that they be used appropriately and not excessively. The Committee notes that targets for some measures have been changed from ranges to specific numbers in recent years,²²³ and that the overall number of measures with defined ranges as targets has reduced from 37 in 2011-12 to 23 in 2012-13 and 29 in 2013-14. The Committee considers that departments should ensure that ranges are only used when entirely appropriate.

FINDING: For some measures, targets are set as defined ranges, rather than a single number. In these cases, fewer actual results will require explanations than if a single number were used as the target.

RECOMMENDATION 27: Departments review measures with ranges as targets, and modify them to single numbers except where a range is necessary and appropriate.

Targets as greater than or less than a specific number

Where targets are set as greater than or less than a specific number, there is no guidance from the Department of Treasury and Finance about what variances require explanation. In a number of cases, departments have not provided explanations where the target has been to exceed a number and the number has been exceeded, even if it has been exceeded by a large amount.²²⁴

As discussed in Section 4.2.4 of this report, the inclusion of greater than or less than signs can increase the clarity of a performance measure. However, the Committee considers that an explanation is still appropriate where an actual result

221 *ibid.*

222 Committee's analysis based on Department of Human Services, *Annual Report 2012-13*, p.45

223 For example, 'Victoria's share of domestic tourism advertising awareness among target markets: intrastate' and 'Victoria's share of domestic tourism advertising awareness among target markets: interstate' both moved from ranges to specific numbers with the 2013-14 budget papers.

224 For example, the measure 'Entries received: Premier's Spirit of Anzac prize' had a target of '>170' and an actual result of 320, with no explanation (Department of Planning and Community Development, *Annual Report 2012-13*, p.37).

significantly varies from a target, even if that target is of the 'greater than' or 'less than' variety. These explanations are essential for stakeholders to understand what factors caused the better-than-expected performance (see also Section 5.5.2 on the importance of explaining positive results). The Committee therefore believes that the guidance should be updated to specify this.

FINDING: Where targets for performance measures have been set as greater than or less than a specific number, some departments have not provided explanations for significant variances between the specified numbers and actual results.

RECOMMENDATION 28: The Department of Treasury and Finance update the Model Report to explicitly require departments to provide explanations where:

- (a) a performance measure has a target of greater than or less than a specific number; and
- (b) the actual result varies from that specific number by 5 per cent or more.

Targets of 100 per cent

As noted in Section 4.3.4, there are 142 performance measures in the 2013-14 budget papers which have 100 per cent as their target. When a measure is set with a 100 per cent target, actual results between 95 per cent and 100 per cent do not require any explanation under the current arrangements.

The Committee considers that, if an activity is important enough to warrant a target of 100 per cent, then it is important to understand the causes of any variances from the target. This is in accord with the Government's guidance that explanations should be provided for any variances '*that may be of public interest*'.²²⁵

The Committee notes that the Department of Primary Industries' *Annual Report 2012-13* includes explanations for all variances from targets of 100 per cent, including one result of 96 per cent.²²⁶ The Committee considers this to be best practice that should be adopted by all departments.

FINDING: Where targets for performance measures are 100 per cent, most departments only explain variances greater than 5 per cent. However, the Committee considers that if a performance measures is important enough to have a target of 100 per cent, any variance is significant enough to require explanation.

RECOMMENDATION 29: The Department of Treasury and Finance update the Model Report to require departments to provide explanations for any variances between the target and actual result when the target is 100 per cent.

²²⁵ Department of Treasury and Finance, *2012-13 Model Report for Victorian Government Departments*, April 2013, p.16

²²⁶ Department of Primary Industries, *Annual Report 2012-13*, p.65

SETTING TARGETS AND REPORTING RESULTS

5.1

Introduction

Performance measures and their targets are integral to the measurement and reporting of performance over time. As noted in Chapter 2 of this report, the setting of targets for quantity, quality, timeliness and cost measures is a key method of measuring and reporting departmental output performance in the general government sector.

Targets for performance measures show the level of *‘service that the Government purchases from the department’* (see Section 2.2).²²⁷ At the end of the year, the differences between a measure’s target and its actual results *‘allow Parliament and the public to scrutinise and assess government performance and spending of public funds; and provide the drive for continuous improvement’*.²²⁸

The explanations accompanying the actual results help stakeholders understand not only how well the departments performed, but, more importantly, why the performance was what it was.

Once a performance measure has been established, the cycle for a measure is as follows (see also Chapter 2):

- » before the start of the budget year, a target is set;
- » towards the end of the year, an estimate is made of the expected outcome of the measure, with an explanation provided for any expected variances that are significant or material;
- » at the same time, the next year’s target is set; and
- » at the end of the year, departments report the actual results in annual reports and explain significant or material variances between the targets and actual results.

This chapter will address the following questions:

- » How well have departments performed compared to their targets over the last five years? (Section 5.2)
- » Have appropriate targets been set for measures? (Section 5.3)
- » Have expected outcomes aided departments in setting appropriate targets? (Section 5.4)
- » How useful are the explanations given for variances between targets and actual results in the 2012-13 annual reports? (Section 5.5)

As part of its analysis of measures for 2012-13 and 2013-14, the Committee examined targets, expected outcomes, and actual results for performance measures, as well as explanations for changes, in the 2012-13 annual reports and the 2013-14

²²⁷ Department of Treasury and Finance, *Budget and Financial Management Guidances*, ‘BFMG – 09 Output Specification and Performance Measures’, July 2012, p.111

²²⁸ *ibid.*, p.115

budget papers. Where available, data from the past five years have also been considered. Using this, the Committee identified measures where it may be possible for improvements to be made in target setting.

Overall, the Committee identified 145 performance measures for which departments should review the targets. These measures are listed by department in Appendices A5.1-A5.10 of this report. Recommendations have been included in Chapter 1 of this report for departments to review their measures. The following sections of this chapter detail the different sorts of improvement that should be considered.

Potential improvements to the processes of estimating expected outcomes and to the quality of explanations are also discussed below.

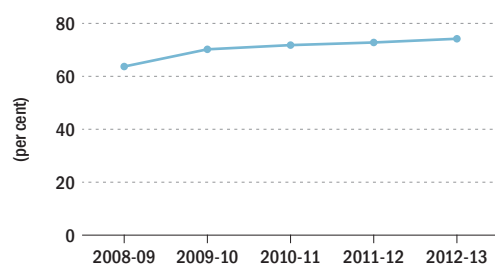
5.2

Overall performance

Figure 5.1 compares the actual results to the target for all performance measures over the past five years.

Figure 5.1

Proportion of measures within ± 10 per cent of targets, 2008-09 to 2012-13



Sources: Departmental annual reports 2008-09 to 2012-13

Departments' actual results have been increasingly close to target over the last five years. In 2012-13, the actual results for 74 per cent of performance measures were within 10 per cent of the targets.

The reasons for results being close to or varying from targets are discussed further in the remainder of this chapter.

The Committee notes that results were provided in departments' annual reports for all but four of the measures from the 2012-13 budget papers. Of these, three measures²²⁹ were undisclosed with no explanation given, and one measure²³⁰ was not reported because the measure is to be discontinued during 2013-14.

With respect to its measures, the Department of Justice advised the Committee that *'the Supreme Court of Victoria did not compile and submit statistics to the department on these three performance measures'*.²³¹

229 The Department of Justice's measures: 'Civil matters disposed within agreed timeframes in the Supreme Court'; 'Criminal matters disposed within agreed timeframes in the Supreme Court'; and 'Quality of court registry services in Supreme Court'.

230 The Department of Transport, Planning and Local Infrastructure's measure: 'myki Customer Satisfaction Score'.

231 Department of Justice, response to the Committee's 2012-13 Financial and Performance Outcomes – Entity-Specific Questionnaire, received 5 February 2014, p.3

On the other hand, the Department of Transport, Planning and Local Infrastructure informed the Committee that *'the myki customer satisfaction is no longer measured separately'*.²³²

Estimated results

The Committee identified 45 measures where results were preliminary or based on estimations. The Committee notes that all these results were provided by the departments of Health and Human Services. No other department has disclosed results as being based on estimations.

However, the Department of Environment and Primary Industries has advised the Committee that actual results for two measures: 'Landcare members and community volunteers participating in Landcare activities'; and 'Maps generated on Land Channel' are based on estimates.²³³ The Committee notes that the results for neither of these measures were noted in the annual report as estimates, although actual results for both were exactly on target.²³⁴

Following a Committee recommendation in the past,²³⁵ the Department of Treasury and Finance (DTF) amended the Model Report to include that:²³⁶

... departments are required to disclose in the report of operations where estimates are presented as actual results for clarification purposes.

The Committee considers that using estimates as actual results may lead to higher apparent levels of accuracy than may otherwise be the case.

FINDING: The proportion of performance measures delivered to within 10 per cent of targets has risen gradually over the past five years. In 2012-13, 74 per cent of actual results were within 10 per cent of target.

5.2.1

Results by department

Figure 5.2 breaks down these results by department.

Figure 5.2 shows three outlying departments in 2008-09, the (then) Department of Transport, the Department of Justice and the (then) Department of Innovation, Industry and Regional Development. The Department of Transport and the Department of Justice improved their performance for 2009-10 in terms of producing results close to target.

Since 2009-10, for all departments but one, the actual results for between 60 and 80 per cent of measures have been within 10 per cent of targets each year.

232 Department of Transport, Planning and Local Infrastructure, response to the Committee's 2012-13 Financial and Performance Outcomes – Entity-Specific Questionnaire, received 6 February 2014, p.6

233 Department of Environment and Primary Industries, response to the Committee's 2012-13 Financial and Performance Outcomes – Entity-Specific Questionnaire, received 13 February 2014, pp.4-6

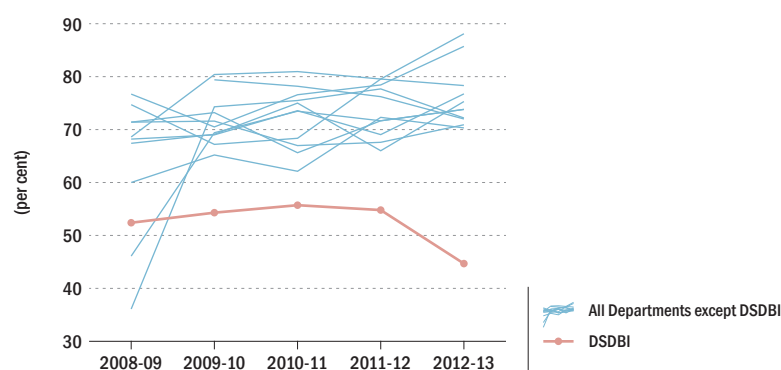
234 Department of Environment and Primary Industries, *Annual Report 2013*, pp. 61, 69

235 *'The Department of Treasury and Finance amend the Model Report to instruct departments to identify any figures reported as actual results in annual reports which are estimates'* (Public Accounts and Estimates Committee, *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, April 2012, recommendation 42, p.199)

236 Department of Treasury and Finance, *2012-13 Model Report for Victorian Government Departments*, April 2013, p.9

Figure 5.2

Proportion of measures with actual results within ± 10 per cent of target, 2008-09 to 2012-13



Source: Departmental annual reports 2008-09 to 2012-13

In contrast, for the Department of State Development, Business and Innovation,²³⁷ the proportion of measures with actual results within 10 per cent of targets has been less than 60 per cent in every year. The highest proportion of measures with results within 10 per cent of targets was 56 per cent in 2010-11. The proportions have reduced since then, with the latest year having just 45 per cent of results close to target.

Most explanations for variances given by the Department have related to targets being exceeded. Section 5.3.3 of this report discusses evidence suggesting that the targets for the Department have not been sufficiently challenging. The Department provided explanations for most variances in its *Annual Report 2012-13*. Each explanation identifies a principal or contributing factor that caused the variance, such as:

- » strong results from super trade missions;²³⁸
- » additional locally produced films or television series;²³⁹ or
- » higher-than-anticipated tourism numbers.²⁴⁰

The Committee notes that many of the factors identified in the Department's *Annual Report 2012-13* were also identified as causes of variations in the *Annual Report 2011-12*.²⁴¹ The Committee understands that unanticipated factors are valid causes of variances from targets. However, if the same factors continue to contribute to variances over more than one year, the Committee considers that the Department may find it appropriate to review the target.

237 Previously known as the Department of Innovation, Industry and Regional Development and the Department of Business and Innovation.

238 'New exports facilitated in regional Victoria', (Department of State Development, Business and Innovation, *Annual Report 2012-13*, p.168)

239 'Value of film, television and digital media production supported by Film Victoria production', (Department of State Development, Business and Innovation, *Annual Report 2012-13*, p.167)

240 'Visitor expenditure: domestic', (Department of State Development, Business and Innovation, *Annual Report 2012-13*, p.166)

241 Strong results from super trade missions contributed to two measures exceeding targets, additional film productions contributed to two measures exceeding targets and strong growth in visitor numbers contributed to three measures exceeding targets.

FINDING: The Department of State Development, Business and Innovation has cited a series of factors that have contributed to variances from targets in 2012-13. A number of these factors were also cited as contributing to variances in the past.

5.3

Targets

5.3.1

Setting and changing targets

Guidance for setting targets for performance measures is provided by the Department of Treasury and Finance as part of its Budget and Financial Management Guidances (BFMGs). Departments are instructed to set targets with regard to past performance, performance of similar agencies in other jurisdictions, standards agreed by the Council of Australian Governments and other national standards.²⁴² Departments are also instructed to '*consult with responsible ministers where required*'.²⁴³

Targets are to be reassessed when:²⁴⁴

- » *there is constant significant over or underperformance against the current target;*
- » *a policy change makes the current target unachievable; or*
- » *there is a change in the funding allocated to the delivery of goods and services measured under the output.*

DTF's guidance also notes that: '*performance targets need to be challenging, but achievable*'.²⁴⁵ Targets should not be set too high, as '*a target that is too ambitious may encourage misrepresentation of performance*'.²⁴⁶

Departmental practice

Departments have previously informed the Committee that a range of factors have influenced target levels.

The Department of Transport, Planning and Local Infrastructure, for example, indicated that these factors include:²⁴⁷

... the estimated demand and costs for providing the output, the amount of budget appropriation available in 2013-14, impacts of legislative changes and historical performance of recent years.

²⁴² Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.115

²⁴³ *ibid.*

²⁴⁴ *ibid.*

²⁴⁵ *ibid.*, p.116

²⁴⁶ *ibid.*, p.115

²⁴⁷ Department of Transport, Planning and Local Infrastructure, Response to the Committee's 2013-14 Budget Estimates Questionnaire, received 9 May 2013, p.36

All government departments²⁴⁸ advised the Committee that the expected outcomes for 2012-13 were considered at the time of setting the 2013-14 targets for performance measures.²⁴⁹ For example, the Department of Justice advised that:²⁵⁰

Instances where 2012-13 expected outcomes were significantly exceeding their 2012-13 targets provided a good opportunity to discuss the merits of amending the 2013-14 target in line with expected performance for 2012-13.

The Department of Premier and Cabinet also informed the Committee that:²⁵¹

... 2013-14 Targets for DPC's performance measures have been adjusted where there is a significant difference between the 2012-13 Expected Outcome and the 2012-13 Target.

A number of departments also indicated that they have recently modified their methodology for calculating targets and results (see Section 4.4.2).

5.3.2

Results close to targets

As shown in Figure 5.1, results for 74 per cent of performance measures were within 10 per cent of their targets in 2012-13.

In many cases, this reflects departments setting realistic targets, and performing well enough to achieve those targets.

In some cases, however, the Committee considers that measures have been set in such a manner that it would only be under extraordinary circumstances that the target would not be met.

Most of these measures relate to basic minimum standards, with targets (and results) that are constantly 100 per cent over time (see Section 4.3.4).

FINDING: A number of measures relate to basic minimum standards and only extraordinary circumstances would prevent the target being met.

5.3.3

Results not close to targets

As noted in Section 5.3.1, targets should be set at levels that are '*challenging, but achievable*'.²⁵² For 26 per cent of performance measures, however, the actual result in 2012-13 varied from the target by more than 10 per cent. In many cases, these variances are a positive thing, indicating better-than-expected performance. In some cases, they indicate performance that is below the standards set by the Government.

248 The Parliamentary Departments advised the Committee that, as targets for 2013-14 remained the same as for 2012-13, expected outcomes for 2012-13 were not considered in setting the targets for 2013-14 (Department of Parliamentary Services, response to the Committee's 2013-14 Budget Estimates Questionnaire, received 8 May 2013, p.20).

249 Departmental responses to the Committee's 2013-14 Budget Estimates Questionnaire, question 30

250 Department of Justice, Response to the Committee's 2013-14 Budget Estimates Questionnaire, received 8 May 2013, p.26

251 Department of Premier and Cabinet, Response to the Committee's 2013-14 Budget Estimates Questionnaire, received 8 May 2013, p.18

252 Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.116

For a large number of measures, the variance was the result of events occurring during the year that were not foreseeable.

For some measures, however, targets may have been set too high (that is, not achievable) or too low (that is, insufficiently challenging).

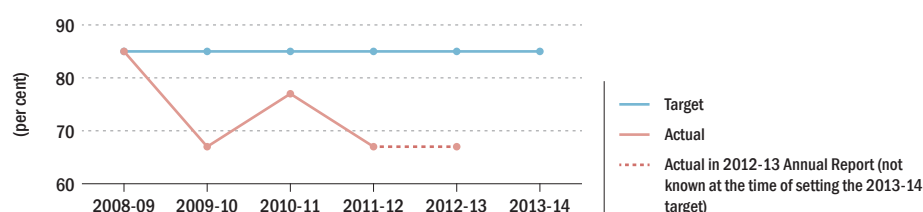
To identify these cases, the Committee has examined the last five years' targets, expected outcomes and results, as well as the 2013-14 targets. This analysis has identified a number of performance measures where there has been an average variation greater than 10 per cent between the target and actual across the last five years, suggesting that targets have been either unchallenging or unachievable.

Figures 5.3 and 5.4 provide examples of performance measures where the targets appear to have been set at levels that were not achievable or not sufficiently challenging.

Figure 5.3 shows the Department of Health's targets and results for the 'Trained Alcohol and drug workers' measure over the last five years.

Figure 5.3

'Trained Alcohol and drug workers'



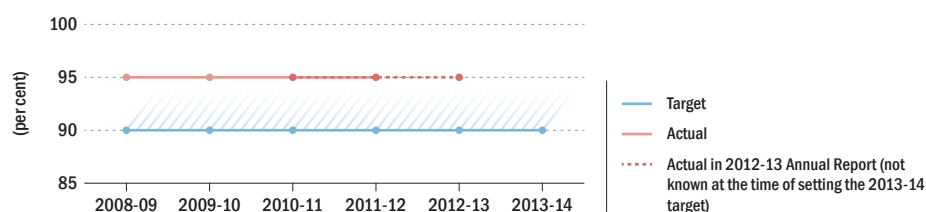
Sources: Budget Paper No.3, *Service Delivery*, 2008-09 to 2013-14; Department of Health, *Annual Report 2012-13*, p.187

The target for this measure has remained at 85 per cent since 2008-09, despite actual results well below this level every year since 2009-10. The Committee notes that the latest target for this measure is still 85 per cent.²⁵³

Targets and results for the Department of Planning and Community Development's measure 'Contract management of outdoor recreation camps meets agreed key performance indicators' are shown in Figure 5.4.

Figure 5.4

'Contract management of outdoor recreation camps meets agreed key performance indicators'



Sources: Budget Paper No.3, *Service Delivery*, 2008-09 to 2013-14; Department of Planning and Community Development, *Annual Report 2012-13*, p.45

253 Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.148

Figure 5.4 shows that outcomes for this measure have exceeded targets in every year since 2008-09. In contrast, the target has remained at '> 90 per cent' for this time. The Committee also notes that the target is unchanged for 2013-14.²⁵⁴

The Department advised the Committee that:²⁵⁵

A level of reasonableness is applied to this target and >90% is agreed between parties as an appropriate measure.

The Committee considers that the past trends of results has presented an opportunity for the Department to raise its target.

Performance measures where the actual results have varied from their targets by more than 10 per cent on average over the last five years have been included in Appendices A5.1-A5.10 for review by departments. Setting such a 'rule of thumb' is not able to objectively identify all performance measures with targets that are not appropriate and does not replace the need for departments to conduct their own reviews of performance measures and targets. In particular, this is restricted to only those performance measures which have existed since 2008-09. As discussed in Section 4.4, there have been significant changes in performance measures since this time.

FINDING: Results for the last five years suggest that some targets have been set by departments at levels that are either not sufficiently challenging or not achievable.

Results by department

The Committee expects that a department that objectively and appropriately sets targets would show a balanced spread of results both above and below target. Setting targets that are overly challenging would generally lead to a higher proportion of results falling below the target. On the other hand, setting targets that are not sufficiently challenging would generally lead to more results being above their targets.

Figure 5.5 shows the extent to which departments produced results that were below or above their targets for 2012-13.

Figure 5.5 shows that the Department of State Development, Business and Innovation has the highest proportion of exceeded targets. The ratio of exceeded targets to targets not met is also the highest (apart from the Parliament, which met or exceeded all of its targets).

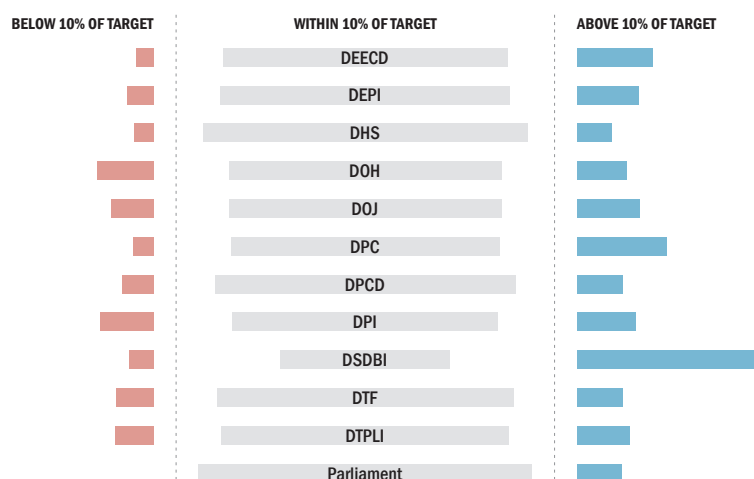
FINDING: The Department of State Development, Business and Innovation has the highest proportion of exceeded targets.

²⁵⁴ *ibid.*, p.274

²⁵⁵ Department of Planning and Community Development, response to the Committee's 2012-13 Financial and Performance Outcomes – Entity-Specific Questionnaire, received 6 February 2014, p.9

Figure 5.5

Proportions of measures significantly below, close to, and significantly above targets, 2012-13



Source: Departmental annual reports 2012-13

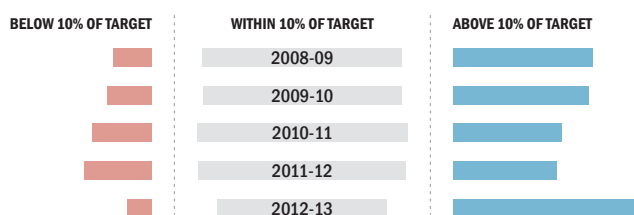
Department of State Development, Business and Innovation

In a number of previous reports, the Committee has noted the pattern of a large proportion of targets exceeded and a low proportion of targets not met for the Department of State Development, Business and Innovation (in the form of its predecessor, the Department of Business and Innovation).²⁵⁶

Figure 5.6 shows that while the results for 2012-13 are the most extreme, the Department's bias towards exceeding targets has been a continuing trend over the past five years.

Figure 5.6

DSDBI/DBI/DIIRD performance measures, actual results compared to targets,^(a) 2008-09 to 2012-13



(a) Excludes measures for which either the target or the actual result was not disclosed.

Sources: Department of Innovation Industry and Regional Development, *Annual Report 2008-09*, pp. 236-41; Public Accounts and Estimates Committee, *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, April 2012, p.348; Department of Business and Innovation, annual reports 2010-11 and 2011-12; Department of State Development, Business and Innovation, *Annual Report 2012-13*, pp.166-8

²⁵⁶ For example, Public Accounts and Estimates Committee, *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, April 2012, pp.190-3; Public Accounts and Estimates Committee, *Report on the 2012-13 Budget Estimates — Part One*, June 2012, pp.32-8

Following a recommendation by the Committee that the Department ‘seek advice from a suitably qualified source to explore ways of improving the Department’s performance with respect to meeting performance measure targets’,²⁵⁷ the Government advised the Committee that:²⁵⁸

The Department of Business and Innovation undertook a review of its performance measures prior to the 2012-13 Budget. New performance measures were developed to align performance reporting and monitoring with the new Performance Management Framework.

In early 2013, the Department of Business and Innovation advised the Committee that ‘measures are still under development’,²⁵⁹ suggesting that the measures included in the 2013-14 budget papers may not reflect the final outcome of the review. For this reason, the Committee considers this an interim result.

The Committee notes that, as part of the recent machinery-of-government change, the Department of State Development, Business and Innovation received responsibility for a number of performance measures from other departments.

FINDING: The Department of State Development, Business and Innovation initiated a review of performance measures following recommendations of this Committee. The Department has advised that the performance measures were still under review in 2013 and consequently the Committee considers this year’s outcome to be an interim result.

RECOMMENDATION 30: The Department of State Development, Business and Innovation continue to review those performance measures for which results have consistently exceeded targets to ensure that targets in future budget papers are more challenging than in previous years.

RECOMMENDATION 31: The Department of State Development, Business and Innovation examine the performance measures it has received from other departments to determine methods of improving its target setting in future budgets.

Appendix A5.20 includes a history of recommendations from past Committee reports relating to target setting for the Department of State Development, Business and Innovation and its predecessor departments. It also includes Government responses and comments from the department where they have been received.

257 Public Accounts and Estimates Committee, *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, April 2012, Recommendation 23, p.166. Note also *ibid.* Recommendation 37, 193.

258 Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee’s 109th Report to the Parliament – Report on the 2009-10 and 2010-11 Financial and Performance Outcomes, tabled 19 October 2012, p.10

259 Department of Business and Innovation, response to Public Accounts and Estimates Committee’s 2011-12 Financial and Performance Outcomes General Questionnaire, received 30 January 2013, p.48

The Committee's recommendations have all received a positive response from the Government.²⁶⁰ Comments received suggest that the Department will undertake (or continue to undertake) the tasks in the recommendations.

The Committee discusses the need for a central body to be involved in quality control over performance measures and targets in Chapter 6 of this report.

FINDING: The Committee has made a number of recommendations over the past five years regarding performance against targets for the Department of State Development, Business and Innovation (or its predecessors). These recommendations have been accepted by the Government and comments received suggest that the Department would carry out the tasks in the recommendations.

5.3.4 Setting challenging but achievable targets

DTF's guidance notes that targets should be set with reference to '*past trends, variations in performance and the performance of other providers*'.²⁶¹

However, the Committee's analysis suggests a number of instances where:

- » expected outcomes for the prior year appear not to have been factored into target setting;
- » trends of actual results appear also not to have been factored into target setting; and
- » changes in the measure's definition prevented performance being comparable over time.

Expected outcomes for the prior year

The Committee understands that targets can differ significantly from what was achieved in the previous year for legitimate and appropriate reasons (such as changes in Government programs or different levels of demand from the community). In a number of cases, the 2012-13 targets were set at levels significantly different from the expected outcomes for 2011-12. In some of these cases, the eventual result for 2012-13 did not vary substantially from the 2011-12 outcome. For these measures, giving more weight to the expected outcome for the prior year in setting the target would have resulted in a target that was more realistic. An example is set out in Figure 5.7.

For the measure 'Number of school students participating in accredited vocational programs', the target for 2012-13 was set at 39,000 while the expected outcome for 2011-12 was 44,716.²⁶² The eventual result for 2012-13 was 45,907.²⁶³ The Department explained that '*the 2012-13 Actual is higher than the 2012-13 Target due to higher than anticipated demand.*'²⁶⁴

²⁶⁰ This includes 'accept', 'accept in principle' or 'support'

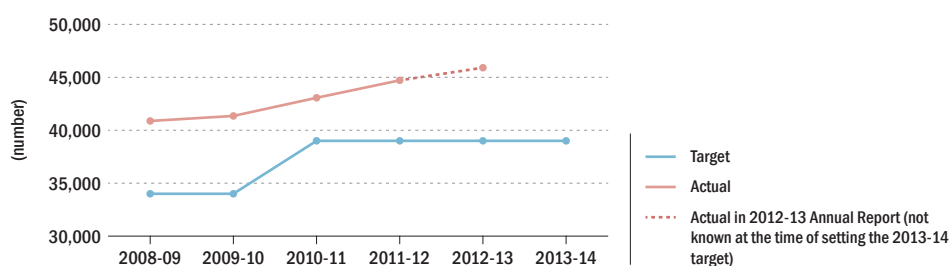
²⁶¹ Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.115

²⁶² Budget Paper No.3, *2012-13 Service Delivery*, May 2012, p.108

²⁶³ Department of Education and Early Childhood Development, *Annual Report 2012-13*, p.27

²⁶⁴ *ibid.*

Figure 5.7

Performance measure, 'Number of school students participating in accredited vocational programs', 2008-09 onwards

Sources: Budget Paper No.3, Service Delivery, 2008-09 to 2013-14; Department of Education and Early Childhood Development, Annual Report 2012-13, p.27

The Committee also notes that the Department set the 2013-14 target for the measure unchanged again at 39,000, while the expected outcome for 2012-13 was 45,907.²⁶⁵ The Committee approached the Department to determine why the 2013-14 target had not been changed. The Department advised the Committee that:²⁶⁶

Schools had indicated a significant reduction was expected in both programs and enrolments. Consequently, no change in the 2013-14 target was proposed.

Further, for the Department of Transport, Planning and Local Infrastructure's measure: 'Projects progressed to agreed plans and timeframes', the target for 2012-13 was 100 per cent at the time when the 2011-12 expected outcome had been estimated at 64 per cent.²⁶⁷ The eventual 2012-13 result was 62 per cent.²⁶⁸

FINDING: In some cases, expected outcomes for 2011-12 appear not to have been used as a basis for 2012-13 targets by departments.

In the case cited above, no explanation was provided. This may be because the target was unchanged from the previous year. The Committee considers that an explanation should be provided where a target is set at a level that varies from the prior year's expected outcome, even if the target is unchanged from the previous year. The Committee considers that the guidance should clarify that explanations are required in such cases.

FINDING: Existing guidance requires targets set below the previous year's expected levels be explained, though it does not require explanations for targets above the previous year's expected outcome. In some cases, explanations have not been provided.

265 Budget Paper No.3, 2013-14 Service Delivery, May 2013, p.86

266 Department of Education and Early Childhood Development, response to the Committee's 2012-13 Financial and Performance Outcomes – Entity-Specific Questionnaire, received 31 January 2014, p.6

267 Budget Paper No.3, 2012-13 Service Delivery, May 2012, p.296

268 Department of Transport, Planning and Local Infrastructure, Annual Report 2012-13, p.118

RECOMMENDATION 32: The Department of Treasury and Finance amend its guidance to also require explanations for targets that are significantly higher than the previous year's expected outcome.

Target setting and trends of actual results

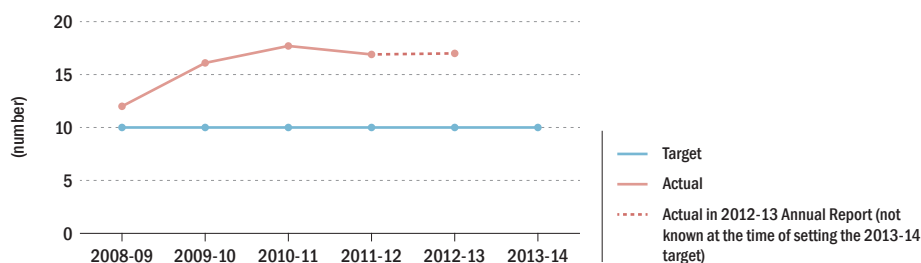
DTF instructs departments that '*targets should be reassessed where ... there is constant significant over or underperformance against the current target*'.²⁶⁹

In many cases, targets are altered in the light of past trends. For example, the Department of Education and Early Childhood Development raised the target for the measure 'Families who are satisfied with the early childhood intervention services provided' from 85 per cent to 90 per cent, '*due to sustained achievement above previous target*'.²⁷⁰ The Committee notes that the Department of Justice cited historic performance as a reason for changes to targets for at least 12 of its measures in 2013-14.²⁷¹

However, in some cases, the trends of previous results appear not to have been factored into the targets. For example, the target for 'Major trauma patients transferred to a major trauma service' has been set at 75 per cent since (at least) 2008-09. Actual results for the measure have been consistently above this level for the whole of this time. This is shown in Figure 5.8.

Figure 5.8

Performance measure, 'Major trauma patients transferred to a major trauma service', targets and actual results, 2008-09 onwards



Sources: Budget Paper No.3, 2008-09 to 2013-14, Department of Health, *Annual Report 2012-13*, p.170

In setting the target of 75 per cent for 2012-13, the Department may not have considered the past trend of actual results. Further, at the time of setting the target, the Department had estimated the 2011-12 result as 90 per cent.²⁷² This level was consistent with the trend of actual results and the actual result for 2012-13, which was 86 per cent.²⁷³

269 Department of Treasury and Finance, *Budget and Financial Management Guidances*, 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.115

270 Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.77

271 *ibid.*, pp.184-97

272 Budget Paper No.3, *2012-13 Service Delivery*, May 2012, p.122

273 Department of Health, *2012-13 Annual Report*, p.170

The target for 2013-14 has again not been increased from 75 per cent, despite the expected outcome for 2012-13 having been estimated at 88 per cent, again, consistent with the trend of actual results.²⁷⁴ The Department advised the Committee that:²⁷⁵

Expected outcomes for 2012-13 were considered in setting the targets for the majority of outputs.

In explaining why it did not set a target closer to the trend, the Department commented that:²⁷⁶

The Department undertakes a review of all performance measures as part of the development of the annual budget to ensure that the measures reflect the ongoing budget and new budget initiatives. Program areas assess the relevance of each measure in light of changes (in particular National changes) and relevance to reporting performance; ensuring that quality and timeliness are represented in the performance disclosure.

Appendices A5.1 to A5.10 include 145 non-cost performance measures²⁷⁷ that have varied from their targets by an average of more than 10 per cent in either direction over the last five years. Of these, 33 have fallen short on average and 112 have exceeded their targets on average. The Committee considers that departments should review all of these measures to ensure that targets in future years are challenging and achievable.

FINDING: Government guidance requires targets to be reassessed where there is constant significant over or underperformance against the target. However, the Committee has identified 145 examples of measures where results varied from their targets by an average of 10 per cent over the past five years. This suggests that trend behaviour over time may not have been considered by departments in some cases when setting targets.

Changes in the measure's definition

The 2013-14 target for the Department of Treasury and Finance's measure: 'Number of final inquiry reports submitted to Government' was lowered in the 2013-14 budget papers from 3 to 2.²⁷⁸ The Department informed the Committee that:²⁷⁹

The lower target reflects a change in the definition of the target rather than any real reduction in output.

Section 4.4 of this report discusses further the robustness of measures over time.

²⁷⁴ Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.122

²⁷⁵ Department of Health, response to the Committee's 2012-13 Financial and Performance Outcomes – Entity-Specific Questionnaire, received 10 February 2014, p.12

²⁷⁶ *ibid.*

²⁷⁷ This analysis has been conducted on measures included in the 2012-13 budget papers for which targets and results are available for all years between 2008-09 and 2012-13. The analysis also excludes measures proposed to be dropped in the 2013-14 budget papers, as well as measures for which no variance can be calculated, such as targets which were zero or not disclosed. After these exclusions, there were 637 measures that were analysed.

²⁷⁸ Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.297

²⁷⁹ Department of Treasury and Finance, response to the Committee's 2012-13 Financial and Performance Outcomes – Entity-Specific Questionnaire, received 4 February 2014, p.13

5.3.5

Explanations for changing targets

With respect to changing targets, the Department of Treasury and Finance requires that explanations be provided for ‘*all movements in targets (including output costs) between years*’.²⁸⁰

These explanations must include:²⁸¹

- » *at a minimum, whether the change is due to changed government policy, funding or program delivery, or changed external circumstances (i.e. Commonwealth, consumer trends etc), and*
- » *factors that have contributed to any targets being set at levels that could be reasonably interpreted as being significantly understated compared to the previous year.*

The Committee notes that, in the 2013-14 budget papers, 416 out of 419 changes in targets have been accompanied by some form of explanation. Some explanations compare well with the guidance, such as:²⁸²

The higher 2012-13 Expected Outcome and higher 2013-14 Target reflects additional learning opportunities offered and an increased number of courses targeted for principal class members, assisting them with the expectations of the reforms outlined in Towards Victoria as a Learning Community policy.

The Committee considers that this is in line with the guidance as it identifies the factors that have caused the change, and identifies that these factors (the changing opportunities offered and the new Government policy) are internal rather than demand-driven.

However, in examining explanations provided by departments, the Committee considers that some explanations:

- » do not reveal the underlying cause of the change; and
- » are little more than a restatement of the target.

Examples are included in Appendices A5.11-A5.19.

As can be seen from the appendices, the Committee has identified inadequate explanations in every government department. Recommendations to each department have been included in Chapter 1 of this report. Further discussion of the role of central agencies can be found in Chapter 6.

280 Department of Treasury and Finance, *Budget Papers Guidance - General Government Sector (Budget Papers and Estimates Update)*, n.d., Attachment A, p.9

281 *ibid.*, Attachment A, p.10

282 Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.82

Explanations that do not identify the underlying cause

The Committee has identified a number of explanations that do not fully identify the underlying cause of the change, such as:

- » the Department of Premier and Cabinet has lowered the target for one measure from 100 events and activities in 2012-13 to 50 in 2013-14.²⁸³ The Department's explanation is that '*the lower 2013-14 Target reflects a refocus of the SSA's activities to meet the needs of a contemporary public sector*'.²⁸⁴ This does not convey the underlying causes of how the public sector's needs are changing, or how halving the number of events and activities better meets these needs;²⁸⁵ and
- » the Department of Education and Early Childhood Development raised the target for a measure from 11.2 per cent to 12.8 per cent with the explanation that '*the higher 2013-14 Target reflects forecast improvements in performance*'.²⁸⁶ This explanation conveys that the target is being changed but does not provide clear justification.

Appendices A5.11-A5.19 contain examples of such explanations. In some cases there are many instances, and so the appendices contain only a small sample.

5.4

Expected outcomes for performance measures

Expected outcomes against targets are estimated towards the end of the financial year, as part of the preparation of the budget papers. This is the same time that targets for the next year are set. As mentioned in Section 5.3.1, departments report that the expected outcomes are one input into the process of setting the target for the upcoming year. However, the expected outcomes can only provide a useful input when they accurately reflect actual performance.

The Committee found that, for 83 per cent of performance measures, the expected outcomes predicted at the time of the 2013-14 Budget were within 10 per cent of the actual results. The Committee would expect there to be some variation, as the estimates are made prior to the end of the budget year. However, the Committee considers that, in some instances, there may be scope for improvement through more rigorous comparison of estimates against long-term trends, and better use of evidence available at the time of estimating.

5.4.1

Departments' methods for estimating expected outcomes

Departments advised the Committee that they use a range of methods to ensure the expected outcome is reasonable. For example, the Department of Education and Early Childhood Development advised that it '*... used final results or examined trend data ...*'.²⁸⁷ The Department of Human Services added that it '*... included*

²⁸³ *ibid.*, p.220

²⁸⁴ *ibid.*

²⁸⁵ The Department informed the Committee that: '*the activities of the SSA will better meet those needs during 2013-14 through the transition to the new Victorian Public Sector Commission, which will focus on strengthening the efficiency, effectiveness and capability of the Victorian public sector*' (Department of Premier and Cabinet, response to the Committee's 2012-13 Financial and Performance Outcomes – Entity-Specific Questionnaire, received 6 February 2014, p.5)

²⁸⁶ Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.88

²⁸⁷ Department of Education and Early Childhood Development, response to the Committee's 2013-14 Budget Estimates Questionnaire, received 8 May 2013, p.20

*monthly or quarterly tracking of measures, where possible, based on available information systems’.*²⁸⁸

In addition to considering past performance, producing expected outcomes involves estimating what will happen in the final months of the year. The Department of Transport, Planning and Local Infrastructure advised the Committee that its estimate ‘... *is based on available year-to-date actual performance, and a forecast for the remainder of the period til end June 2013*’.²⁸⁹ However, the Department of State Development, Business and Innovation takes a conservative approach, and ‘*in the absence of strong indications that a target is expected to be significantly over or under, the expected outcome is consistent with the target*’.²⁹⁰ This is discussed further in Section 5.4.2.

In one case, the method used for estimating the expected outcome was different to the method used for calculating the actual result.²⁹¹ This resulted in the actual result being significantly lower than the expected outcome.

The Committee contacted DTF to find what guidance is provided to departments for estimating expected outcomes. The Department indicated that beyond BFMG – 09,²⁹² it does not provide guidance to other departments about how to calculate expected outcome estimates for performance measures.

DTF’s role in ensuring accuracy of other departments’ estimations of expected outcomes for the budget papers is discussed further in Section 6.4 of this report.

FINDING: The Department of Treasury and Finance does not provide guidance to other departments about how to calculate expected outcome estimates for performance measures.

RECOMMENDATION 33: The Department of Treasury and Finance provide guidance for departments on better practice techniques for estimating expected outcomes.

288 Department of Human Services, response to the Committee’s 2013-14 Budget Estimates Questionnaire, received 8 May 2013, p.29

289 Department of Transport, Planning and Local Infrastructure, response to the Committee’s 2013-14 Budget Estimates Questionnaire, received 9 May 2013, p.36

290 Department of State Development, Business and Innovation, response to the Committee’s 2013-14 Budget Estimates Questionnaire, received 10 May 2013, p.28

291 The Department of State Development, Business and Innovation indicated to the Committee that the expected outcome of 507,000 for ‘Average number of monthly visits to www.vic.gov.au’ (Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.229) was estimated based on the average number of website visits for the first nine months of the year. However, the outcome of 377,906 (Department of State Development, Business and Innovation, *Annual Report 2012-13*, p.167) was calculated after ‘*the removal of some high-traffic content that already appears on other government websites*’ (Department of State Development, Business and Innovation, response to the Committee’s 2012-13 Financial and Performance Outcomes – Entity-Specific Questionnaire, received 31 January 2014, p.6).

292 This document simply indicates that the expected outcome figures are required for reporting in the budget papers (Department of Treasury and Finance, *Budget and Financial Management Guidances*, ‘BFMG – 09 Output Specification and Performance Measures’, July 2012, p.119).

5.4.2

Accuracy of the expected outcomes

Table 5.1 shows the proportion of measures where the actual result was within 10 per cent of the expected outcome estimated in the budget papers.

For 2012-13 measures, departments were able to predict 83 per cent of their measures to within 10 per cent of their eventual outcomes. Table 5.1 shows that this figure is slightly higher than the last four years, although there is no clear trend.

Table 5.1

Proportion of measures where the expected outcomes were within 10 per cent of the actual results (per cent)

2009-10	2010-11	2011-12	2012-13
83.0	82.1	82.0	83.2

Notes: The analysis excludes: measures for which expected outcomes or actuals were not disclosed (such as 'to be advised' or 'not measured'); and cost measures that were altered when outputs were rearranged.

Sources: Budget Paper No. 3, 2009-10 to 2013-14; departmental annual reports, 2009-10 to 2012-13.

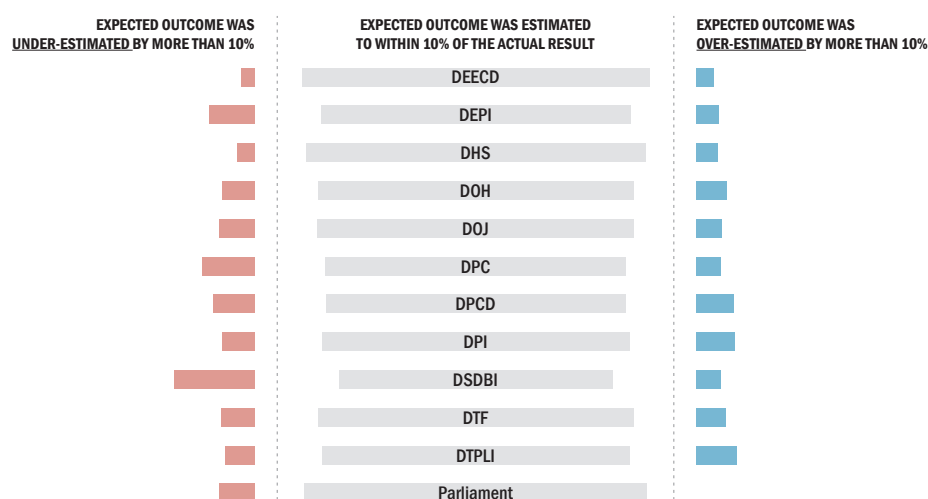
FINDING: In 2012-13, the expected outcomes for 83 per cent of measures were within 10 per cent of the eventual actual results. This is a slightly higher level of accuracy than the past three years.

Accuracy of expected outcomes by department

Figure 5.9 shows the accuracy of the expected outcomes in the 2013-14 budget papers by department for 2012-13. The figure shows the proportions of measures where expected outcomes were significantly under-estimated, within 10 per cent, and significantly over-estimated given the actual results in annual reports.

Figure 5.9

Proportion of estimated outcomes under-estimated, close to target or over-estimated, 2012-13 (per cent)



Notes: The analysis excludes: measures for which expected outcomes or actuals were not disclosed (such as 'to be advised' or 'not measured'); and cost measures that were altered when outputs were rearranged.

Sources: Departmental annual reports, 2012-13; Budget Paper No.3, 2013-14 *Service Delivery*, May 2013, Chapter 2

As noted above, departments use a variety of techniques for developing expected outcomes. The Department of State Development, Business and Innovation explained that:²⁹³

The expected outcome is based on outcomes to date and forecasts for the remaining period.

A conservative approach is taken to assess expected outcomes. In the absence of strong indications that a target is expected to be significantly over or under, the expected outcome is consistent with the target.

Consultation with internal and external stakeholders occurs, where relevant, during this process.

The Committee accepts that, in some circumstances, a conservative approach may be prudent. However, such an approach in estimating expected outcomes will tend to produce estimates that are more informed by previous targets than more relevant data. In turn, these estimates inform future targets, potentially resulting in a cycle of targets and estimates that vary from actual results by significant amounts.

For measures that have a long-term upward trend (such as most quantity measures) this would tend to result in under-estimation of expected outcomes and a resultant setting of targets that are too low.

FINDING: For 11 of the 12 departments (including the Parliament), more than 78 per cent of expected outcomes included in the 2013-14 budget papers were within 10 per cent of the actual results included in annual reports.

RECOMMENDATION 34: The Department of State Development, Business and Innovation review its policy of setting conservative estimates for expected outcomes.

5.4.3

Explanations for expected outcomes in budget papers

Expected outcomes are reported for each performance measure in the budget papers. DTF requires that footnotes are required for ‘*all significant movements between Targets and Expected Outcomes (including output costs) ... Significant means a five per cent variance (increase or decrease) or a change that may be of public interest*’.²⁹⁴

In most cases, variances from targets have been given explanations. In a number of cases where measures were proposed to be discontinued, explanations were not given. The Committee notes that there is no exemption in the guidance for explaining expected variances for measures that are proposed to be discontinued.²⁹⁵

²⁹³ Department of State Development, Business and Innovation, Development, Response to the Committee's 2013-14 Budget Estimates Questionnaire, received 10 May 2013, p.28

²⁹⁴ Department of Treasury and Finance, *Budget Papers Guidance - General Government Sector (Budget Papers and Estimates Update)*, n.d., Attachment A, p.9

²⁹⁵ Department of Treasury and Finance, *Budget Papers Guidance - General Government Sector (Budget Papers and Estimates Update)*, n.d., pp.2-3.

FINDING: For a number of measures, explanations have not been given for significant expected variances. Several of these are for measures that have been proposed to be discontinued.

RECOMMENDATION 35: The Department of Treasury and Finance alter guidance to explicitly state that the requirement to provide explanations for expected variances from targets extends to measures that are proposed to be discontinued.

5.5

Explanations for actual results

As discussed in Section 2.2 of this report, the actual results for performance measures communicate to stakeholders how well departments have performed against their objectives. This in turn enables any required remedial action and enables the Government to make informed decisions about resource allocation.

For these results to be accurately interpreted, it is essential that they be accompanied by explanations for variances between targets and actual results. These explanations inform stakeholders about the factors that led to unexpected outcomes.

Guidance for explaining variations is provided in the Model Report (for 2012-13 annual reports), which indicates that a department must provide: *‘appropriate commentary to explain the cause of significant or material variances between the BP3 targets and actual results. The commentary provided should be sufficient to assist the reader in understanding variances between actual and targeted results’*.²⁹⁶

The Model Report provides further guidance as to what constitutes a significant or material variance.²⁹⁷ The Committee notes that the criteria for significant or material variances have been modified and expanded with the 2012-13 Model Report. These changes require explanations in a larger number of situations. The Committee welcomes these changes.

5.5.1

The quality of explanations

In its *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, the Committee identified a number of criteria for a good explanation, including:²⁹⁸

- » being clear and comprehensive;
- » identifying the underlying cause of the variance;
- » identifying whether the cause of the variance was an internal or external factor;
- » providing more than just a restatement of the result; and
- » avoiding speculative explanations.

²⁹⁶ Department of Treasury and Finance, *2012-13 Model Report for Victorian Government Departments*, April 2013, p.16

²⁹⁷ *ibid.*

²⁹⁸ Public Accounts and Estimates Committee, *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, April 2012, pp.195-7

The Committee identified a number of explanations from 2010-11 annual reports that did not meet these criteria. The Committee therefore recommended that DTF provide more guidance to departments on the required standard of explanations.²⁹⁹ The Government supported this in principle, noting that it ‘*already issues formal information to departments covering the required standards*’.³⁰⁰

Subsequently, changes have been made to the required standards for explanations in the budget papers, but not for annual reports.

In examining the explanations provided for the 2012-13 actual results, the Committee noted a number of explanations that it considers to be in line with better practice, such as:

- » *The lower 2012-13 Actual reflects lower than anticipated commencements due to changes in Commonwealth incentive payments, subdued business conditions in the construction sector and changes in state subsidy levels for some traineeship programs.*³⁰¹
- » *The target was exceeded due to a special ‘Dealing with Drought Conditions’ workshop and seminars conducted in response to dry seasonal conditions.*³⁰²
- » *The 2012-13 result is higher than the 2012-13 target due to a better than expected manufacturer’s delivery schedule.*³⁰³

However, the Committee also identified a number of explanations in the 2012-13 annual reports that do not meet the criteria set out above. These are discussed below, with examples included in Appendices A5.11-A5.19.

Recommendations have been included in Chapter 1 that departments avoid similar explanations in future years.

DTF’s guidance and quality assurance processes are discussed further in Section 6.3–6.4 of this report.

Identifying the underlying cause

Some explanations give a reason for the variance, but the Committee considers that the reasons given are not the underlying causes. That is, the factors discussed in the explanations are intermediate causes, which are a result of some other, more fundamental factors.

For example for the measure ‘Total number of family services cases provided’, the explanation provided was that ‘*the higher than target actual result reflects the high level of demand for family services*’.³⁰⁴ The Committee considers that the explanation could have been improved by identifying what the cause of the higher level of demand was.

299 *ibid.*, Recommendation 41, p.197

300 Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee’s 109th Report to the Parliament – Report on the 2009-10 and 2010-11 Financial and Performance Outcomes, tabled 19 October 2012, p.15

301 Explanation for the variance of ‘Number of Apprenticeship / Traineeship Commencements by New Employees’ (Department of Education and Early Childhood Development, *Annual Report 2012-13*, p.30)

302 Explanation for the variance for ‘Farmers Supported to Make Better Informed Decisions to Increase Productivity Through Network Services’ (Department of Primary Industries, *Annual Report 2012-13*, p.69)

303 Explanation for the variance for ‘Metro Trains: New Trains for Melbourne Commuters: Stage 1 - Procurement of Seven New Train Sets’ (Department of Transport, Planning and Local Infrastructure, *Annual Report 2012-13*, p.118)

304 Department of Human Services, *Annual Report 2012-13*, p.44

Appendices A5.11-A5.19 include examples of measures that do not identify the underlying cause of the variation.

FINDING: A number of explanations for variances give an intermediate factor for the variance, but do not reveal the underlying cause of the variation.

Identifying whether factors are internal or external

The Committee identified a number of examples where it is not clear whether causes of the variances are internal or external. For example, for 'Passengers carried: bus services',³⁰⁵ the result was 11 per cent below target. The Department of Transport, Planning and Local Infrastructure explained that: '*The lower 2012-13 result reflects the recent trend of a decline in metropolitan bus patronage*'.³⁰⁶ This explanation does not provide an understanding of whether the decline in patronage was due to an internal factor, such as changes to routes or timetables, or due to an external demand factor, such as costs of alternative transport, or road congestion. Such an explanation makes a significant difference to stakeholders' understanding of whether actions the Department has taken are appropriate, or whether other actions may be necessary.

Guidance from DTF requires explanations in the budget papers for variances between targets and expected outcomes to include:³⁰⁷

... whether the change is due to changed government policy, funding or program delivery, or changed external circumstances (i.e. Commonwealth, consumer trends etc).

That is, explanations must identify whether the factor that caused the variation was internal (a factor within the Government) or external (a factor outside the Government). The Model Report does not contain a similar requirement for explaining variances between target and actual results in annual reports. The Committee considers that this guidance should also be extended to explanations in annual reports.

Examples are included in Appendices A5.11-A5.19 where the department has not specified whether the factor that caused the variance was internal or external.

FINDING: A number of explanations for variances in annual reports do not identify whether causes of the variances are internal or external factors. This is explicitly required by the Government for variances between targets and expected outcomes in the budget papers. However, there is no equivalent requirement for variances between targets and actual results in annual reports.

305 This measure was renamed 'Passengers carried: metropolitan bus services' in the 2013-14 budget papers (Budget Paper No.3, 2013-14 Service Delivery, May 2013, p.251).

306 Department of Transport, Planning and Local Infrastructure, *Annual Report 2012-13*, p.114

307 Department of Treasury and Finance, *Budget Papers Guidance - General Government Sector (Budget Papers and Estimates Update)*, n.d., Attachment A, p.10

RECOMMENDATION 36: The Model Report be updated to require explanations for variances between targets and actual results to indicate whether the causes of the variances are internal or external factors, as is required for explanations in the budget papers.

Providing more than a restatement of the result

The Committee also identified examples where, rather than providing an explanation for the variance, the department restated that the variance existed.

For example, the measure ‘Cycling Projects Completed’ had a target of 4 projects and an outcome of 5. The explanation for this was that the *‘total number of projects is higher than the original approved program due to one additional project being completed in 2012-2013’*.³⁰⁸

Appendices A5.11-A5.19 include other examples where explanations simply restate the variance.

Recommendations have been included in Chapter 1 that departments ensure that similar explanations not be provided in future years.

FINDING: A number of explanations for variances restate the result and do not explain the cause for the variance.

Speculative explanations

This year, the Committee has found only three examples where a department has not been definitive in its explanation, but has speculated on a cause.³⁰⁹ The Committee is pleased to see an improvement in this regard.

5.5.2

Missing explanations

The Model Report specifies a number of situations where explanations are required, including where actual results that show a *‘five per cent increase or decrease from budget’*.³¹⁰

The 5 per cent threshold was introduced for 2012-13. In earlier years, the threshold had been 10 per cent.

However, the Committee identified a large number of measures with variances of 5 per cent or more in the 2012-13 annual reports where the variance was not explained. This includes 72 examples where no explanation was provided at all and a number of others where the comments did not address the cause.³¹¹

308 Department of Transport, Planning and Local Infrastructure, *Annual Report 2012-13*, p.117

309 ‘School satisfaction with student support services’, ‘Hours of community-based respite’, and ‘Number of respite days’.

310 Department of Treasury and Finance, *2012-13 Model Report for Victorian Government Departments*, April 2013, p.16

311 Such as ‘a good result’, or ‘preliminary result’.

The Committee notes that the Department of Transport, Planning and Local Infrastructure was the only department that provided some level of explanation for all variances of greater than 5 per cent.

FINDING: The Department of Treasury and Finance required variances of 5 per cent or more between targets and actual results to be explained in 2012-13 annual reports. While explanations were provided in most cases, the Committee identified a large number of variances of 5 per cent or more where no explanation was provided.

The Committee examined the measures that lack explanations for variances. The data indicate that some missing explanations may be a result of departments' misunderstanding of the guidance provided by DTF. Three recurring situations in which explanations were not provided were variances:

- » between 5 and 10 per cent;
- » of 5 percentage points; and
- » that are considered a 'positive' outcome.

Explanations were also missing in a number of other cases. The Committee contacted the Department of Treasury and Finance to determine why explanations for variances for five service provision rating measures were not included in its annual report. The Department responded that:³¹²

DTF supports the provision of explanations for variances from performance measure targets. However, on this occasion, explanations were not provided. In future, DTF will continue its usual practice of explaining significant or material variances.

The Department of Health indicated that one measure, 'Unplanned/unexpected readmission results for hip replacement' varied from its target by 44 per cent 'due to inherent volatility in this performance measure',³¹³ but 'given the small numbers involved'³¹⁴ no explanation was given. For another measure,³¹⁵ the Department indicated that the explanation for the variance:³¹⁶

... was left blank as explanations have been of a consistent theme over some years.

312 Department of Treasury and Finance, response to the Committee's 2012-13 Financial and Performance Outcomes – Entity-Specific Questionnaire, received 4 February 2014, p.6

313 Department of Health, response to the Committee's 2012-13 Financial and Performance Outcomes – Entity-Specific Questionnaire, received 10 February 2014, p.5

314 *ibid.*

315 'Emergency patients admitted to a mental health bed within eight hours'.

316 Department of Health, response to the Committee's 2012-13 Financial and Performance Outcomes – Entity-Specific Questionnaire, received 10 February 2014, p.6

Variances between 5 and 10 per cent

The Department of Justice explained most variances in excess of 10 per cent but none between 5 and 10 per cent. In this case, it appears the Department had not noticed the changes in the Model Report, which reduced the threshold from 10 per cent to 5 per cent for 2012-13 annual reports.³¹⁷

FINDING: The Department of Justice has not provided explanations for variances between 5 and 10 per cent. The 5 per cent level was a new threshold for 2012-13 annual reports.

RECOMMENDATION 37: The Department of Justice, in future annual reports, ensure that explanations are provided for all variances from targets of 5 per cent or more, as required by the Model Report.

Variances of 5 percentage points

A number of measures with variances greater than 5 per cent but no explanations have variances of 5 percentage points. For example, the measure 'Government owned properties sold, bought or leased within 10 per cent of valuation' had a target of 80 per cent, and an actual result of 85 per cent.³¹⁸ This equates to a 6.3 per cent variance. However, the Department of Environment and Primary Industries did not provide an explanation.

The Committee considers it likely that this is because departments have misinterpreted the guidance material and believe that explanations for 5 percentage point variations are not required.

The Model Report specifies that commentary to explain variances is to be provided for a '*five per cent increase or decrease from budget*'.³¹⁹ The Committee notes that while this guidance is not ambiguous, it does not specifically state that this does not mean a five percentage point variation. The Committee considers that inserting such a note may prevent misunderstandings in future.

FINDING: Guidance provided by the Department of Treasury and Finance specifies that an explanation is required for a 5 per cent increase or decrease from target. Some departments appear to have interpreted this to mean a 5 percentage point increase or decrease.

RECOMMENDATION 38: The Department of Treasury and Finance specify in the Model Report that the 5 per cent variation threshold for requiring an explanation is not the same as a 5 percentage point variation.

³¹⁷ The Department's annual report also mentioned a 10 per cent threshold in the preamble its output performance section (Department of Justice, *Annual Report 2012-13*, p.9).

³¹⁸ Department of Environment and Primary Industries, *Annual Report 2013*, p.61

³¹⁹ Department of Treasury and Finance, *2012-13 Model Report for Victorian Government Departments*, April 2013, p.16

Variances that are considered a 'positive' outcome

For a number of measures with variances, comments are provided that the variances are 'positive' outcomes with no explanation of the cause of the variance. This suggests that some departments may believe that variances that are considered a positive outcome do not require full explanations.

For example, the measure 'Commenced courses of treatment: community-based drug treatment services' exceeded its target for 2012-13. The Department of Health explained this by commenting that it was '*continuing to exceed target*'.³²⁰

However, the Committee considers that explanations for positive outcomes are important because:

- » if there is a particular technique or innovation that has led to the result it will benefit the State for other departments to know how the result was achieved;
- » it will help the Government to understand whether or not the target for future years should be changed; and
- » explanations can indicate whether or not an over-achievement in this measure has led to an under-achievement in another measure.

Examples of variances that are seen as positive, but for which adequate explanations were not provided have been included in Appendices A5.11-A5.19.

FINDING: For a number of performance measures with significant variances between targets and actual results, departments have indicated that the variation is a 'positive' outcome, with no explanation. This suggests that they believe that positive outcomes do not require explanations.

RECOMMENDATION 39: The Department of Treasury and Finance update the Model Report to explicitly note that explanations are required for positive outcomes as well as negative outcomes.

³²⁰ Department of Health, *Annual Report 2012-13*, p.186

THE ROLE OF THE DEPARTMENT OF TREASURY AND FINANCE

6.1

Introduction

Under the current performance measurement system, much of the responsibility for the system falls to individual departments. Their responsibilities include developing departmental objectives, departmental objective indicators, performance measures and targets. Departments are responsible for ensuring that they have adequate mechanisms in place to monitor their performance and are responsible for accurately reporting on their actual performance at the end of each financial year.

Oversight by central agencies is also required to provide objectivity and consistency across departments. The Department of Treasury and Finance (DTF) currently develops guidance and provides advice to departments. DTF is also responsible for coordinating and publishing the budget papers and setting the requirements for departmental annual reports.

This chapter examines the balance between departmental responsibility and central agency oversight by looking at the following questions:

- » Who is responsible for the performance measurement system in Victoria? (Section 6.2)
- » Does the guidance effectively assist departments to develop the components of their performance measurement systems? (Section 6.3)
- » What quality control processes are in place within the performance measurement system? (Section 6.4)

6.2

Who is responsible for the performance measurement system?

As discussed in Section 2.3 of this report, the performance measurement system reflects an agreement between departments and the Government as to what will be delivered with public funds and the standards to which it will be delivered. Performance measures are also used as a way for the Government to assess departmental performance at delivering outputs and service delivery outcomes for the Victorian community.

To fulfil these roles, the components of the system must be acceptable to both the Government and departments. Both parties need to be involved to ensure that measures and targets are appropriate. Without departmental involvement, measures and targets may not be realistic. Without Government involvement, they may not be sufficiently challenging. It is therefore important for the system to provide a suitable balance of input from both the Government and departments.

6.2.1

The role of departments

Departments are responsible for developing the components of the system that relate to them, including departmental objectives, departmental objective indicators, performance measures and targets.³²¹ In doing this, they are required to follow the business rules in the Budget and Financial Management Guidances (BFMGs),³²² which establish most of the criteria for better practice.

Overall, the Government has indicated that:³²³

Performance measures (including targets and expected outcomes) are approved by responsible Ministers. The Minister for Finance is responsible for the review and publication of performance measures, targets and expected outcomes in the budget papers.

Departments are also responsible for reviewing their performance measures each year.³²⁴

Departments are required to annually review and assess their objectives, indicators, output structures and associated performance measures for continuing relevance and robustness. This process ensures that their outputs continue to contribute to the achievement of departmental objectives.

FINDING: Departments are responsible for developing and reviewing departmental objectives, departmental objective indicators, performance measures and targets. They are required to follow the Department of Treasury and Finance's guidelines in doing this.

6.2.2

The role of the Department of Treasury and Finance as central agency

As a central agency, DTF has taken a leading role in the performance measurement framework since its implementation in 1998-99 (see Section 2.1 of this report). The role of DTF is noted in a variety of sources.

The Financial Management Act requires that appropriation bills be accompanied by the following each year:³²⁵

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

321 Department of Treasury and Finance, *Business and Financial Management Guidances*, 'BFMG – 08 Departmental Objectives and Departmental Objective Indicators', May 2013, p.103; 'BFMG – 09 Output Specification and Performance Measures', July 2012, p.109; *Standing Directions of the Minister for Finance under the Financial Management Act 1994*, October 2013, Section 4.4, pp.50-1

322 *Standing Directions of the Minister for Finance under the Financial Management Act 1994*, October 2013, Section 4.4, p.51

323 Victorian Government, Government Responses to Recommendations of the Public Accounts and Estimates Committee's 115th Report to the Parliament – Report on the 2011-12 Financial and Performance Outcomes, received 30 October 2013, p.4

324 Department of Treasury and Finance, *Business and Financial Management Guidances*, 'BFMG – 02 Performance Management Framework', July 2012, p.97

325 *Financial Management Act 1994*, s.40(1)(a)

The performance measurement system as set out in the budget papers is part of this required description.³²⁶

The Treasurer is responsible for ensuring compliance with this requirement.³²⁷ The Treasurer is also the person who tables the budget papers (containing components of the performance measurement system) in Parliament. DTF sees itself as having the overall responsibility for the coordination, preparation and publication of the budget papers.³²⁸

With specific reference to the performance measurement system, the BFMGs state that:³²⁹

Government, through the Minister for Finance, is responsible for final determination of the outputs to be purchased, and the performance measures to be used to assess whether the output has been delivered.

DTF has indicated that it ‘supports the Government in the establishment of appropriate performance targets and accurate reporting against them.’³³⁰

The BFMGs require departments to work together with DTF to ensure that their data collection systems and measures are appropriate.³³¹

Departments and DTF should regularly review information collection systems and processes to ensure that data sets are useful and relevant for both internal and external needs.

Departments and DTF should jointly review departmental outputs and the performance measures used to evaluate service delivery annually for their continuing relevance and robustness.

DTF is also required to work together with departments when they propose amending their budgeted output mix during the financial year.³³²

These roles are reflected in DTF’s *Strategic Policy Advice* output group in the budget papers. DTF’s annual report states that:³³³

This output develops and maintains cohesive financial and resource management frameworks that drive sound financial and resource management practices within the Victorian public sector (VPS). This includes enhancing key frameworks to drive performance, monitoring VPS entities’ compliance, and advising government and key stakeholders on compliance...

326 Department of Treasury and Finance, *Business and Financial Management Guidances*, ‘BFMG – 02 Performance Management Framework’, July 2012, p.96

327 *Financial Management Act 1994*, s.40(1); Department of Treasury and Finance, *Business and Financial Management Guidances*, ‘BFMG – 02 Performance Management Framework’, July 2012, p.97

328 Department of Treasury and Finance, *2012-13 Model Report for Victorian Government Departments*, April 2013, p.1

329 Department of Treasury and Finance, *Business and Financial Management Guidances*, ‘BFMG – 09 Output Specification and Performance Measures’, July 2012, p.110

330 Department of Treasury and Finance, response to the Committee’s 2012-13 Financial and Performance Outcomes General Questionnaire, received 6 December 2013, p.60

331 Department of Treasury and Finance, *Business and Financial Management Guidances*, ‘BFMG – 09 Output Specification and Performance Measures’, July 2012, p.110

332 Department of Treasury and Finance, *Business and Financial Management Guidances*, ‘BFMG – 16 Changes to a Departments Budgeted Output Mix’, October 2007, pp.122-3

333 Department of Treasury and Finance, *Annual Report 2012-13*, October 2013, p.14

DTF states that, along with the Department of Premier and Cabinet, it supports departments' planning processes by providing advice to the Government on:³³⁴

- » *whether the departmental objectives and indicators are robust and consistent with government policies and priorities;*
- » *whether the output mix and asset investment needs will support the achievement of the departmental objectives in the medium term;*
- » *the robustness of departmental plans and their ability to meet future outcomes sought by government; [and]*
- » *the resources available to deliver outputs and infrastructure.*

FINDING: The Department of Treasury and Finance is the lead central agency with responsibilities for the performance measurement system. Legislation, government guidance and the Department's output descriptions note a variety of roles for the Department connected with the performance measurement system, including working with departments to ensure the appropriateness of performance measures and monitoring compliance with guidelines.

6.2.3

The role of the Department of Treasury and Finance in practice

As seen in the previous section, DTF is responsible for the preparation of the budget papers and for working together with departments on various components of the performance measurement system.

DTF fulfils its responsibilities in two main ways:

- » producing guidance material for departments; and
- » working with departments on the production of components of the performance measures.

The range of guidance produced by DTF has been noted in Section 2.4 of this report. The clarity of this guidance is discussed in Section 6.3 below.

DTF's role in quality control is further discussed in Section 6.4 of this report.

In practice, government considers that the ultimate responsibility for performance measures lies with portfolio ministers rather than DTF, the Treasurer or Minister for Finance. Previously, the Government has explained to the Committee that DTF:³³⁵

... takes an active role in reviewing performance measures and providing feedback to departments. However, DTF notes that departments and their ministers are not obliged to accept DTF's feedback, as the established practice is for portfolio ministers to approve their department's output structure.

³³⁴ Department of Treasury and Finance, *A Guide to Corporate and Long-term Planning*, June 2013, pp.4-5

³³⁵ Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 111th Report to the Parliament – *Report on the 2012-13 Budget Estimates — Part One*, tabled 29 November 2012, p.9

Moreover:³³⁶

While DTF takes an active role in reviewing departmental performance measures, the establishment of individual departmental performance measures and expected outcomes is the responsibility of the relevant department and portfolio minister.

The Committee sought further details from DTF regarding the aspects of the performance measurement and reporting system that it takes ultimate responsibility for. DTF indicated to the Committee that:³³⁷

DTF is responsible for providing guidance to departments, and providing advice to the Minister about the framework, process and the appropriateness of measures, targets and expected outcomes.

The Committee considers that the ultimate responsibility for the content of performance measures and the accuracy of data in the budget papers remains unclear. Without clarity about who is ultimately responsible, it can be difficult to drive improvement and establish appropriate quality control processes.

Currently in Western Australia, the person designated the ‘accountable authority’ for a department or agency is required to certify the performance measures in the annual report:³³⁸

The key performance indicators shall be accompanied by a statement declaring whether, in the opinion of the accountable authority, the key performance indicators:

- (i) are based on proper records;*
- (ii) are relevant and appropriate for assisting users to assess the performance of the agency; and*
- (iii) fairly represent the performance of the agency and, where applicable, its subsidiaries and related bodies for the financial year.*

The Committee believes that having someone certifying that they are ultimately responsible for each department’s performance measurement system would enhance the system’s transparency and effectiveness.

This issue is further discussed in Section 6.4.

FINDING: The Department of Treasury and Finance seeks to meet its responsibilities through providing guidance to departments and working with them to implement it. However, the Government considers that portfolio ministers are ultimately responsible for their departments’ components of the performance measurement system.

336 Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee’s 109th Report to the Parliament – *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, tabled 19 October 2012, p.15

337 Department of Treasury and Finance, response to the Committee’s 2012-13 Financial and Performance Outcomes – Entity-Specific Questionnaire, received 4 February 2014, p.12

338 Western Australia, Treasurer’s Instruction 905 ‘Certification of Key Performance Indicators’, June 2009, p.1

RECOMMENDATION 40: The Government consider requiring a nominated person to certify the accuracy and appropriateness of the performance measurement system of each department in the annual report, as is done in Western Australia.

6.3

Clarity of guidance from the Department of Treasury and Finance

DTF has produced a range of guidance materials to assist departments in developing their components of the performance measurement system. Departments are in most cases required to follow this guidance. Therefore, it is crucial for these guidelines to clearly communicate the Government's requirements to departments.

6.3.1

Recent work by the Department of Treasury and Finance

The Committee made a number of recommendations in 2011 related to clarifying DTF's guidance to departments.³³⁹ In response, the Government indicated that:³⁴⁰

Current guiding principles exist in the Budget and Financial Management Guidances on 'Outcomes, Departmental Objectives and Outputs', 'Departmental Objectives Specification and Performance Indicators' and 'Output Specification and Performance Indicators'. While these guidances provide a starting point for departments, DTF is committed to improving the quality of guidance material provided to departments.

DTF will review and update this guidance, including identifying guiding principles and criteria to help strengthen performance measurement.

The Government also indicated that:³⁴¹

DTF will work closely with departments through a series of consultations and workshops to review and update guidance material and to ensure that it is easily understood and better practice performance measures can be implemented.

The Committee notes that Government guidance has been updated since that time, reflecting some recommendations made by the Committee as well as the introduction of new requirements by the Government. The Government has commented that:³⁴²

The Department of Treasury and Finance regularly reviews the Standing Directions, the Financial Reporting Directions, the Model Report and the Budget and Financial Management Guidances, with a focus on maintaining currency and sound financial management and reporting

³³⁹ Public Accounts and Estimates Committee, *Report on the 2011-12 Budget Estimates — Part Two*, June 2011, pp.8-9

³⁴⁰ Victorian Government, *Government Responses to the Recommendations of Public Accounts and Estimates Committee's 102nd Report — Report on the 2011-12 Budget Estimates — Part Two*, tabled 7 February 2012, p.2

³⁴¹ *ibid.*

³⁴² Victorian Government, *Government Response to the Recommendations of Public Accounts and Estimates Committee's 107th Report — Review of the 2009-10 and 2010-11 Annual Reports*, tabled 17 August 2012, p.2

practices. As part of the reviews going forward, the Department will pay specific consideration to, where appropriate, simplifying or consolidating these considerations and guidances to facilitate public sector agencies' understanding and compliance with the requirements.

Section 2.5 of this report notes a number of the recent changes made to the guidance.

6.3.2

Areas for future work

One indicator which can be used to assess the clarity of DTF's guidance is the extent to which the guidance is followed by departments. Chapters 3-5 of this report have compared departmental practices to DTF's guidance on a range of issues.

In many cases, DTF's guidance has been followed. However, the Committee has also identified cases where this guidance has not been followed.

In some instances, the guidance is straightforward and leaves no gaps for interpretation but has still not been followed. In these cases, the problem relates to quality control processes, which are discussed in Section 6.4.

However, the Committee has also identified a number of cases where multiple departments are not following the guidance. In these instances, the Committee considers that modifying the guidance may help departments to comply with it. Relevant recommendations have been made throughout this report, including that the guidance should clarify that:

- » variances from targets should be explained, even if the target is 'greater than a certain number' or 'less than a certain number' (Section 4.4.4);
- » the reasons for setting a particular target should be provided if the target differs from the previous year's expected outcome, even if the target is the same as it was in the previous year (Section 5.3.4);
- » explanations for variances between targets and expected outcomes should be provided, even when a measure is proposed to be discontinued (Section 5.4.3);
- » the threshold for variances requiring explanations is 5 per cent and not 5 percentage points (Section 5.5.2); and
- » results which are considered positive require explanations (Section 5.5.2).

In other cases, the Committee considers that the intentions of the system would be better achieved by additional guidance. The Committee has recommended that future guidance explicitly specify that:

- » departmental objective indicators should cover all aspects of departmental objectives (Section 3.3.2);
- » it should be clear from a performance measure whether exceeding, coming under or precisely meeting the target is preferable (Section 4.2.4);
- » the mix of performance measures should relate to the same activities within an output, so that it is possible to see any trade-offs between quality, quantity, timeliness or cost (Section 4.3.2);
- » any variances between actual results and targets of 100 per cent should be explained (Section 4.4.4); and

- » explanations for variances in annual reports should indicate whether the causes are internal or external, as is required for explanations in budget papers (Section 5.5.1).

The Committee has noted instances where particular departments have improved the effectiveness of performance reporting in their annual reports. In particular, the Committee has noted the Department of Education and Early Childhood Development's reporting on departmental objective indicators (Section 3.3.1) and Victoria Police's specification of whether each result is desirable or not (Section 4.2.4). The Committee has recommended that these aspects of these reports be used as models for DTF to use in its guidance.

The Committee has also identified two areas which are not specifically addressed by the current guidance:

- » reporting on departmental objective indicators (Section 3.3.1); and
- » producing expected outcomes (Section 5.4.1).

The Committee considers that clarifying what counts as better practice in these areas may assist departments.

FINDING: The Committee has identified a number of areas where DTF's guidance could be improved. These relate to clarifying some existing guidelines, supplementing guidelines and addressing some new areas.

6.4

Quality control processes

In addition to producing guidance for departments, DTF works with departments to help them develop components of the system in accordance with that guidance. This fits with its role as a central agency, as discussed in Section 6.2.2 of this report.

DTF informed the Committee that it works with departments in relation to:

- » developing appropriate performance measures and targets;³⁴³
- » producing reasonable expected outcomes for performance measures as published in budget papers;³⁴⁴
- » including departmental objective indicators in the budget papers;³⁴⁵
- » providing output descriptions and links between outputs and departmental objectives;³⁴⁶ and
- » ensuring that performance measures capture the impact of major activities.³⁴⁷

343 Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 109th Report to the Parliament – Report on the 2009-10 and 2010-11 Financial and Performance Outcomes, tabled 19 October 2012, p.13; Department of Treasury and Finance, response to the Committee's 2012-13 Financial and Performance Outcomes General Questionnaire, received 6 December 2013, p.60

344 Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 109th Report to the Parliament – Report on the 2009-10 and 2010-11 Financial and Performance Outcomes, tabled 19 October 2012, p.15; Department of Treasury and Finance, response to the Committee's 2012-13 Financial and Performance Outcomes General Questionnaire, received 6 December 2013, p.59

345 Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 111th Report to the Parliament – Report on the 2012-13 Budget Estimates — Part Two, tabled 12 March 2013, p.13

346 *ibid.*, p.14

347 *ibid.*, p.15

DTF provided details of how it works with departments in relation to performance measures and targets.³⁴⁸

Key processes include:

- » *advice to departments on expectations for performance measures and targets (including advising the use of footnotes to explain variations);*
- » *an annual review of performance measures and targets in advance of any policy changes; and*
- » *review of measures and targets following budget policy decisions.*

DTF internal guidance has been updated to ensure targets are assessed as being both realistic and robust.

DTF indicated that the review prior to the publication of the budget papers considers:³⁴⁹

- » *do the Performance Statements meet the requirements outlined in the Budget and Financial Management Guidance;*
- » *do proposed changes in measures (including discontinued) enhance the transparency and the quality of the statements;*
- » *are the targets and outcomes reasonable, with reference to historical performance and funding decisions; and*
- » *has the Department provided adequate and clear explanations to explain any variance or changes.*

DTF advised the Committee that it performed a review of output descriptions, structures and performance measures prior to the 2012-13 budget papers, focusing on quality improvement. DTF indicated that the process by which the review was conducted was as follows:³⁵⁰

Coordinating Ministers, with the endorsement of portfolio Ministers, were required to lodge proposed changes to performance measures in the lead up to the 2012-13 Budget. These were reviewed by the Department of Treasury and Finance in line with advice in the Budget and Financial Management Guidance. Final advice was then provided to the Minister for Finance on proposed changes and quality improvements ahead of publication in the 2012-13 Budget Paper No.3.

...

The final recommendations made to the Minister for Finance were implemented by departments.

Despite the significant work undertaken by DTF in providing guidance and working with departments, the Committee has identified a significant number of components of the performance measurement system that do not comply with

³⁴⁸ Department of Treasury and Finance, response to the Committee's 2012-13 Financial and Performance Outcomes General Questionnaire, received 6 December 2013, p.60

³⁴⁹ Department of Treasury and Finance, response to the Committee's 2012-13 Financial and Performance Outcomes – Entity-Specific Questionnaire, received 4 February 2014, p.12

³⁵⁰ *ibid.*, pp.6-7

DTF's guidelines. Chapters 3-5 of this report provide further details of these situations.

These situations suggest that the processes currently in place to ensure better practice in the performance measurement and reporting system are not sufficient.

FINDING: Although the Department of Treasury and Finance has established guidance and works with departments on its implementation, the Committee has identified a significant number of cases where it has not been followed.

6.4.1

Improving the Department of Treasury and Finance's review processes

One potential area to improve quality control is by expanding the scope of the reviews undertaken by DTF when working together with departments. In relation to the production of expected outcomes in the budget papers, DTF informed the Committee that:³⁵¹

DTF will continue to consider the risk of erroneous reporting of expected outcomes and will raise any anomalies or potential errors with departments. DTF internal guidance has been updated to ensure that the estimated outcomes are assessed against targets and explanations are sought and clarified for material variations.

The Committee approached DTF for further information regarding the processes it has in place to ensure that departments' expected outcomes (as published in the budget papers) are accurate. DTF indicated that:³⁵²

DTF review data provided by Departments on their expected outcome twice during the year, in January and July. This is also reviewed against recent historical performance. Anomalies in expected outcomes, if they occur, are raised directly with departments by the respective relationship managers.

The Committee notes that DTF's processes include the assessment of historic trends as well as targets. However, the Committee considers that there may be scope for improving these assessment processes (see Section 5.3.4 of this report). Other investigations undertaken by the Committee as part of this report may provide additional ways for DTF to assess components of the performance measurement system in future reviews.

FINDING: Ensuring the accuracy of the Department of Treasury and Finance's processes for reviewing components of the performance measurement system may improve the standard of the performance measurement system.

351 Department of Treasury and Finance, response to the Committee's 2012-13 Financial and Performance Outcomes General Questionnaire, received 6 December 2013, p.59

352 Department of Treasury and Finance, response to the Committee's 2012-13 Financial and Performance Outcomes – Entity-Specific Questionnaire, received 4 February 2014, p.14

RECOMMENDATION 41: The Department of Treasury and Finance review this report to identify any additional ways that it might assess components of the performance measurement system when working collaboratively with departments.

6.4.2 Independent quality control

In general, it is considered better practice for people undertaking quality control to be independent of the process of creating the thing that is being assessed. Jurisdictions such as the Commonwealth, Western Australia and New Zealand have implemented models for an independent assessment of the ‘appropriateness’ of their performance measurement system’s components through performance audits.³⁵³ The Australian National Audit Office (ANAO) has undertaken a review of the performance measurement and reporting framework as a basis for future audits of entities’ key performance indicators, stating that:³⁵⁴

... the systematic review of key performance indicators makes a positive contribution to the overall quality and credibility of the indicators themselves, and the reliance that can be placed on entities’ reporting against them by the Parliament and the public.

Moreover:³⁵⁵

Implementation of a systematic assurance audit of the appropriateness of entities’ KPIs [key performance indicators], and the completeness and accuracy of their reporting is a process that will take time as entities continue to develop and refine their KPIs.

As DTF plays a key role in the creation of performance measures and targets, the Committee considers that having a third party undertake the quality control may provide for a number of improvements to the system.

The Committee therefore considers that this role should be undertaken by the Department of Premier and Cabinet (Victoria’s other central agency) on an annual basis and also by the Auditor-General through regular audits of the ‘appropriateness’ of the performance measurement system’s components.

The Department of Premier and Cabinet

The Department of Premier and Cabinet could undertake quality control of the following components of the system:

- » departmental objectives;
- » departmental objective indicators;
- » performance measures; and
- » targets for performance measures.

³⁵³ Australian National Audit Office, *The Australian Government Performance Measurement and Reporting Framework, Pilot Project to Audit Key Performance Indicators*, April 2013, p.36

³⁵⁴ *ibid.*, p.11

³⁵⁵ *ibid.*, p.20

In each case, the Department could examine whether the component complied with Government guidance, including ensuring that performance measures are clear, meaningful and robust, and that targets are challenging and realistic. It could also consider whether the suite of measures and indicators comprehensively describes the departments' key activities and whether it provides a clear picture of departmental performance.

The independent assessment by the Department may identify some of the problems that are currently not being addressed. This would enable a more robust performance measurement system, which would be better able to fulfil its intended functions (see Section 2.3.2 of this report), including allowing the Government to make more informed decisions about resource allocation.

An important part of any quality control process is also that there must be mechanisms for ensuring that any issues that are identified are addressed. Currently, as noted in Section 6.2.3 of this report, departments are not obliged to follow DTF's guidance if DTF recommends changes to components. While the BFMGs allow for the Minister for Finance to withhold funding from departments which fail to meet their targets on DTF's advice,³⁵⁶ withholding of funds is generally not done in practice.³⁵⁷ For a quality control process to be effective, departments must be obliged to address any issues. The Committee considers that placing the responsibility for quality control with the Department of Premier and Cabinet may facilitate this change.

FINDING: Quality control processes for the performance measurement system are currently undertaken by the Department of Treasury and Finance, which is also involved in the creation of the components of the system. Departments are also not obliged to address issues identified by the Department. The quality control processes may be strengthened by making them the responsibility of an independent body and by ensuring that issues are addressed.

³⁵⁶ Department of Treasury and Finance, *Budget and Financial Management Guidance*, 'BFMG – 51 Output Revenue Certification – Year End', December 2007, p.83

³⁵⁷ Victorian Auditor-General's Office, *Portfolio Departments and Associated Entities: Results of the 2011-12 Audits*, November 2012, p.22; Department of Treasury and Finance, response to the Committee's 2012-13 Financial and Performance Outcomes Questionnaire, received 6 December 2013, pp.4-5

RECOMMENDATION 42: The Department of Premier and Cabinet undertake annual reviews of departments' performance measurement systems. These reviews should ensure that the performance measurement system is adequate to meet the Government's requirements and should consider departmental objectives, departmental objective indicators, performance measures and performance measure targets. These reviews should consider whether:

- (a) each of these components complies with Government guidance;
- (b) performance measures are clear, meaningful and robust;
- (c) targets for performance measures are appropriately challenging and realistic;
- (d) the components as a group comprehensively describe the departments' activities; and
- (e) the components are sufficient to provide a clear picture of departmental performance.

RECOMMENDATION 43: The Government ensure that departments are required to address any issues with their components of the performance measurement and reporting system which are identified through quality control processes.

The Auditor-General

The Auditor-General also has an important part to play in providing independent quality assurance of the State's performance measurement system. Many of the Auditor-General's performance audits have included a focus on performance measurement as one part of the audit. The Auditor-General also undertakes annual audits of the performance measures of water entities, the education sector and local government.³⁵⁸

The *Audit Act 1994* states that:³⁵⁹

The Auditor-General may audit any report of operations of an authority under section 45 of the Financial Management Act 1994 to determine whether any performance indicators in the report of operations:

- (a) *are relevant to any stated objectives of the authority;*
- (b) *are appropriate for the assessment of the authority's actual performance; and*
- (c) *fairly represent the authority's actual performance.*

³⁵⁸ Examples include: Victorian Auditor-General's Office, *Water Entities: Results of the 2012-13 Audits*, December 2013; Victorian Auditor-General's Office, *Tertiary Education and Other Entities: Results of the 2012 Audits*, May 2013; and Victorian Auditor-General's Office, *Local Government: Results of the 2012-13 Audits*, December 2013

³⁵⁹ *Audit Act 1994*, Section 8(3)

In 2010, the Auditor-General undertook an audit of ‘performance reporting by departments’. In this audit, the Auditor-General noted a high level of non-compliance with the Government’s guidance requirements and found (among other things) that:³⁶⁰

Better guidance material needs to be available to departments to facilitate a consistent approach in the development of performance indicators that not only meet the mandatory requirements but also provide relevant and appropriate outcome performance information.

The Auditor-General has planned an audit of ‘public sector performance measurement and reporting’ for 2014-15.³⁶¹ The Committee considers that the Auditor-General’s auditing powers may enable him to identify further ways that the system may be improved. The Auditor-General, as in other jurisdictions, could have a role in on-going, independent scrutiny for the Parliament of the performance measurement system departmental on a cyclical basis to ensure it is in line with better practice. The Committee will also continue to have an interest in reviewing performance measures on a regular basis as appropriate.

FINDING: The Auditor-General has undertaken audits of the performance measurement system in previous years and has planned another for 2014-15. The Auditor-General is well placed to have a continuing role providing independent quality control of the performance measurement system on a cyclical basis.

RECOMMENDATION 44: In undertaking the planned review of ‘public sector performance measurement and reporting’, the Auditor-General consider the issues identified in this report. The audit could identify and report on the reasons why Government guidance with respect to the performance measurement and reporting system is not always followed by departments and how this might be rectified.

RECOMMENDATION 45: The Auditor-General, on a cyclical basis, review departmental objectives, departmental objective indicators, performance measures and targets to ensure that they meet with better-practice criteria.

360 Victorian Auditor-General’s Office, *Performance Reporting by Departments*, May 2010, p.viii

361 Victorian Auditor-General’s Office, *Annual Plan 2013-14*, June 2013, p.40

REVIEW OF THE 2012-13 ANNUAL REPORTS

7.1

Introduction

Departments' annual reports are the main public source of information about what they achieve in a year. The Government's guidance states that:³⁶²

The annual report is the principal medium through which Public Sector Agencies discharge their accountability to the Parliament, Government and the people of Victoria. The annual report should assist these users in making decisions about the utilisation of resources in the relevant entities. Annual reports therefore should provide both general and financial information about the operations and performance of public sector agencies, together with assessments of results and financial position.

A department's annual report includes details of its operations, financial statements and a comparison between the targets set out in the performance measurement system and the actual results.

In preparing annual reports, departments and agencies are required to comply with a range of government directions (see Section 2.4 of this report). The majority of directions are found in the Financial Reporting Directions (FRDs) and the *2012-13 Model Report for Victorian Government Departments* (the Model Report).

Chapter 5 of this report examines departments' compliance with guidance about reporting actual results for performance measures.

This chapter looks at compliance with a sample of other mandatory requirements. All government departments and a selection of water authorities have been examined. The chapter provides a summary of the Committee's findings in this area (Section 7.2), and details of the entities' compliance with:

- » the 'budget portfolio outcomes' component of FRD 8B – Consistency of Budget and Departmental Reporting (Section 7.3);
- » the requirements of FRD 10 – Disclosure Index (Section 7.4);
- » the 'disclosure of government advertising expenditure' component of FRD 22D – Standard Disclosures in the Report of Operations (Section 7.5);
- » the 'capital projects' component of 2012-13 Model Report (Section 7.6); and
- » the tabling date requirement of the *Financial Management Act 1994* (Section 7.7).

These requirements have been selected because they have either been areas with low levels of compliance in the past or because they are areas with changes in 2012-13. The requirements relating to financial statements have not been examined as these are audited each year by the Auditor-General.

³⁶² *Standing Directions of the Minister for Finance under the Financial Management Act 1994*, October 2013, Section 4.2, p.47

This sort of examination has been regularly undertaken by the Committee in past inquiries, with a focus on different entities each time. This year, the Committee has focused on the 11 government departments³⁶³ and nine major water entities (the full list of entities can be seen in Appendix A7.2).

In undertaking its assessment, the Committee notes that some FRDs apply to all government entities, whereas others are restricted to certain groups (such as government departments). Compliance with the Model Report is mandatory for government departments but not other agencies (although other agencies are encouraged to comply with it).³⁶⁴ As a result, not all 20 examined entities have been assessed against each requirement.

7.2

Summary of compliance with the Government's requirements

Most departments and water entities complied with the majority of aspects of the reviewed requirements. However, the Committee found that few entities complied with all aspects of the requirements. In particular, the Committee found the following areas of incomplete compliance:

- » budget portfolio outcomes (FRD 8B) – in comparing targets to actual results, six of the 11 government departments used different figures for their targets than what is specified in the guidance;
- » disclosure index (FRD 10) – all agencies used the correct format and included the required descriptions for their indexes;³⁶⁵
- » advertising expenditure (FRD 22D) – at least eight government departments and two of the examined water entities complied with this new requirement. Three departments failed to include the information in their annual reports. The lack of a requirement for 'nil reports' (indicating that there was no relevant expenditure) means it is not possible to tell from the annual report whether the entity has complied or not;
- » capital projects – only five government departments complied with the requirements in the Model Report to reference the disclosures in the budget papers about capital projects. The Department of Environment and Primary Industries provided valuable additional disclosure about completed projects, in line with a relevant recommendation of the Committee; and
- » tabling dates – all reviewed entities met the deadline established by the Financial Management Act.

The following sections discuss each requirement further. Appendices A7.1-A7.5 provide details of the Committee's assessments.

³⁶³ For reporting purposes, the machinery-of-government changes which took place in 2012-13 were not reflected in the annual reports (Administrative Arrangements Order (No.217) 2013, *Victoria Government Gazette* No.S228, 25 June 2013).

³⁶⁴ Department of Treasury and Finance, *2012-13 Model Report for Victorian Government Departments*, April 2013, p.5

³⁶⁵ However, some entities omitted page numbers for all or part of the disclosure index.

The Committee previously recommended that the Department of Treasury and Finance (DTF) investigate the causes of non-compliance with FRDs and identify actions to improve compliance.³⁶⁶ The Department explained to the Committee that:³⁶⁷

DTF has updated guidance material to FRD 22D - Standard Disclosures in the Report of Operations and continues to annually revise the Model Report to provide comprehensive reporting guidance to public sector agencies (agencies).

As part of the Financial Management Compliance Framework, DTF annually undertakes assurance reviews on a sample of agencies focussing on compliance with specific requirements of the Standing Directions of the Minister for Finance. Relevant observations and recommended improvements from the reviews are communicated across all government portfolios.

The Auditor-General is planning to undertake an audit of 'compliance with non-financial requirements of annual reporting' in 2014-15.³⁶⁸ The Committee hopes that the findings in this report will be considered by the Auditor-General in that audit.

FINDING: The departments and water entities assessed by the Committee have generally complied with the selected guidance for annual reports. Most entities need to make some improvement to fully comply with all mandatory requirements.

RECOMMENDATION 46: The Victorian Auditor-General consider the findings of this report when conducting the planned audit into 'compliance with non-financial requirements of annual reporting'.

7.3

Budget portfolio outcomes (FRD 8B)

The requirements of FRD 8B include that departments' annual reports should provide 'a comparison between their portfolio financial statements published in the Budget Papers and actual results for the portfolio for the corresponding financial year.'³⁶⁹

As the budget papers provide financial statements by department (with the other general government sector entities included in the relevant department), this requirement only applies to departments.

³⁶⁶ Public Accounts and Estimates Committee, *Review of the 2009-10 and 2010-11 Annual Reports*, February 2012, Recommendation 7, p.25

³⁶⁷ Department of Treasury and Finance, response to the Committee's 2012-13 Financial and Performance Outcomes Entity-Specific Questionnaire, received 4 February 2014, pp.9-10

³⁶⁸ Victorian Auditor-General's Office, *Annual Plan 2013-14*, June 2013, p.40

³⁶⁹ FRD 8B (Consistency of Budget and Departmental Reporting), January 2009, p.1

Further details about this comparison are provided in the Standing Directions of the Minister for Finance, which notes that the comparison:³⁷⁰

... must be presented as a set of financial statements in the same format and consolidation basis as those for the portfolio set out in Budget Paper No.5 for the financial year. These financial statements are to be referred to as 'budget portfolio outcomes'.

The Model Report further clarifies that:³⁷¹

- » the format of the budget portfolio outcomes should be the same as the financial statements in the budget papers;
- » the estimates used in the comparison should be those set out in the budget papers for the financial year being reported on;
- » explanations should be provided for significant or material variances; and
- » a statement should be included to indicate that the budget portfolio outcomes is not audited by the Victorian Auditor-General's Office.

Appendix A7.1 details departments' compliance with these four requirements. Two departments, the Department of Environment and Primary Industries and the Department of Transport, Planning and Local Infrastructure, complied with all four requirements.

7.3.1

Level of compliance

Complete set of correctly formatted financial statements

The Government's guidance indicates that the data should be provided in the same format as the financial statements in the budget papers.³⁷² The budget papers include five financial statements for each department: a comprehensive operating statement; a balance sheet; a statement of cash flows; a statement of changes in equity and an administered items statement.

Generally, departments included all the required financial statements. However, neither the Department of Premier and Cabinet nor the Department of Treasury and Finance included the required statement of changes in equity. The Department of State Development, Business and Innovation provided only a brief summary for the statement of changes in equity.³⁷³ The Department indicated that this was done *'to provide users with a simpler and more easily comprehensible view of the Department's changes in equity over the financial year.'*³⁷⁴

The format in which the financial statements were provided is largely consistent with the 2012-13 budget papers, though there were some variations. The largest inconsistencies were with the statements of changes in equity, where a variety of different formats was adopted. The Committee understands that the format used

370 Standing Directions of the Minister for Finance under the Financial Management Act 1994, Section 4.2(m), October 2013, p.49

371 Department of Treasury and Finance, 2012-13 Model Report for Victorian Government Departments, April 2013, p.21

372 Standing Directions of the Minister for Finance under the Financial Management Act 1994, Section 4.2(m), October 2013, p.49; FRD 8B (Consistency of Budget and Departmental Reporting), January 2009, p.1; Department of Treasury and Finance, 2012-13 Model Report for Victorian Government Departments, April 2013, pp.20-1

373 Department of State Development, Business and Innovation, Annual Report 2012-13, p.164

374 Department of State Development, Business and Innovation, response to the Committee's 2012-13 Financial and Performance Outcomes – Entity-Specific Questionnaire, received 31 January 2014, p.8

in the budget papers for this statement does not readily lend itself to a comparison between estimates and actual results in the same way that the other financial statements do. Consistency in the way that this difficulty is overcome may be facilitated by the Department of Treasury and Finance including sample budget portfolio outcomes statements in the Model Report.

Smaller changes also appeared in some departments' reports, with different line items used in the budget portfolio outcomes statements to the line items used in the initial budget papers.

These changes in format make it more difficult for a reader to identify and understand the variances between estimated and actual results, or to compare one department's performance to another's.

Budget estimates used

In previous reports, the Committee observed that departments were using figures from a variety of different sources as the estimates in the budget portfolio outcomes. Because the actual results are compared to these estimates, using different estimates can provide quite different pictures of departmental performance and can alter what is disclosed. The Committee recommended that the guidance be clarified.³⁷⁵ In response, the Model Report was updated for 2012-13 to clearly indicate that the '*initial budget estimates*' as set out in '*BP5* [Budget Paper No.5] *for that financial year*' should be used.³⁷⁶

There remain a variety of sources used for the budget estimates figures. In addition to the initial budget estimates, departments have used adjusted 2012-13 figures from the 2013-14 budget papers³⁷⁷ and internally revised or updated budgets (not published elsewhere).

The Committee considers that the Department of Treasury and Finance's guidance is sufficiently clear about what figures are to be used as estimates. The Committee recommends that the Department of Treasury and Finance work with departments to ensure that they are aware of and understand the requirements in future years.

Explanations for significant or material variances

Explanations for any variances between the initial budget estimates and the actual results enable stakeholders to understand a government's overall performance and to evaluate individual departments' performance. The Model Report requires departments to explain '*significant or material variances*',³⁷⁸ though it does not specify what constitutes a significant or material variance in this context. This is a new requirement with the 2012-13 Model Report, in response to a Committee recommendation.³⁷⁹

375 Public Accounts and Estimates Committee, *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, April 2012, Recommendation 9, p.97

376 Department of Treasury and Finance, *2012-13 Model Report for Victorian Government Departments*, April 2013, pp.20-1

377 This includes some figures listed as '2012-13 Budget' in the 2013-14 budget papers that differed from the original 2012-13 budget estimates, as well as figures listed as '2012-13 Revised'

378 Department of Treasury and Finance, *2012-13 Model Report for Victorian Government Departments*, April 2013, p.21

379 Public Accounts and Estimates Committee, *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, April 2012, Recommendation 10, p.97

Two departments did not identify any significant or material variances.³⁸⁰ The Department of Education and Early Childhood Development provided an explanation for one variance. The Department of State Development, Business and Innovation provided explanations for variances, but referred to actual results and revised estimates rather than the initial budget estimates.³⁸¹

In addition, the Department of State Development, Business and Innovation made mathematical errors³⁸² when calculating percentage variances in its budget portfolio outcomes.³⁸³ The Committee notes that the same mathematical errors were present in the Department's previous annual report,³⁸⁴ suggesting that the error is within the template used by the Department.

The Committee approached the Department seeking for details of the procedure it follows to calculate material variances. The Department explained that the variance has been calculated as the difference between the 2012-13 actual and 2012-13 revised budget figures and that the percentage variation has been calculated by dividing the variance by the actual figure. The Department indicated that it intends to change the percentage calculation to use the Budget as the denominator in the next Annual Report. The Committee notes that the Department will also need to calculate the variance using the initial budget estimates.

As there is no standard definition of 'significant or material variances', departments have used judgement in determining what to explain. In most cases, an explanation has been provided where the variance is substantial in both dollar and percentage terms. In some cases, departments have explained some large variances but not all.

Note that the statements are not audited

The Model Report indicates that the budget portfolio outcomes should state that it is not audited by the Victorian Auditor-General's Office and provides example text for this statement.³⁸⁵

Ten departments fully complied with this requirement. However, the Department of Planning and Community Development did not include the required explanation.

FINDING: The budget portfolio outcomes provides a comparison between the financial statements for each department in the budget papers and the actual results. In 2012-13, two departments complied with every requirement set out for the budget portfolio outcomes.

RECOMMENDATION 47: The Department of Treasury and Finance include a model set of budget portfolio outcomes statements in future Model Reports.

380 The Department of Justice and Department of Premier and Cabinet.

381 The Committee also notes that some substantial variances (in both dollar amounts and percentages) were not explained.

382 For example, for interest expense, the revised budget estimate was \$9,000, and the actual result was \$54,000 (Department of State Development, Business and Innovation, *Annual Report 2012-13*, p.161). The Department has calculated the percentage variance as 83 per cent (actual less revised)/actual. The correct variance (against the revised budget estimate) is 500 per cent (actual less revised)/revised.

383 Department of State Development, Business and Innovation, *Annual Report 2012-13*, pp.162-5

384 Department of Business and Innovation, *Annual Report 2011-12*, pp.157-61

385 Department of Treasury and Finance, *2012-13 Model Report for Victorian Government Departments*, April 2013, pp.20-1

RECOMMENDATION 48: The Department of Treasury and Finance work with departments to ensure that they are aware of and understand the requirements for budget portfolio outcomes.

7.4

Disclosure index (FRD 10)

FRD 10 requires a disclosure index to be included by departments and agencies in their annual reports. The FRD states that the disclosure index:³⁸⁶

... assists departments and public bodies in identifying and complying with the requirements of the legislative framework within which they operate. In addition, the Disclosure Index assists users in locating the relevant sections of interest.

This requirement applies to all departments and agencies, although the number and type of items required varies between different entities. In general, there are approximately 50 disclosures required by departments and agencies.

The key requirements of FRD 10 for the disclosure index are:³⁸⁷

- » *a list identifying the relevant clauses of Victorian legislation with statutory disclosure requirements;*
- » *a short description of the relevant requirement; and*
- » *the page in the annual report where disclosure in satisfaction of the relevant requirement is made.*

The 2013 Model Report includes a useful template for the disclosure index, including details of the appropriate short descriptions to be used.³⁸⁸

Appendix A7.2 details the varying levels of compliance with FRD 10 in the 2012-13 annual reports. Table 7.1 summarises the results and compares them to previous analyses conducted by the Committee.

Table 7.1

Compliance with FRD 10, departments and selected agencies, 2009-10, 2010-11 and 2012-13^(a)

Year	Fully complying with FRD 10 (number of entities)	Not fully complying with FRD 10 (number of entities)
2009-10	4	17
2010-11	6	15
2012-13	4	16

(a) Different agencies were assessed in 2009-10 and 2010-11 compared to 2012-13

Sources: 2009-10, 2010-11 and 2012-13 annual reports

³⁸⁶ FRD 10 (Disclosure Index), November 2005, p.1

³⁸⁷ *ibid.*

³⁸⁸ Department of Treasury and Finance, *2012-13 Model Report for Victorian Government Departments*, April 2013, pp.62-3

In 2012-13, all of the assessed entities included a disclosure index and 16 complied with the format suggested in FRD 10 and the 2012-13 Model Report. The Committee also reviewed the accuracy and completeness of the page references in the indexes.

In most instances, the number of errors was relatively small.

FINDING: Four of the examined entities fully met the requirements of FRD 10 for the disclosure index.

7.5

Government advertising (FRD 22D)

FRD 22D prescribes ‘*the content of a report of operations to ensure consistency in reporting*’.³⁸⁹ This FRD covers a variety of areas, including occupational health and safety, summaries of financial information, details of the organisation, areas of expenditure and information about consultancies.

This FRD was updated during 2013. The update included a new requirement for 2012-13 reports to include details of expenditure on government advertising:³⁹⁰

For each government advertising campaign with total media buy of \$150 000 or greater (exclusive of GST), an entity should include a schedule listing the following:

- » *name of advertising campaign;*
- » *start and end date of campaign;*
- » *campaign summary; and*
- » *details of campaign expenditure for the reporting period (exclusive of GST) including:*
 - › *advertising (media);*
 - › *creative and campaign development;*
 - › *research and evaluation;*
 - › *print and collateral; and*
 - › *other campaign costs.*

The FRD also includes an example of appropriate disclosure.³⁹¹

Eight of the 11 government departments reporting in 2012-13 provided details of their expenditure or indicated that there was no expenditure. Of the remaining three departments, the Department of State Development, Business and Innovation certainly had advertising expenditure meeting the threshold.³⁹² The Department’s annual report indicates that details are available on request³⁹³ but does not include the details.

389 FRD 22D (Standard Disclosures in the Report of Operations), June 2013, p.1

390 *ibid.*, pp.3-4

391 *ibid.*, p.8

392 *Victorian Government Advertising Report: Campaign Advertising 2012-13*, December 2013, pp.12-13

393 Department of State Development, Business and Innovation, *Annual Report 2012-13*, p.169

Two departments (the Department of Premier and Cabinet and Department of Transport, Planning and Local Infrastructure) did not report expenditure. The FRD does not require entities to provide 'nil reports'.

A similar situation applies to the water entities, where seven of the nine assessed agencies neither provided details of expenditure nor noted that there was none.

Two departments and two of the examined water entities provided nil reports, which made clear that there was no relevant expenditure to report. For example, the Department of Human Services indicated:³⁹⁴

During the 2012–13 financial year, the Department of Human Services had no campaigns with a total media buy of \$150,000 or greater (exclusive of GST).

Nil reports are suggested for some aspects of other FRDs,³⁹⁵ but are not required here or in a number of other areas. The Committee considers that nil reports should be a standard feature wherever departments or agencies do not meet the threshold requirements for relevant government guidance. This will eliminate any possible confusion about why no comment is made in an annual report.

The Committee also notes that the 2012-13 Model Report does not provide any information to prompt departments to include their disclosure of advertising as required in FRD 22D. While the Committee agrees that the information in FRD 22D is clear and even includes a sample report, the Committee believes that it would be useful if the Model Report also contained this information so that departments did not overlook it.

FINDING: Eight departments and two of the examined water entities complied with the new requirements for disclosing advertising expense. Their compliance was made clear through providing either details of expenditure or 'nil reports' (indicating that there was no relevant expenditure). The Department of State Development, Business and Innovation has made details available 'upon request'. For the other entities examined, it is not possible to tell from the annual reports whether there was relevant expenditure to report.

RECOMMENDATION 49: The Department of Treasury and Finance require all departments and agencies to include 'nil reports' when their activities do not trigger the disclosure requirements of relevant Financial Reporting Directions or the Model Report.

RECOMMENDATION 50: The Department of Treasury and Finance update the 2012-13 Model Report to reflect the disclosure of advertising expenditure required by FRD 22D.

³⁹⁴ Department of Human Services, *Annual Report 2012-13*, p.55

³⁹⁵ For example, for related-party transactions between entities and responsible persons (or responsible person-related parties) – FRD 21B (Disclosures of Responsible Persons, Executive Officers and Other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report), July 2012, Appendix A

7.6

Capital projects (Model Report)

One of the changes introduced in the 2012-13 Model Report is a new requirement to report on capital projects. The requirement originated from a recommendation made by Committee in its *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*. The Committee found that:³⁹⁶

Data about final TEIs [total estimated investment for the whole project] and completion dates, compared to original TEIs and completion dates, are not generally made available at the completion of projects. Although some information on the progress of asset projects is reported in various documents, no systematic reporting is made of final results.

The Committee recommended that:³⁹⁷

In updating the 2011-12 Model Report, the Department of Treasury and Finance require departments to report on all completed asset investment projects. This report should include:

- (a) the total actual investment;*
- (b) the total estimated investment reported at the start of the project;*
- (c) the final completion date;*
- (d) the completion date reported at the start of the project;*
- (e) a description of issues that caused variances in the project; and*
- (f) how the department intends to avoid such issues in future similar projects.*

The Government supported the parts a) to e) of this recommendation in principle. The Department of Treasury and Finance subsequently updated the Model Report to state:³⁹⁸

The Department of Treasury and Finance, on behalf of all portfolio departments, publishes annually on the State's asset investment program in the annual budget papers as part of BP4 State Capital Program. Departments should refer to the most recent version of the publication in their annual reports to raise awareness of the information disclosed on the delivery of departmental capital projects.

The Model Report also includes some sample text for departments to use and a reference to the Committee's original recommendation.

Five departments complied with the requirement, making a reference to the latest budget papers. The other six government departments made no such references.

The Department of Environment and Primary Industries, as well as referring to the budget papers, provided additional information which is not in the budget papers. The Department provided a table with the details recommended in the first five of the six points in the Committee's recommendation (that is, all of the points which

³⁹⁶ Public Accounts and Estimates Committee, *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*, April 2012, p.222

³⁹⁷ *ibid.*, Recommendation 45, p.222

³⁹⁸ Department of Treasury and Finance, *2012-13 Model Report for Victorian Government Departments*, April 2013, p.21

were supported in the Government's response).³⁹⁹ This table provided an overview of the projects completed in the year and how their actual delivery compared to what had been initially estimated.

The Committee considers this to be valuable information, which has been presented in a straightforward format. This information is not publicly available from any other source. This should be considered as a model for other departments to follow in future reports.

FINDING: Five of the 11 departments included a reference to the disclosure of capital projects in the budget papers, as required by the *2013 Model Report*. The Department of Environment and Primary Industries also provided valuable additional information about completed projects which is not published elsewhere.

RECOMMENDATION 51: The Department of Treasury and Finance update the *Model Report* to require additional disclosure about completed capital projects, using the Department of Environment and Primary Industries' *2012-13 Annual Report* as a model.

7.7

Tabling dates

All entities are required by the Financial Management Act to make their annual report available to the Parliament within four months of the end of the financial year or on the first sitting day of Parliament after the end of that month.⁴⁰⁰ For 2012-13, that date was 12 November. All 20 entities reviewed by the Committee tabled their 2012-13 annual reports by this deadline.

FINDING: All reviewed entities met the Financial Management Act deadline for tabling the 2012-13 annual reports.

³⁹⁹ Department of Environment and Primary Industries, *2012-13 Annual Report*, p.190

⁴⁰⁰ *Financial Management Act 1994*, s.46

APPENDIX TO CHAPTER 2

VICTORIA'S PERFORMANCE MEASUREMENT SYSTEM

Appendix A2.1 Recommendations related to the performance measurement system made by the Public Accounts and Estimates Committee during the 57th Parliament

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
102	Report on the 2011-12 Budget Estimates – Part Two	1	The Department of Treasury and Finance [DTF] and Finance in consultation with the Department of Premier and Cabinet [DPC] conduct a review of the quality of Victoria's current performance measures to assess whether they meet generally acknowledged better-practice criteria.	DTF, DPC	Support	In early 2011, the Department of Treasury and Finance (DTF) released a better practice performance management and reporting tool, the Strategic Management Framework, which sets up expectations around performance management and evaluation for the public sector. In line with this framework, DTF has identified key reviews to be undertaken to strengthen performance management. DTF will review output descriptions, structures and performance measures in the lead up to the 2012-13 Budget with a focus on quality improvement. During the review all departments, including the Department of Premier and Cabinet, will be engaged.	Quality control processes
102	Report on the 2011-12 Budget Estimates – Part Two	2	The Department of Treasury and Finance develop appropriate guiding principles and criteria for all government departments that represent better practice in performance measurement.	DTF	Support	Current guiding principles exist in the Budget and Financial Management Guidances on 'Outcomes, Departmental Objectives and Outputs', 'Departmental Objectives Specification and Performance Indicators' and 'Output Specification and Performance Indicators'. While these guidances provide a starting point for departments, DTF is committed to improving the quality of guidance material provided to departments. DTF will review and update this guidance, including identifying guiding principles and criteria to help strengthen performance measurement.	DTF's guidance

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
102	Report on the 2011-12 Budget Estimates – Part Two	3	The Department of Treasury and Finance develop practical guidance materials to guide departments in the development and implementation of better-practice performance measures.	DTF	Support	As outlined in the response to recommendation two, DTF currently provides guidance that supports the development and implementation of good practice performance measures. DTF will work closely with departments through a series of consultations and workshops to review and update guidance material and to ensure that it is easily understood and better practice performance measures can be implemented.	DTF's guidance
102	Report on the 2011-12 Budget Estimates – Part Two	4	The Department of Treasury and Finance work with departments to increase the number of meaningful, transparent and appropriate outcomes-based performance measures in the budget papers and link this explicitly into the Strategic Management Framework.	DTF	Support	As PAEC [the Public Accounts and Estimates Committee] noted in its report, the Strategic Management Framework aims to drive better practice performance management across the public sector. Included in the framework is a focus on efficiency, effectiveness and value for money. The current requirement on departments to develop a set of departmental objectives and associated indicators and to link these objectives to the delivery of outputs is the mechanism by which departments are planning for, and tracking against, achievement of outcomes. DTF will continue to work with departments to strengthen departmental objectives and the outcome-based performance measures that accompany them. DTF will also look to strengthen the reporting against these indicators to provide the public and Parliament with more information on outcome based performance.	Quality control processes (Objectives) (Objective indicators)
102	Report on the 2011-12 Budget Estimates – Part Two	5	To enhance transparency and accountability, future budget papers clearly indicate the links between policy objectives, inputs, outputs and expected outcomes.	DTF	Support	DTF regularly reviews the annual State budget papers with a focus on continuous improvement. In 2011 DTF will commence a review of the performance management framework including a review of output performance measures and the manner in which outputs link to departmental objectives. The outcomes of these reviews will help enhance transparency and accountability across all levels of departmental performance management and reporting. Long term reforms for enhancing transparency and accountability will be incorporated into future budget papers. DTF will work with departments to implement identified reform opportunities for the budget papers to improve government performance measurement and reporting.	Integration of indicators and documents (Quality control processes)

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
102	Report on the 2011-12 Budget Estimates – Part Two	6	The Department of Treasury and Finance work with those departments with the highest proportions of quality measures and the lowest proportions of quality measures to examine whether, on the basis of their responsibilities, there is scope for increasing the proportion of appropriate quality measures.	DTF	Support	<p>DTF continuously works with departments to review the relevance and robustness of departmental outputs and performance measures to ensure they fully enable Government to decide how to fund and allocate resources.</p> <p>Earlier this year DTF released a better practice performance management and reporting tool, the Strategic Management Framework, which sets up expectations around performance management and evaluation for the public sector. In line with this framework, DTF has identified key reviews to be undertaken to strengthen performance management.</p> <p>In 2011 DTF will lead a review of the performance management framework including a review of output performance measures and the manner in which outputs link to departmental objectives.</p> <p>DTF will work with departments to ensure that the suite of output performance measures for each output is a relevant indicator of the quantity, quality and timeliness components of the activities delivered through that output.</p>	<p>Meaningful and relevant performance measures</p> <p>Quality control processes</p>
102	Report on the 2011-12 Budget Estimates – Part Two	7	The Department of Treasury and Finance examine whether there is scope for appropriate measures to be developed to assess the quality of service delivery for those outputs which currently do not have any quality measures.	DTF	Support	<p>Departments annually review their performance measures to ensure their robustness, relevance and appropriateness, this work is undertaken in consultation with DTF.</p> <p>Departments have commenced a review of their Department's output structures for 2012-13. Departments will aim to ensure that there is at least one measure that assesses the quality of service delivery in each of its output categories for 2012-13.</p> <p>For the 2012-13 budget process, DTF will work with departments to review the appropriateness of measures to assess the quality of service delivery for each output.</p>	<p>Meaningful and relevant performance measures</p> <p>Quality control processes</p>
102	Report on the 2011-12 Budget Estimates – Part Two	8	As part of its work developing guidance for departments on better-practice performance measurement, the Department of Treasury and Finance also provide guidance for developing performance measures of the qualitative aspects of service delivery.	DTF	Support	<p>As outlined in recommendation two, there are budget and financial management guidances on developing performance measures, including on the qualitative aspects of service delivery.</p> <p>DTF will review and update this guidance material to help strengthen performance management.</p> <p>DTF will work with departments to rigorously review output descriptions, structures and performance measures to ensure quality improvement occurs. This review will include qualitative aspects of service delivery.</p>	<p>DTF's guidance</p> <p>Quality control processes</p>

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
102	Report on the 2011-12 Budget Estimates – Part Two	10	The Department of Treasury and Finance develop guidance material for departments which clearly specifies circumstances where it may be appropriate for performance measures to be discontinued.	DTF	Support	<p>The Government's commitment to improving transparency in performance measures is demonstrated by inviting the PAEC to undertake a role of reviewing performance measures proposed to be discontinued or substantially changed.</p> <p>Current guiding principles exist in the Budget and Financial Management Guidances on 'Outcomes, Departmental Objectives and Outputs', 'Departmental Objectives Specification and Performance Indicators' and 'Output Specification and Performance Indicators'. While these guidances provide a starting point for Departments, DTF is committed to improving the quality of guidance material provided to Departments.</p> <p>DTF will review and update relevant guidance material to help strengthen the process around proposed changes to performance measures and will work closely with all other departments during the budget process, which includes reviewing proposed changes to performance measures.</p>	DTF's guidance (Quality control processes)
102	Report on the 2011-12 Budget Estimates – Part Two	12	To enhance transparency in reporting, explanations be given in future budget papers for each and every change to a performance target.	DTF	Support	<p>DTF regularly reviews the annual State budget papers with a focus on continuous improvement. In the 2011-12 Budget, explanations for changes to performance targets were moved to sit directly underneath the relevant target to make it easier for the reader to understand the change.</p> <p>Departments are required to provide an explanation for material and significant changes (more than five per cent variance) to performance targets from the previous year. DTF is currently reviewing the guidance for reporting on performance information in the budget papers, including the guidance for when an explanation is needed for a change to a performance target.</p> <p>DTF will work with departments to implement any changes to reporting on performance targets in budget papers in a move to enhance transparency for future budget papers.</p>	<p>Explaining changes (DTF's guidance)</p> <p>(Quality control processes)</p>

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
102	Report on the 2011-12 Budget Estimates – Part Two	13	In future budget papers, all explanations for changes to performance targets indicate, at a minimum, whether the change is because of: (a) changed government policy, funding or program delivery; or (b) changed external circumstances.	DTF	Support	DTF regularly reviews the annual State budget papers with a focus on continuous improvement. In the 2011-12 Budget, explanations for changes to performance targets were moved to sit directly underneath the relevant target to make it easier for the reader to understand the change. Departments are required to provide an explanation for material and significant changes (more than five per cent variance) to performance targets from the previous year. DTF is currently reviewing the guidance for reporting on performance information in the budget papers, including the guidance for when an explanation is needed for a change to a performance target. DTF will work with departments to ensure all explanations of changes to performance targets, relate to changed government policy, funding or program delivery or changed external circumstances. DTF will work with departments to implement any changes to reporting on performance targets in budget papers in a move to enhance transparency for future budget papers.	Explaining changes (DTF's guidance) (Quality control processes)
102	Report on the 2011-12 Budget Estimates – Part Two	15	The Department of Treasury and Finance ensure in future budgets that each major initiative released in that budget has a sufficient number of corresponding performance measures in order to enable the Parliament to assess the performance of that initiative.	DTF	Support in principle	As part of the budget process DTF will work with all departments to ensure that performance measures are created for an output that show the impact of a major initiative, where the impact is not reflected in existing measures and targets.	Meaningful and relevant performance measures Quality control processes

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
102	Report on the 2011-12 Budget Estimates – Part Two	18	To provide greater clarity, the Department of Treasury and Finance include notes to particular output performance targets in the budget papers to explain factors that have contributed to any targets being set at levels that could be reasonably interpreted as being significantly understated compared to the previous year.	DTF	Support	<p>DTF regularly reviews the annual State budget papers with a focus on continuous improvement. In the 2011-12 Budget, explanations for changes to performance targets were moved to sit directly underneath the relevant target to make it easier for the reader to understand the change.</p> <p>Departments are required to provide an explanation for material and significant changes (more than five per cent variance) to performance targets from the previous year. DTF is currently reviewing the guidance for reporting on performance information in the budget papers, including the guidance for when an explanation is needed for a change to a performance target.</p> <p>DTF will work with departments to implement any changes to reporting on performance targets in budget papers in a move to enhance transparency for future budget papers.</p>	Quality control processes Explaining changes
102	Report on the 2011-12 Budget Estimates – Part Two	20	As the funding initiatives directed at the delivery of ambulance emergency services are rolled out over time, the Department of Treasury and Finance examine whether performance targets in the Budget need to be set at more challenging levels that would correlate with the additional funding allocations.	DTF	Under review	<p>The Government has inherited an underfunded and underperforming service from the previous government which has review historically failed to meet its previous performance targets. Additional funding to Ambulance Victoria is designed to assist them in meeting their current performance targets.</p> <p>The Department of Health, in conjunction with the Department of Treasury and Finance, will review Ambulance Victoria whether performance targets in the performance over time to ensure that targets are appropriate.</p>	Quality control processes Setting targets
102	Report on the 2011-12 Budget Estimates – Part Two	22	To enhance accountability, the Department of Treasury and Finance explore the possibility of developing specific output performance measures that relate directly to the activities performed under the responsibilities of the new aviation industry portfolio.	DTF	Support	<p>The Department of Business and Innovation (DBI) annually reviews its performance measures to ensure the robustness, relevance and appropriateness of all. This includes consideration of the core outputs of the department and related performance measures, over the range of departmental responsibilities and Government priorities.</p> <p>This review will be completed for input into the 2012-13 Budget Papers.</p> <p>As part of the 2012-13 budget process DTF will work with DBI to explore the possibility of developing output performance measures that reflect the activities of the new aviation industry portfolio.</p>	Meaningful and relevant performance measures Quality control process

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
102	Report on the 2011-12 Budget Estimates – Part Two	23	The Department of Treasury and Finance conduct a review to ensure that performance measures and targets have been established, where practicable, for all of the new government portfolios.	DTF	Support	As part of the 2012-13 budget process DTF will work with all departments to ensure that robust and relevant performance measures and targets are developed for new government portfolios wherever appropriate and practicable.	Meaningful and relevant performance measures Quality control process
107	Review of the 2009-10 and 2010-11 Annual Reports	1	The Department of Treasury and Finance undertake a review of the Standing Directions, the Financial Reporting Directions, the Model Reporting Directions, the guidance notes to the Financial Reporting Directions, the Budget and Financial Management Guidances and the Model Report to identify any opportunities to consolidate and simplify the guidance materials.	DTF	Support	The Department of Treasury and Finance regularly reviews the Standing Directions, the Financial Reporting Directions, the Model Report and the Budget and Financial Management Guidances, with a focus on maintaining currency and sound financial management and reporting practices. As part of these reviews going forward, the Department will pay specific consideration to, where appropriate, simplifying or consolidating these directions and guidances to facilitate public sector agencies' understanding and compliance with the requirements.	DTF's guidance
107	Review of the 2009-10 and 2010-11 Annual Reports	2	The Government ensure consistency between the FRDs [Financial Reporting Directions] and the Model Report regarding which FRDs Victoria Police is required to comply with.	DTF	Support	The Department of Treasury and Finance and the Department of Justice will review for consistency the Financial Reporting Directions (FRD) and the Model Report. The Department of Justice will work with Victoria Police to clarify the application of the Financial Reporting Directions to Victoria Police.	DTF's guidance
107	Review of the 2009-10 and 2010-11 Annual Reports	3	The Department of Treasury and Finance amend the Model Report to recognise the sovereignty and independence of Parliament under the constitutional principle of the separation of powers and remove the Parliament of Victoria from the list of 'applicable reporting entities'.	DTF	Support	The Department of Treasury and Finance will amend the Model Report to recognise the sovereignty and independence of Parliament. As noted in the PAEC Report (page 10) 'the guidance for public bodies is generally an appropriate standard for the Parliamentary Departments to follow and that they should consider following these standards except where there are good reasons not to'.	DTF's guidance

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
107	Review of the 2009-10 and 2010-11 Annual Reports	4	The Department of Treasury and Finance publish, and update annually as appropriate, a document that lists all government entities required to produce annual reports, identifying for each which Financial Reporting Directions apply.	DTF	Not support	<p>The Financial Reporting Directions apply to accountable officers of departments and public bodies defined under Section 3 of the Financial Management Act 1994. Specific directions apply to certain classes of agencies such as water authorities, and the Department of Treasury and Finance (DTF) will ensure that the application of these requirements is clear in the Directions.</p> <p>Under the financial management and accountability model in Victoria, each public sector agency's Accountable Officer is responsible for establishing processes to ensure that its annual reports are prepared in accordance with all relevant reporting requirements. To publish a document that lists all of financial reporting obligations for each entity is contrary to the intent of the financial management and accountability model in Victoria. However, DTF will publish a list of agencies subject to the financial management legislation and the subordinate Directions.</p>	DTF's guidance
107	Review of the 2009-10 and 2010-11 Annual Reports	5	All government entities consider the criteria set out in Table 2.1 when producing future annual reports.	All	Support	<p>The Department of Treasury and Finance will review the Better Practice Guidance contained in Table 2.1 of the PAEC's report and, as appropriate, will promote this information to public sector entities in the preparation of future annual reports through the implementation of the response to Recommendation 6.</p>	<p>Review of reports</p> <p>Reporting results</p>
107	Review of the 2009-10 and 2010-11 Annual Reports	6	The Department of Treasury and Finance review the better-practice criteria set out by the Committee in Table 2.1. For any criterion not currently included in the guidance material, the Department consider incorporating it into one of its products.	DTF	Support	<p>The Department of Treasury and Finance (DTF) notes the PAEC finding that many of the Committee's criteria are already in Victorian Government guidance materials. DTF will review and further consider the better practice criteria and comments contained in Table 2.1 of the PAEC's report for incorporation, as appropriate, in future Model Reports and/or into one of DTF's other products. DTF regularly reviews its Standing Directions, Financial Reporting Directions, the Model Report and Budget and Financial Management Guidelines, aimed at maintaining currency and sound financial management and reporting practices.</p>	<p>Review of reports</p> <p>DTF's guidance</p>

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
107	Review of the 2009-10 and 2010-11 Annual Reports	7	The Department of Treasury and Finance investigate the reasons for non-compliance with the full requirements of the Financial Reporting Directions. The investigation should identify what additional actions, such as targeted training or guidance material, are required to improve levels of compliance with all aspects of FRDs.	DTF	Support	Under the Minister for Finance's Standing Direction 4.2, Accountable Officers are required to prepare their agencies' annual reports in accordance with the Financial Reporting Directions. Under the Financial Management Compliance Framework, Accountable Officers certify their agency's level of compliance with the Standing Directions. The Department of Treasury and Finance (DTF) has continued to annually revise the Model Departmental Report to provide more comprehensive guidance to departments and public bodies considering feedback from stakeholders and their needs. Further, DTF has been providing, and continues to provide, accounting guidance to entities on the interpretation and application of requirements outlined in the various financial reporting actions, such as targeted training or Directions. Such measures have assisted departments and public bodies to better comply with Financial Reporting Directions. DTF to will continue to investigate areas of non-compliance with reporting requirements as part of the Financial Management Framework, with the view to establishing appropriate improvement strategies to enhance compliance.	Review of reports DTF's guidance Quality control processes
107	Review of the 2009-10 and 2010-11 Annual Reports	12	The Government's guidance be modified to require reference to performance measures from the budget papers to be part of the report of operations, with full details in appendices.	DTF	Support	The Department of Treasury and Finance will amend reporting guidance material to ensure that performance measures reported in the budget papers are included in the report of operations, including reporting against targets.	Review of reports DTF's guidance
107	Review of the 2009-10 and 2010-11 Annual Reports	14	Entities be required to explicitly quote the strategic goals, objectives and targets set out in their planning and policy documents in annual reports, along with reports of the organisation's progress for the year towards those goals, objectives and targets.	DTF	Support	The Department of Treasury and Finance will review FRD22 in order to clarify that public sector agencies will be required to quote their strategic goals and objectives, and report on progress in achieving those goals.	Integration of indicators and documents

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
107	Review of the 2009-10 and 2010-11 Annual Reports	15	The Government change its guidance to require entities whose performance contributes, either wholly or in part, to performance measures reported by a parent department, to report their performance on these performance measures in their own annual reports. This reporting should include targets, variances and reasons for significant variances.	DTF	Under review	The Department of Treasury and Finance (DTF) will review and investigate the practicality of requiring all portfolio agencies, which contribute wholly or substantially to performance measures reported by the relevant portfolio department, to also report these performance measures in their own annual reports, including, where appropriate, targets, variances and reasons for significant variances.	DTF's guidance Reporting results
107	Review of the 2009-10 and 2010-11 Annual Reports	16	All entities be required to provide at least three rolling years' actual results data for performance measures in their annual reports, explaining significant trends over time.	All	Not support	Departmental output performance measure data was made available online for 2009-10 to 2012-13 following the 2012-13 Budget release, and will be updated annually following each budget publication. Given that such information will now and in the future, be accessible online, the Department of Treasury and Finance (DTF) does not consider that such information will need to be duplicated in annual reports beyond the current requirement. DTF considers that it is more important to promote further explanatory commentary on how the entity is progressing during the year towards its goals, objectives and targets, consistent with DTF's response to the Committee's recommendation 14, and through a revision to FRD 22.	Reporting results
107	Review of the 2009-10 and 2010-11 Annual Reports	17	The Department of Treasury and Finance update the Model Report to recommend that entities provide information for their key initiatives and projects about changes from previous years and expectations for the future, using Victoria Police's annual report as a model.	DTF	Support	The Department of Treasury and Finance will update the Model Report to recommend that public sector agencies provide information for describing changes in key initiatives and projects. The Department of Treasury and Finance will consider using Victoria Police's annual report as a model.	DTF's guidance
107	Review of the 2009-10 and 2010-11 Annual Reports	20	The Government adjust its guidance to require an entity which has a workforce inclusion policy to have at least one measurable target, and to report statistics on that measure in its annual report.	DTF	Under review	The Government is presently reviewing its guidance on workforce inclusion policies and implementation measures, with consideration to the recommendation's proposal to introduce measurable targets. This review is expected to be completed within 6 months.	DTF's guidance

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
107	Review of the 2009-10 and 2010-11 Annual Reports	21	The Department of Business and Innovation in future annual reports: (a) provide quantity and detail of disclosure that is in proportion to the significance of the subjects being discussed; and (b) report on all measures in the corporate plan.	DBI	Support	(a) The Department of Business and Innovation will provide a more comprehensive report of operations on its key activities in its 2011-12 Annual Report. The level of detail provided will be in proportion to the significance of the subjects being discussed and consistent with the need to limit the size (and cost) of the annual reports of departments in line with the current budgetary environment. (b) The Department's 2012-15 Corporate Plan is being developed in line with the Government's new Planning Framework and will include departmental objective indicators and performance measures. The Department will report against all measures included in the Corporate Plan in the 2012-13 Annual Report. From 2012-13 there will be a stronger alignment between the Department's corporate plan, budget paper outputs and performance measures and annual report in line with the new Performance Framework and recommendations from Victorian Auditor-General's Office and Public Accounts and Estimates Committee.	Integration of indicators and documents
107	Review of the 2009-10 and 2010-11 Annual Reports	22	The Department of Education and Early Childhood Development [DEECD] in future annual reports: (a) extend the discussion of the outcomes for the Department by quantifying the identified outcomes, enabling a demonstration of the Department's progress towards these outcomes; (b) include explanations for variances in the budget portfolio outcomes; and (c) discuss asset investment projects.	DEECD	Support in part	(a) Support. The Department of Education and Early Childhood Development (DEECD) intends to quantify its identified outcomes and to demonstrate progress towards those outcomes in its 2011-12 Annual Report. (b) Not support. The Department complies with Standing Directions 4.2 (l-m) and FRD 8B which detail reporting requirements in relation to 'budget portfolio outcomes'. Furthermore DEECD's accounts follow the model financial accounts issued by DTF in this regard. The provision of additional information should be consistent across the whole of government and led by DTF. (c) Not support. The Department has hundreds of asset projects underway at any one time and to report on them in the annual report is not practical. Details of the financial progress of all asset projects are detailed in Budget Paper No.4 State Capital Program every year.	Objectives Objective indicators

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
107	Review of the 2009-10 and 2010-11 Annual Reports	23 ^(a)	The Department of Health [DOH] in future annual reports: (a) include additional details about the progress of asset projects for the Department; (b) include separate results for metropolitan and non-metropolitan areas for performance measures; and (c) improve the formatting of the table of contents and appendices.	DOH	Support in part	a) Support. The Department of Health (DH) supports the inclusion of a more detailed report outlining progress of major asset projects within the year, and where possible, will endeavour to include this information in future annual reports. (b) Not support. The Department's output performance report aligns to performance measures agreed and outlined within Budget Paper No.3 Service Delivery. The Department's performance reporting is a collective report accounting for state-wide performance and is not broken down into metropolitan or regional areas. Detail is only available for Ambulance Victoria. Specific performance detail relating to health services, as outlined within their Statement of Priority, should be reported within their respective annual reports. (c) Support. The Department will review and endeavour to improve the formatting of the table of contents and appendices in future annual reports.	
107	Review of the 2009-10 and 2010-11 Annual Reports	25	The Department of Human Services [DHS] in future annual reports: (a) include any performance measure results that are published after the printing of the previous report in the next year's annual report; and (b) include information concerning any newly reported fatalities.	DHS	Support	(a) The Department of Human Services' (DHS) output performance measure results, reported as estimates in the annual report, are updated and published as part of the following year's budget papers (Budget Paper No.3 Service Delivery) which is published prior to the publication of the next annual report. The Department agrees to also include these in next year's annual report. (b) The Department's annual report provides a detailed summary of the Department's Occupational Health and Safety performance against a number of key performance indicators including number of fatality claims. DHS will, in future annual reports, include information about the cause of any fatalities and actions taken by the Department to prevent the same or similar events reoccurring.	Reporting results
107	Review of the 2009-10 and 2010-11 Annual Reports	28	The Department of Premier and Cabinet in future annual reports: (a) clarify the organisational chart; and (b) provide a description of outputs and a proper explanation for each variation from target for performance measures that addresses the root cause of the variation.	DPC	Support	(a) The Department of Premier and Cabinet's (DPC) Annual Report will include an overview of the organisational structure including explanations of departmental groupings and key roles. (b) DPC will continue to work internally and with portfolio agencies to improve the quality of explanations for variations from performance measure targets.	Reporting results

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
107	Review of the 2009-10 and 2010-11 Annual Reports	29	The Department of Primary Industries [DPI] in future annual reports: (a) quantify its strategic performance indicators and report their results over time.	DPI	Under review	<p>The Department of Primary Industries (DPI) is currently undertaking a strategic review. This includes a revision of the Department's vision, mission, objectives, strategies and strategic performance indicators. The purpose of the review is to:</p> <ul style="list-style-type: none"> ensure that the Department's approach to quantifying its strategic performance indicators and reporting their results over time is consistent with the outcomes of the Victorian Government; and position the Department to effectively deliver the related policies, legislation and programs over the forward estimates period. The strategic performance indicators are being designed to measure the achievement of the Department's objectives. They will cover the scope of the DPI's work program and focus on the direct impact the work is having on Victoria's primary industries. <p>The strategic performance indicators will be reviewed in 2012-13.</p> <p>The Department will report against the budget paper output performance indicators and relevant sector indicators in the 2011-12 DPI Annual Report.</p>	<p>Objectives</p> <p>Objective indicators</p> <p>Integration of indicators and documents</p>
107	Review of the 2009-10 and 2010-11 Annual Reports	30	The Department of Sustainability and Environment [DSE] in future annual reports: (a) reference planning documents in annual reports to demonstrate progress towards departmental goals and strategy; and (b) improve the explanations for variations between target and actual results for performance measures.	DSE	Support	<p>(a) The Department of Sustainability and Environment (DSE) will refer to its planning documents in future annual reports. The Department will continue to follow the guidance from the Department of Treasury and Finance in relation to the publication of departmental performance information.</p> <p>(b) DSE supports this recommendation and will take steps to improve the explanations for any variations between target and actual results for performance measures.</p>	<p>Reporting results</p> <p>Integration of indicators and documents</p>

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
107	Review of the 2009-10 and 2010-11 Annual Reports	31	<p>The Department of Transport (DOT) in future annual reports:</p> <p>(a) provide a comprehensive and clearly set out overview in the early part of the annual report, including details of the Department's structure, key features, mission, values and responsibilities;</p> <p>(b) include a detailed discussion of the Department's activities in the report of operations, as was provided prior to 2010-11;</p> <p>(c) structure the report of operations by outputs or outcomes or a departmental division;</p> <p>(d) include a section that establishes links between the outputs given in the budget papers and the outcomes for the Department stated in its planning documentation; and</p> <p>(e) where the Department does not, for any reason, intend to report against outcome performance indicators included in the current departmental plan, any omissions should be discussed and reasons given.</p>	DOT	Support	<p>a) The Department of Transport (DOT) will comply with Standing Direction 4.2 Reporting Requirements in terms of Part 7 of the Financial Management Act 1994, and comply with the Department of Treasury and Finance's Model Report.</p> <p>b) DOT will comply with Standing Direction 4.2 Reporting Requirements in terms of Part 7 of the Financial Management Act 1994, and comply with the Department of Treasury and Finance's Model Report.</p> <p>c) In 2011-12, DOT will structure its annual report against its objectives defined in its latest corporate plan, DOT Plan 2011. This will ensure consistency between the Department's corporate plan and its annual report.</p> <p>d) In accordance with guidance provided by the Department of Treasury and Finance, DOT will include links between its objectives and its outputs as published in the State Budget papers. The Department's objectives are defined in its latest corporate plan, DOT Plan 2011. The Department will also include this information in its 2011-12 Annual Report.</p> <p>e) Since 2009-10, DOT has included a report against outcome performance indicators in its annual report. The indicators included in the set of outcome performance indicators are determined by the department's corporate plan. The Department's corporate plan is reviewed each year, and the outcome performance indicators may change due to changes to the Department's objectives.</p> <p>In its 2011-12 Annual Report, DOT will report against the outcome performance indicators included in the DOT Plan 2011, and describe changes from the outcome performance indicators included in the DOT Plan 2010, which were reported in the Department's 2010-11 Annual Report.</p>	Integration of indicators and documents

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
107	Review of the 2009-10 and 2010-11 Annual Reports	32	The Department of Treasury and Finance in future annual reports: (a) provide a comprehensive report of operations showing events for the year and tasks, achievements and future directions for departmental divisions; (b) set out variations in output performance measures in the same table as targets and actual results; (c) provide underlying reasons for variances; and (d) extend the index at the front to include appendices.	DTF	Support	In relation to (a), the Department of Treasury and Finance (DTF), over recent years, has refined its report of operations in its annual report to reduce the repetition between the achievements/Secretary's Report and the narrative describing output measure results. The volume of information included in the report of operations, particularly the 'Year in Review' has also been reduced in recognition of the fact that the annual report is a record of the Department's activities and not a marketing document. In future reports, DTF will make the linkages between achievements and activities, and the output measures they are part of, more clear. This will ensure that the events, achievements and future directions of the departmental divisions are clear, while also avoiding repetition within the document. DTF will also include more detail about achievements and the future direction of the Department's work. The Department supports (b) and (c), and will improve the readability and reasons for variances for the 2011-12 Annual Report. The Department supports (d), and will extend the annual report index to include appendices.	Reporting results
107	Review of the 2009-10 and 2010-11 Annual Reports	35	The Victorian Auditor-General's Office [VAGO] in future annual reports: (a) move to outcomes measures that can be quantified and tracked over time, where possible; and (b) highlight variances in the output performance measure tables themselves, including a reference to where variances are discussed.	VAGO	Support	Communication from VAGO: With regard to recommendation 35(a), my Office accepts this recommendation and is examining options for moving towards outcomes measures as part of the Annual Report 2011-12. With regard to recommendation 35(b), my Office accepts this recommendation. More effective reporting of variances will be given particular focus in the development of the Annual Report 2011-12.	Objectives Objective indicators/ Reporting results
107	Review of the 2009-10 and 2010-11 Annual Reports	36	The Victorian Electoral Commission [VEC] in future annual reports: (a) provide results against all budget performance measures in the annual report, including targets and actual results, discussion and reasons for variances; and (b) include in its annual reports the results of the single-year quantified measures identified in its corporate plan.	VEC	Support	Communication from VEC: I have noted the recommendations contained in the Report of the Public Accounts and Estimates Committee, Review of the 2009-10 and 2010-11 Annual Reports (the PAEC Report) with regard to the Victorian Electoral Commission (VEC). The VEC has a fine record of reporting and continually strives to improve on the transparency, effectiveness and methods of reporting to all stakeholders. The VEC will make best endeavours to address the matters referred to in Recommendations 36 (a) and (b) of the PAEC report in its future annual report planning.	Reporting results Integration of indicators and documents

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
107	Review of the 2009-10 and 2010-11 Annual Reports	37	<p>Ambulance Victoria in future annual reports:</p> <p>(a) discuss variances against targets for all performance measures presented in annual reports;</p> <p>(b) include a section in the annual report showing progress towards the supported recommendations from the Auditor-General's report into Access to Ambulance Services; and</p> <p>(c) include a table of contents in future annual reports.</p>	DOH	Support	<p>As Ambulance Victoria is an independent statutory authority, the contents of its annual report are not determined by the Department of Health.</p> <p>In principle, the Department of Health supports the PAEC recommendations outlined.</p>	Reporting results
107	Review of the 2009-10 and 2010-11 Annual Reports	38	<p>The Country Fire Authority in future annual reports:</p> <p>(a) structure the report of operations with respect to objectives defined in the new corporate plan when it is released;</p> <p>(b) include reporting and discussion of all relevant performance measures that are reported by the parent department, the Department of Justice;</p> <p>(c) adjust the organisational chart to more clearly show lines of reporting; and</p> <p>(d) include an occupational health and safety section structured as per the Model Report.</p>	Department of Justice (DOJ)	Support	<p>The Department of Justice and the Country Fire Authority (CFA) support this recommendation. The CFA will structure the 2011-12 and future annual reports to reflect corporate plan objectives and will report on relevant performance measures already reported on by the Department.</p> <p>Recommended technical amendments to the organisational chart and a section on occupational health and safety will be included in forthcoming and future reports.</p>	Reporting results Integration of indicators and documents
107	Review of the 2009-10 and 2010-11 Annual Reports	39 ^(a)	<p>The Emergency Services Telecommunications Authority should include performance results for the speed of answering emergency calls and the speed of dispatch of the relevant emergency services in future annual reports. Results should include 50th and 90th percentile data, as well as average times.</p>	DOJ	Support	<p>The Department of Justice and the Emergency Services Telecommunications Authority (ESTA) support the recommendation for ESTA to include performance results for the speed of answering emergency calls and the dispatch of the relevant emergency services in future annual reports. This will include performance data at the 50th and 90th percentile and average times.</p>	

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
107	Review of the 2009-10 and 2010-11 Annual Reports	40 ^(a)	<p>The Emergency Services Telecommunications Authority in future annual reports:</p> <p>(a) include restatements and corrections of past financial statements as an appendix to the next annual report where required;</p> <p>(b) improve the presentation of its organisational chart; and</p> <p>(c) where key performance measures are being recorded for the Office of the Emergency Services Commissioner, they also be reported publicly in the Emergency Services Telecommunications Authority's annual report.</p>	DOJ	Support	The Department of Justice and the Emergency Services Telecommunications Authority (ESTA) support the recommendation for ESTA to amend future annual reports to adhere to the Australian Accounting Standards in relation to any errors or omissions, generally requiring that prior year errors or omissions are identified; and to include its organisational chart and key performance measures that are recorded for the Office of the Emergency Services Commissioner.	
107	Review of the 2009-10 and 2010-11 Annual Reports	41	<p>The Metropolitan Fire and Emergency Services Board in future annual reports:</p> <p>(a) include occupational health and safety information using the Model Report as guidance; and</p> <p>(b) include a report and discussion of all relevant performance measures set out in the budget papers.</p>	DOJ	Support	The Department of Justice and the Metropolitan Fire and Emergency Services Board (MFESB) support the recommendation for the MFESB to include occupational health and safety information and performance measures as set out in Budget Paper No.3 Service Delivery, in future annual reports.	Reporting results
107	Review of the 2009-10 and 2010-11 Annual Reports	42 ^(a)	<p>Victoria Police in future annual reports:</p> <p>(a) discuss variances from cost performance targets, in addition to non-cost performance targets; and</p> <p>(b) include an acronym glossary.</p>	DOJ	Support	The Department of Justice and Victoria Police support the recommendation for Victoria Police to include information on performance targets in future annual reports, and an acronym glossary.	

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
107	Review of the 2009-10 and 2010-11 Annual Reports	43	The Victoria State Emergency Service in future annual reports: (a) report its results on the relevant performance measures in the budget papers, including targets, actual outcomes and reasons for variances; (b) provide reasons for significant variations in occupational health and safety results from previous years' figures; and (c) include updated occupational health and safety figures for 2010-11 in its 2011-12 annual report.	DOJ	Support	The Department of Justice and Victorian State Emergency Service (VICSES) support this recommendation for the VICSES to provide a summary report on the relevant performance measures in the budget papers including targets, actual outcomes and reasons for variances in their annual reports. Future annual reports will also include reasons for significant variations in occupational health and safety results from previous years' figures, as well as updated occupational health and safety figures for 2010-11 in the 2011-12 Annual Report.	Reporting results
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	9	The Minister for Finance give consideration to adjusting the Standing Directions and Financial Reporting Direction 8B to clearly specify that the 'budget portfolio outcomes' statement should compare actual results for a year with the initial budget estimates made before the start of that year.	DTF	Support in principle	As noted by the Committee, Financial Reporting Direction (FRD) 8B already requires departments to compare their portfolio financial statements published in the budget papers with the actual results for the portfolio, with 'Budget Papers' being defined in the FRD as 'the budget papers for the State of Victoria for the corresponding financial year'. While the requirements of FRD 8B are considered to be clearly specified, the Department of Treasury and Finance will reiterate the requirements of the FRD through communications with departments and the Model Report.	DTF's guidance
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	10	The Minister for Finance give consideration to adjusting the Standing Directions and Financial Reporting Direction 8B to require explanations to be given for all significant or material variations between initial budget estimates and actual results, as is required for performance measures.	DTF	Support in principle	The Department of Treasury and Finance will work with the Minister for Finance to examine possible revisions to Financial Reporting Direction 8B to make clearer the explanations to be included for significant or material variations between initial estimates and actual results.	DTF's guidance
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	22	The Department of Treasury and Finance indicate in budget papers whether exceeding, coming under or precisely achieving the target is preferable for each performance measure.	DTF	Support in principle	Budget Paper No. 3 Service Delivery, currently indicates whether exceeding or coming under performance measures is preferable in some instances. The Department of Treasury and Finance will seek opportunities to broaden this practice.	Clear and precise performance measures Quality control processes

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	23	The Department of Business and Innovation seek advice from a suitably qualified source to explore ways of improving the Department's performance with respect to meeting performance measure targets.	DBI	Support	The Department of Business and Innovation undertook a review of its performance measures prior to the 2012-13 Budget. New performance measures were developed to align performance reporting and monitoring with the new Performance Management Framework.	Meaningful and relevant performance measures Setting targets
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	25	The Department of Business and Innovation review the Investment Attraction and Facilitation and Exports outputs to ensure that the non-cost performance measures provide a comprehensive overview of what is being provided with the funding.	DBI	Support	In addition to the work done to review its performance measures prior to the 2012-13 Budget, the Department of Business and Innovation is also undertaking a further review of its Investment Attraction and Facilitation and Exports outputs.	Meaningful and relevant performance measures
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	26	When a target for a performance measure is a range and not a single number, the Department of Treasury and Finance explain the reasons for which a range was set, as well as the rationale for the range given, in the budget papers.	DTF	Not support	The Department of Treasury and Finance considers that the rationale for setting a range for a performance measure is likely to be quite detailed and as such, these explanations would be more suitable in departmental annual reports or websites. However, the Department of Treasury and Finance will consider reviewing guidance in the Model Report to help entities form a judgement on whether a performance measure requires an explanation with that level of detail.	Robust and reliable performance measures
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	27	The Department of Treasury and Finance change the Model Report to specify that, where a performance measure has a range for a target, any result falling outside that range constitutes a significant variation requiring explanation in annual reports.	DTF	Not support	Where a performance measure has a range for a target, an assessment as to whether a result falling outside of that range constitutes a significant variation would depend on the specific nature and the measurement scale against which the performance is being measured. For example, where performance is targeted within a range of 85-90 per cent, an actual performance 91 per cent (which falls outside the target range) would not be considered a significant variation that requires explanation. Accordingly, the Department of Treasury and Finance does not support the assessment that any performance result falling outside the target range constitutes a significant variation. However, the Department of Treasury and Finance will review the guidance in the Model Report to help entities form a judgement on whether a variance between actual and target performance constitutes a significant variation.	DTF's guidance

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	28	Where the Department of Education and Early Childhood Development bases results for performance measures on a survey result, the department report the mid-point of the range as the performance measure result, and disclose the confidence interval in the comments.	DEECD	Support	Where the Department of Education and Early Childhood Development bases results for performance measures on survey results, the Department will report the mid-point of the range as the performance measure result and disclose the confidence interval in the comments, where necessary and appropriate.	Reporting results
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	29	For all measures where results are extrapolated from a sample, departments report confidence limits for each result.	All	Not support	The Government is supportive of efforts to increase transparency of departmental performance. However, it is not necessarily practical to report confidence limits for all measures where results are extrapolated from a sample. Where relevant, alternate reporting methods, such as online information sets, could be used to provide greater evidence to support performance data (including confidence limits, where relevant) and enable greater transparency at low cost. The Department of Treasury and Finance will continue to work with departments to improve the quality of performance measurement.	Reporting results
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	30	Where departments have performance measures that are based on project milestones, they calculate results based on the original milestones for the project, and not milestones that have been subsequently altered to reflect changes.	All	Support in principle	The Government notes that there are instances where project milestones change due to unforeseen factors outside the control of a department, for example material changes to the scope of a project. In these instances it may be appropriate to include adjusted milestones in reporting. However, the Government supports including original milestones in reporting where they remain relevant and provide meaningful comparisons.	Robust and reliable performance measures Reporting results
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	31	Departments review quality performance measures that are solely based on compliance with legislation, to identify whether more challenging service levels might be set as targets.	All	Support	As part of ongoing improvement to output performance measures, the Department of Treasury and Finance will continue to work with departments to identify improvements to performance measures.	Meaningful and relevant performance measures
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	32	The Department of Treasury and Finance provide guidance in the Model Report to help departments determine whether a delay in a performance measure with a date as a target is significant or material.	DTF	Support in principle	The Department of Treasury and Finance will review, with a view to improving, the guidance in the Model Report to help entities form a judgement on whether a delay in a performance measure with a date as a target is significant or material.	DTF's guidance

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	33	Departments review their performance measures to determine whether providing results at the 50th and 90th percentiles would convey a more comprehensive understanding of departmental performance to stakeholders.	All	Support in principle	Performance measures are developed by departments in consultation with the Department of Treasury and Finance and taking into account national standards and agreements. Consideration of 50th and 90th percentile measurements will be undertaken as part of these deliberations and incorporated where appropriate.	Robust and reliable performance measures
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	34	Departments review those performance measures which solely indicate whether or not a task was performed and, where meaningful, replace them with measures of the timeliness or quality of the task's performance.	All	Support	In the 2012-13 Budget, departments have increased clarity of performance measures and reviewed performance targets. These changes included increasing the number of quality and timeliness measures. Part of the ongoing and periodic process of refinement to improve performance measures will be undertaken as part of the 2013-14 Budget.	Robust and reliable performance measures
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	35	The Department of Transport revise its performance measure 'Regional Rail Link' to more clearly define the measure.	DOT	Support	The Department of Transport has implemented this recommendation in the 2012-13 Budget, with the previous performance measure 'Regional Rail Link' renamed 'Progress of Regional Rail Link' in order to clearly define the measure.	Clear and precise performance measures
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	36	The Department of Justice ensure that the target for the 'Reduction in crimes against the person' performance measure be set with regard to past or expected future performance and Victoria Police's priorities.	DOJ	Support	The 'Reduction in crimes against the person' output measure was discontinued in 2012-13 and replaced with a measure that controls for population, that is, 'Reduction in crimes against the person (rate per 100 000 population)'. Victoria Police and the Department of Justice will closely monitor performance against all the policing services output measures as part of the annual reporting and review process.	Clear and precise performance measures
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	37	The Department of Business and Innovation develop new procedures to calculate expected outcomes and targets for performance measures.	DBI	Support	The Department of Business and Innovation undertook a review of its performance measures and associated data sets and business rules in the development of its revised 2012-13 performance measures. The revised data sets provide a more meaningful and rigorous overview of performance.	Expected outcomes Setting targets

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	38	The Department of Treasury and Finance ensure that it has systems in place to identify errors in the calculation of expected outcomes for performance measures.	DTF	Support	The Department of Treasury and Finance will continue to liaise with departments on performance measures and expected outcomes for all targets and ensure that they are appropriately validated.	Quality control processes Expected outcomes
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	39	The Department of Treasury and Finance ensure that it has systems in place to assess whether targets as suggested by departments are appropriately realistic and robust.	DTF	Support	The Department of Treasury and Finance will continue to liaise with departments on the robustness of performance measures and targets.	Quality control processes Setting targets
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	40	The Department of Treasury and Finance develop a new quality performance measure for itself that measures the accuracy of the expected outcomes published in the budget papers.	DTF	Not support	The Government does not support this recommendation as it would not provide meaningful information about the Department of Treasury and Finance's (DTF) performance. While DTF takes an active role in reviewing departmental performance measures, the establishment of individual departmental performance measures and expected outcomes is the responsibility of the relevant department and portfolio minister.	Quality control processes Expected outcomes
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	41	The Department of Treasury and Finance provide more guidance to departments on required standards of explanations for variances for performance measures.	DTF	Support in principle	The Department of Treasury and Finance (DTF) already issues formal information to departments covering the required standards of performance measure explanations. DTF will continue to request that standard footnotes are provided for all variances of year on year targets for performance measures, and any material variance between targets and expected outcomes.	DTF's guidance Reporting results
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	42	The Department of Treasury and Finance amend the Model Report to instruct departments to identify any figures reported as actual results in annual reports which are estimates.	DTF	Support in principle	Figures that are estimates of expected final results rather than actual final results should already be identified as such. The Department of Treasury and Finance will take steps to reinforce to departments, through the Model Report, that where 'actuals' are not available at the time of finalising their annual report, and an 'estimate' is used instead, that this fact be fully disclosed.	DTF's guidance Reporting results

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
109	Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	47	The Department of Business and Innovation develop a set of performance measures for Major Projects Victoria that measures the performance of projects assisted by the unit compared to original targets.	DBI	Support	Major Projects Victoria's projects are delivered in accordance with parameters of time, cost and quality agreed with client agencies under the terms of the governance arrangements of each project. The Victorian Auditor-General's Office has recently completed a performance audit of Major Projects Victoria that includes in its scope Major Projects Victoria's performance measures. The outcome of this audit may inform the development of a revised set of performance measures for Major Projects Victoria.	Clear and precise performance measures
111	Report on the 2012-13 Budget Estimates – Part One	2 ^(b)	The Department of Health develop new performance measures for: (a) Emergency Category 4 patients treated in less than or equal to 1 hour after arrival in the emergency department; and (b) Emergency Category 5 patients treated in less than or equal to 2 hours after arrival in the emergency department.	DOH	For further consideration	The Government intends to discuss further with PAEC these proposed additional emergency category 4 and 5 patients performance measures in light of the matters set out in this response. The Department of Health annually reviews performance measures and supports the addition of new measures to promote transparency and accountability. The National Performance Agreements Hospital and Health Workforce Reforms introduced a consolidated measure for time to treatment for emergency category 1 to 5 patients, considered to be an appropriate measure. Nevertheless, the Department will continue to monitor treatment times for emergency category 4 and 5 patients through the regular emergency care data provided by health services. Performance against these two measures is also part of public quarterly reporting undertaken by the Department.	Clear and precise performance measures Meaningful and relevant performance measures
111	Report on the 2012-13 Budget Estimates – Part One	3 ^(a)	The Department of Business and Innovation improve the quality of information provided when proposing to discontinue performance measures in future budget papers. In particular, where a measure is to be replaced by a new measure, the budget papers should specify: (a) which new measure is replacing the discontinued one; and (b) how the new measure provides a stronger basis for the evaluation of performance in specific service delivery.	DBI	Support	This recommendation is supported in cases where a discontinued measure can be linked to a new measure. In future budget papers, where an existing measure is to be replaced by a new measure, the Department of Business and Innovation will report which new measure is replacing the discontinued one and the rationale for the replacement.	

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
111	Report on the 2012-13 Budget Estimates – Part One	4	The Department of Business and Innovation develop a number of new measures in time for the 2013-14 Budget. There should be sufficient new measures to ensure that all major areas of activity are reported on adequately. The new measures should also include quality measures for all major activities where possible.	DBI	Support	The Department of Business and Innovation is reviewing all of its performance measures in its Investment Attraction, Facilitation and Major Projects Output for 2013-14. It will also investigate the most appropriate ways to measure the quality of its outputs.	Meaningful and relevant performance measures
111	Report on the 2012-13 Budget Estimates – Part One	5	The Department of Treasury and Finance evaluate its processes for reviewing performance measures that are proposed to be discontinued. This review should ensure that the Department can adequately fulfil its responsibilities for: (a) quality assurance of the budget papers; and (b) ensuring the robustness of outputs and performance measures.	DTF	Support	<p>The Department of Treasury and Finance (DTF) takes an active role in reviewing performance measures and providing feedback to departments. However, DTF notes that departments and their ministers are not obliged to accept DTF's feedback, as the established practice is for portfolio ministers to approve their department's output structure.</p> <p>The Government has invested significant effort to enhance performance measure information provided in budget papers, including expanding the information reported to include proposed discontinued measures, which can be found in Appendix A, Budget Paper No.3 Service Delivery. Over the past two years, DTF has worked closely with all departments providing advice on options to enhance the quality of performance measures and information relating to proposed changes to performance measures. This engagement included consultation with departments about providing robust explanations where performance measures were proposed to be discontinued. The Government will continue this as an annual practice.</p> <p>DTF is augmenting this incremental and ongoing refinement of performance measures with periodic and more substantive review of performance measures as part of the Base Review program.</p> <p>DTF also conducts regular reviews of budget paper preparation processes and will continue to look for opportunities to improve the way it conducts consistency and quality checks of input to the budget papers. This includes looking for opportunities to engage with PAEC earlier in the process.</p>	Quality control processes

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
111	Report on the 2012-13 Budget Estimates – Part Two	24	The Department of Treasury and Finance update Budget and Financial Management Guidance–08 so that it consistently advises that objectives should indicate the intended outcomes of outputs and does not advise that objectives should detail 'what is being delivered, to whom, to what standard and by when'.	DTF	Support	Budget and Financial Management Guidance 08 indicates that departmental objectives are to be results-based and sets out specific elements that constitute better practice definitions of objectives. DTF agrees that 'what is being delivered, to whom, to what standard and by when may possibly be taken out of context and will therefore review the relevant BFMG to ensure that the guidance provided is internally consistent and will not mislead readers.	DTF's guidance Objectives
111	Report on the 2012-13 Budget Estimates – Part Two	25	The Department of Treasury and Finance ensure that future departmental performance statements include objective performance indicators.	DTF	Support	As part of the Budget and Financial Management Guidance-08 'Departmental objective indicators must demonstrate the contribution of departmental outputs to the achievement of the objective through performance data.' DTF will continue to work with departments to include departmental objective indicators in the 2013-14 budget papers.	Quality control processes Objective indicators
111	Report on the 2012-13 Budget Estimates – Part Two	26	The Department of Treasury and Finance ensure that output descriptions in future budget papers meet the requirements set out in Budget and Financial Management Guidance-09 for output specifications.	DTF	Support	DTF will continue to work with departments to describe outputs, including the link between outputs and departmental objectives, in future budget papers in order to provide a more complete picture of the goods and services being delivered.	Quality control processes (Outputs)
111	Report on the 2012-13 Budget Estimates – Part Two	27	The Department of Treasury and Finance require departments to publish supporting information for budget paper performance measures which explains the basis for the measures. In determining what information should be required, the Department of Treasury and Finance consider the United Kingdom's measurement annex as a model.	DTF	Under review	During 2013, DTF will review and consider expanding existing reporting requirements to include supporting information that explains the basis of the measures as well as the most appropriate format for how this information should be delivered.	Clear and precise performance measures

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
111	Report on the 2012-13 Budget Estimates – Part Two	28	The Department of Treasury and Finance ensure that all outputs have performance measures that reflect the full scope of the output's activities, including all major programs, outputs and asset initiatives funded within the output.	DTF	Support in principle	DTF will continue to work with departments to ensure that performance measures capture the impact of an output's major activities for any outputs where this impact is not sufficiently captured by existing measures and targets. However, the Government notes it will be impractical to have measures that capture the impact of every activity undertaken by departments.	Quality control processes Meaningful and relevant performance measures
111	Report on the 2012-13 Budget Estimates – Part Two	29	The Department of Treasury and Finance ensure that all outputs have performance targets that reflect the impact of changes to funding.	DTF	Support	Where appropriate, performance targets are adjusted to reflect the impact of changes to funding. It is important to note that not all changes to funding have an impact on service delivery, for example when related to efficiency improvements, and therefore performance measures will not always require adjustment. As part of the budget process DTF will continue to work with departments to ensure funding impacts are appropriately reflected in changes to performance measures or their targets.	Quality control processes Meaningful and relevant performance measures
111	Report on the 2012-13 Budget Estimates – Part Two	30	The Department of Treasury and Finance establish a central access point for all documents and resources related to performance management.	DTF	Support in principle	DTF will continue to review access to guidance material and resources related to performance management to facilitate easy access by departments. DTF considers that some of the documents listed by PAEC in Appendix A5.4 may not be appropriate for inclusion in a central access point as these documents have a distinct purpose and do not provide guidance on performance management. Such documents include DTF Information Requests, budget submission templates, draft full business cases and the Asset Management Principles.	DTF's guidance
111	Report on the 2012-13 Budget Estimates – Part Two	31	The Department of Treasury and Finance publish the Performance Management Framework on its website.	DTF	Support	The Government supports this recommendation.	DTF's guidance
111	Report on the 2012-13 Budget Estimates – Part Two	32	The Department of Treasury and Finance implement independent validation of performance measures and targets.	DTF	Not support	The Auditor-General may conduct any audit he considers necessary to determine whether an authority is achieving its objectives effectively and efficiently and in compliance with all acts. Consequently, the Victorian Auditor-General's Office is empowered to provide independent validation of information reported by departments, including performance measures and targets (refer to the Victorian Auditor-General's Office report Performance Reporting by Departments, May 2010). This work includes performance audits, which evaluate whether an organisation is achieving its objectives effectively, and in compliance with relevant legislation.	Quality control processes

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
111	Report on the 2012-13 Budget Estimates – Part Two	33	The Department of Treasury and Finance implement a system for having departments' performance information systems independently validated.	DTF	Not support	The Auditor-General may conduct any audit he considers necessary to determine whether an authority is achieving its objectives effectively and efficiently and in compliance with all acts. Consequently, the Victorian Auditor-General's Office is empowered to provide independent validation of information reported by departments, including performance measures and targets (refer to the Victorian Auditor-General's Office report Performance Reporting by Departments, May 2010). This work includes performance audits, which evaluate whether an organisation is achieving its objectives effectively, and in compliance with relevant legislation.	Quality control processes
111	Report on the 2012-13 Budget Estimates – Part Two	34	The Auditor-General undertake regular audits of departments' performance information systems. These audits should ensure that the systems provide accurate and consistent data for reporting on performance measures.	VAGO	Support	My office (VAGO) accepts these recommendations. We will consult with you further on these issues as part of the development of the Annual Plan 2013-14.	Quality control processes
115	Report on the 2011-12 Financial and Performance Outcomes	7	The Government clarify who is ultimately responsible for performance measures, targets and the expected outcomes published in the budget papers.	DTF	Support	Performance measures (including targets and expected outcomes) are approved by responsible Ministers. The Minister for Finance is responsible for the review and publication of performance measures, targets and expected outcomes in the budget papers.	Quality control processes
115	Report on the 2011-12 Financial and Performance Outcomes	8	The Department of Treasury and Finance ensure that its guidance is clear, consistent and unambiguous regarding who is ultimately responsible for performance measures, targets and the expected outcomes published in the budget papers.	DTF	Support	See response to recommendation 7. The Department of Treasury and Finance will continue to review and seek to improve the quality of its guidance material to ensure responsibilities are clear.	DTF's guidance

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
116	Report on the 2013-14 Budget Estimates – Part Two	20	The Department of Treasury and Finance, through its guidance materials, require changes to departmental objectives made in the budget papers to be supported by text that provides the rationale for the change and indicates any impacts on departmental service delivery.	DTF	N/A	N/A	DTF's guidance Objectives
116	Report on the 2013-14 Budget Estimates – Part Two	21	The Department of Health incorporate its focus areas into its list of objectives in the 2014-15 budget papers, increasing its number of objectives from three.	DOH	N/A	N/A	Objectives
116	Report on the 2013-14 Budget Estimates – Part Two	22	The Department of Treasury and Finance work with departments to ensure that all objective indicators included in the budget papers clearly identify and measure impacts on the community rather than outputs or processes.	DTF	N/A	N/A	Quality control processes Objective indicators
116	Report on the 2013-14 Budget Estimates – Part Two	23	Departments in future budget papers ensure that all objective indicators are clearly quantifiable or measurable.	All	N/A	N/A	Objective indicators
116	Report on the 2013-14 Budget Estimates – Part Two	24	Future budget papers and annual reports include at least five years' past performance data for each objective indicator, where possible.	All	N/A	N/A	Objective indicators

Report No.	Report	Rec. No.	Recommendation	Responsible department	Response	Government response	Relevant area of this report ^(c)
116	Report on the 2013-14 Budget Estimates – Part Two	25	The Department of Treasury and Finance update the Model Report for Victorian Government Departments to require departments to report on their actual results for all objective indicators stated in the budget papers. The model report should also include a recommended format for presenting this information.	DTF	N/A	N/A	DTF's guidance Objectives indicators
116	Report on the 2013-14 Budget Estimates – Part Two	26	The Department of Environment and Primary Industries [DEPI] provide descriptions for all its outputs in future budget papers.	DEPI	N/A	N/A	(Outputs)
116	Report on the 2013-14 Budget Estimates – Part Two	27	The Department of Treasury and Finance assist departments to review their output titles to ensure they are clear.	DTF	N/A	N/A	Quality control processes Outputs
116	Report on the 2013-14 Budget Estimates – Part Two	28	The Department of Treasury and Finance work with departments to ensure that they follow the guidance requiring them to have performance measures reflecting all major initiatives released in future budgets.	DTF	N/A	N/A	Meaningful and relevant performance measures Quality control processes
116	Report on the 2013-14 Budget Estimates – Part Two	30	The Department of Treasury and Finance continue to review its quality assurance processes to ensure clarity in the relationship between new and discontinued performance measures.	DTF	N/A	N/A	Quality control processes

(a) These recommendations are not specifically discussed in the report.

(b) This recommendation has been rescinded by the Committee after further discussion with the Government

(c) () = Relevant areas in parentheses indicate categorisations resulting from Government response rather than recommendation.

Responses from the Report on the 2013-14 Budget Estimates – Part Two are due on April 2014 (N/A)

Source: Public Accounts and Estimates Committee

APPENDICES TO CHAPTER 3

DEPARTMENTAL OBJECTIVES AND DEPARTMENTAL OBJECTIVE INDICATORS

Appendix A3.1 Departmental objectives for consideration by departments

Department	Departmental objective	Committee comment
Education and Early Childhood Development (DEECD)	Engagement – Increase the number of Victorians actively participating in education, development and child health services.	The objective (as well as its indicators) is centred on enrolment numbers in various courses. This requires the assumption that enrolments in courses result in benefits to the community. The objective would be more outcomes-focused if it measured these benefits, rather than enrolment numbers.
	Productivity – Increase the economic and social return on expenditure on DEECD's services.	The objective refers to 'economic and social return', but the indicators are centred on enrolment numbers which are output-based. Indicators which directly measure the economic and social return would provide a clearer picture of departmental achievements.
Health	Improve the quality, effectiveness and efficiency of healthcare services for Victorians.	If efficiency, in this context, relates to cost of services delivered, this is not an impact on the community.
	Increase the financial sustainability and productivity of the health system.	Although this objective implies a public good, and may appear an appropriate objective for the Department, it does not note the impact on the community. The Department should consider whether the impact on the community could be more clearly articulated. In this case, the objective as stated will have a series of results, for example: shorter hospital stays per patient; lower morbidity in the community; or lower costs per patient. Consideration of these results might lead to a more appropriate set of objectives for the Department.
Justice	Improving the efficiency of court processes.	Although this objective implies a public good, and may appear an appropriate objective for the Department, it does not note the impact on the community. The Department should consider whether the impact on the community could be more clearly articulated. In this case, the objective as stated will have a series of results, for example: shorter waiting times for trials, which benefit both victims and accused; or lower costs per case. Consideration of these results might lead to a more appropriate set of objectives for the Department.
State Development, Business and Innovation	Promote Victoria to attract tourists, investors and students.	While the objective includes a service provided which is a step towards a community benefit, the objective is not centred on that final outcome in the community. The indicators report visitor, investor and student numbers, which demonstrate the effectiveness of the promotion, but not the achievement of a community outcome. Identification of the intended outcomes and indicators to measure this would increase the outcomes focus.

Department	Departmental objective	Committee comment
Transport, Planning and Local Infrastructure	Higher-quality transport services.	Two of the indicators ('public transport patronage' and 'public transport customer satisfaction') for this objective report effects on the community. Other indicators ('public transport services delivered on time' and 'scheduled public transport services delivered') are focused on the provision of services and not their effects on the community.
	Leadership, advocacy and advice on the quality of architecture and the built environment.	The objective is not outcomes-based in its expression. The indicator for the objective ('the quality of the built environment has significant cultural and public value contributing to an enriched sense of place for all Victorians'), however, refers to a community benefit which may mean the objective has an outcomes-based aspect. The Department should consider clarifying the objective description.
	Plan for the future growth and transformation of cities and regions.	The objective is currently centred on departmental activity rather than the achievement of community benefits. While one indicator ('number and type of reforms implemented to increase the efficiency of Victoria's planning, building and heritage system'), suggests a cost saving in running the State's planning system, another indicator ('level of satisfaction of key stakeholders with State Planning Strategies'), refers to benefits to key stakeholders. The Department should identify the stakeholders in order to establish the effect of the Department's activity on the community.
Treasury and Finance	Deliver efficient whole of government common services to the Victorian public sector.	The objective is not focused on the effects on the wider community. Its indicators relate to productivity and efficiency of government services rather than the benefits of this to the wider community.

Note: In some cases, objectives have been included in the budget papers with additional descriptive text. This commentary has been taken into account by the Committee, although it is not represented in this appendix.

Source: Public Accounts and Estimates Committee

Appendix A3.2 Departmental objectives where the indicators require further refinement

Department	Departmental objective	Departmental objective indicators	Committee comment
Education and Early Childhood Development	Productivity – Increase the economic and social return on expenditure on DEECD's services.	Enrolments by skills shortage category courses.	Enrolments do not necessarily translate into productivity. An indicator such as 'productive employment in chosen field after one year' may assist.
		Enrolments by specialised category courses.	
Human Services	Capabilities and participation With its partners, the Department works with families, individuals, young people and communities to improve their lives through building capabilities and resilience, supporting participation in work, education and the community.	People with a disability who participate in social and community activities.	An indication of work status of relevant people would provide a more complete coverage of the goals in the objective.
		Attendance of young people in detention in accredited education or training.	
		Children in out-of-home care meeting literacy and numeracy benchmarks.	
	Quality of life With its partners, the Department provides services to support people in need to enjoy a positive life.	New housing allocations to those in greatest need.	This objective might be assisted by an indicator addressing quality of life, such as through a satisfaction index.
		Efficient management of housing stock (including occupancy rate and turnaround time).	
		Disability clients receiving individualised support to live in the community.	
	Immediate Support With its partners, the Department supports people in crisis, and helps individuals and families get their lives back on track.	Stability of out-of-home care placements.	This objective might be assisted by an indicator related to timeliness - the need for which is implied by the word 'crisis'.
		Improved safety of children reported to child protection.	
		Achievement of independent and sustainable housing on exit from homelessness services.	
State Development, Business and Innovation	Support organisations to boost their productivity through innovation.	Collaborations assisted.	The difficulty in measuring productivity gains in a consistent manner for reporting purposes is recognised. The Department could consider, however, when drawing on its experiences in contributing to the enhanced innovation, whether such contributions could be more clearly articulated.

Source: Public Accounts and Estimates Committee

APPENDICES TO CHAPTER 4

THE CLARITY AND QUALITY OF PERFORMANCE MEASURES

Appendix A4.1 Measures for review by the Department of Education and Early Childhood Development

Output	Performance measure	Reason for review	See section
Strategy, Review and Regulation	Stakeholder satisfaction with the Victorian Registration and Qualifications Authority and its services	Is how it is measured clear? (Who counts as a stakeholder?)	4.2.2
School Education – Primary	Average Prep–Year 2 class size	Would the 50 th and 90 th percentiles provide more robust data?	4.4.3
School Education – Secondary	Percentage of school leavers completing a VCE [Victorian Certificate of Education] VET [vocational education and training] certificate program in a school progressing to further education, training or work	Is how it is measured clear? (How long after completing the program is progress assessed?)	4.2.2
	Percentage of school leavers completing an Intermediate or Senior Victorian Certificate of Applied Learning Certificate in a school progressing to further education, training or work	Is how it is measured clear? (How long after completing the program is progress assessed?)	4.2.2
	Median VCE study score	Would the 10 th , 50 th and 90 th percentiles provide more robust data?	4.4.3
Higher Education and Skills	Successful training completions as measured by module load completion rate	Can the technical term be explained? (What is a ‘module load completion rate’?)	4.2.3

Appendix A4.2 Measures for review by the Department of Environment and Primary Industries

Output	Performance measure	Reason for review	See section
Effective Water Management and Supply	Water information products delivered for greater accountability in sustainable water resource management	Is what is measured clear? (What constitutes a ‘product’?)	4.2.1
		Is this a high-priority activity?	4.3.1
	Statutory obligations of Water Corporations complied with, including annual reports and audits, corporate plans, and exercises under the <i>Terrorism (Community Protection) Act 2003</i>	Could a more challenging standard be used?	4.3.4
Public Land	Number of activities undertaken by Coastcare Victoria participants	Is what is measured clear? (What constitutes an ‘activity’?)	4.2.1
Environmental Programs	Corporate plans submitted by Catchment Management Authorities are aligned with Ministerial guidelines and template, and meet the requirement of relevant Acts	Could a more challenging standard be used?	4.3.4

Output	Performance measure	Reason for review	See section
Environmental Programs	Catchment Management Authority corporate plans submitted to the Minister by the prescribed date	Could a more challenging standard be used?	4.3.4
Statutory Activities and Environment Protection	When a pollution incident is reported to EPA and follow-up contact is requested, the reporter receives this within three working days.	Is this a high-priority activity?	4.3.1
Environmental Policy	Completion of annual reporting and board appointment processes in accordance with legislation	Could a more challenging standard be used?	4.3.4
	Departmental Stakeholder satisfaction with completed policy projects	Is how it is measured clear? (Who counts as a stakeholder?)	4.2.2
	Departmental Stakeholder satisfaction with technical economic analysis, advice and support	Is how it is measured clear? (Who counts as a stakeholder?)	4.2.2
Land and Fire Management	State forests bridges (on Category 1 roads) with documented inspections to meet regulatory obligations	Could a more challenging standard be used?	4.3.4
	State forests roads (Category 1) with documented inspection and maintenance programs to meet regulatory obligations	Could a more challenging standard be used?	4.3.4
Development of Primary Industries	Complete total allowable commercial catch setting processes for key quota managed fish species	Can plainer English be used?	4.2.3
	Complete stock assessment for key quota managed fish species	Can plainer English be used?	4.2.3
	Compliance with relevant industry standards for animal welfare	Is what is measured clear? (It is not clear from the title of the measure that this counts the number of audits conducted.)	4.2.1
	Compliance with relevant international and national quality assurance standards by meeting certification authorities required performance audits on biosecurity programs	Could a more challenging standard be used?	4.3.4
	Develop, implement and review overarching fisheries compliance strategy	Could this be replaced by a measure of timeliness or quality?	4.4.3
	Game licence applications, renewals and amendments processed within 15 business days of receipt	Is this a high-priority activity?	4.3.1
	New key enabling technologies and core science capacity competencies established/upgraded by DEPI [Department of Environment and Primary Industries]	Is what is measured clear? (How are 'competencies' quantified?)	4.2.2
		Is this a high-priority activity?	4.3.1
	Participation in agreed national biosecurity, agriculture/veterinary chemical use and animal welfare programs	Could a more challenging standard be used?	4.3.4
	Significant customer interactions to facilitate export outcomes	Is what is measured clear? (What constitutes an 'interaction'?)	4.2.1

Output	Performance measure	Reason for review	See section
Development of Primary Industries	Significant stakeholder interactions on climate variability, adaptation and risk management	Is what is measured clear? (What constitutes an 'interaction'?)	4.2.1
	Strategies developed to overcome identified trade barriers	Is what is measured clear? (What constitutes a 'strategy'?)	4.2.1
	Response time to emergency animal pest, disease, residue and disaster incidents	Is what is measured clear? (What is meant by 'response'?)	4.2.1
	Response time to emergency plant pest, disease, residue and disaster incidents	Is what is measured clear? (What is meant by 'response'?)	4.2.1

Appendix A4.3 Measures for review by the Department of Health

Output	Performance measure	Reason for review	See section
Admitted Services	Total separations – all hospitals	Can plainer English be used? ('Separations' is not plain English.)	4.2.3
	Weighted Inlier Equivalent Separations (WIES) – all hospitals except small rural health services	Can the technical term be explained? ('Weighted Inlier Equivalent Separations' is not plain English.)	4.2.3
	WIES funded separations – all hospitals except small rural health services	Can the technical term be explained? ('Weighted Inlier Equivalent Separations' is not plain English.)	4.2.3
	WIES funded emergency separations – all hospitals	Can the technical term be explained? ('Weighted Inlier Equivalent Separations' is not plain English.)	4.2.3
Non-admitted Services	Completed post-acute episodes	Can plainer English be used?	4.2.3
Emergency Services	Number of occasions on Hospital Early Warning System (HEWS)	Can the technical term be explained? (It is not obvious what being on HEWS indicates.)	4.2.3
	Operating time on HEWS	Can the technical term be explained? (It is not obvious what being on HEWS indicates.)	4.2.3
Clinical Care	Clinical inpatient separations	Can the technical term be explained? ('Separations' is not plain English.)	4.2.3
	New case index	Is what is measured clear?	4.2.1
	New client index	Is what is measured clear?	4.2.1
	Post-discharge community care	Is what is measured clear? (The target is a percentage, but it is not clear what it is a percentage of.)	4.2.1
	Pre-admission community care	Is what is measured clear? (The target is a percentage, but it is not clear what it is a percentage of.)	4.2.1
Residential Aged Care	Standard Equivalent Value Units	Can the technical term be explained?	4.2.3
HACC [Home and Community Care] Primary Health, Community Care and Support	Standard Equivalent Value Units	Can the technical term be explained?	4.2.3

Output	Performance measure	Reason for review	See section
HACC Primary Health, Community Care and Support	Eligible population receiving Home and Community Care services	Is how it is measured clear? (How is 'eligible' determined?)	4.2.2
Community Health Care	Standard Equivalent Value Units	Can the technical term be explained?	4.2.3
Dental Services	Standard Equivalent Value Units	Can the technical term be explained?	4.2.3
	Waiting time for dentures	Is how it is measured clear? (Is this the average waiting time?)	4.2.2
		Would the 50 th and 90 th percentiles provide more robust data?	4.4.3
	Waiting time for restorative dental care	Is how it is measured clear? (Is this the average waiting time?)	4.2.2
		Would the 50 th and 90 th percentiles provide more robust data?	4.4.3
Small Rural Services – Acute Health	Separations	Can plainer English be used? ('Separations' is not plain English.)	4.2.3
	Standard Equivalent Value Units	Can the technical term be explained?	4.2.3
	Weighted Inlier Equivalent Separations (WIES)	Can the technical term be explained?	4.2.3
Small Rural Services – Aged Care	Standard Equivalent Value Units	Can the technical term be explained?	4.2.3
Small Rural Services – Home and Community Care Services	Standard Equivalent Value (SEV) Units	Can the technical term be explained?	4.2.3
Small Rural Services – Primary Health	Standard Equivalent Value Units	Can the technical term be explained?	4.2.3
Health Protection	Target population screened within specified timeframe for breast cancer	Is how it is measured clear? (What is the specified timeframe and who has specified it?)	4.2.2
	Target population screened within specified timeframe for cervical cancer	Is how it is measured clear? (What is the specified timeframe and who has specified it?)	4.2.2
Drug Prevention and Control	Contacts through Family Drug Help	Is how it is measured clear? (What constitutes a 'contact'?)	4.2.2
Drug Treatment and Rehabilitation	Trained Alcohol and drug workers	Is what is measured clear? (The target is a percentage, but it is not clear what it is a percentage of.)	4.2.1
	Average working days between screening of client and commencement of community-based drug treatment	Would the 50 th and 90 th percentiles provide more robust data?	4.4.3
	Average working days between screening of client and commencement of residential-based drug treatment	Would the 50 th and 90 th percentiles provide more robust data?	4.4.3

Appendix A4.4 Measures for review by the Department of Human Services

Output	Performance measure	Reason for review	See section
Disability Services	Support plans reviewed at least once during each period of three years commencing from when the support plan was first prepared (accommodation supports)	Could a more challenging standard be used?	4.3.4
	Support plans reviewed at least once during each period of three years commencing from when the support plan was first prepared (individualised supports)	Could a more challenging standard be used?	4.3.4
	Applications for aids and equipment acknowledged in writing within 10 working days	Is this a high-priority activity?	4.3.1
Child Protection and Family Services	Number of Child FIRST assessments and interventions	Can the technical term be explained? (What is a 'Child FIRST assessment'?)	4.2.3
Youth Justice Custodial Services	Average daily custodial centre utilisation rate: males (15 years plus)	Would the 50 th and 90 th percentiles provide more robust data?	4.4.3
	Average daily custodial centre utilisation rate: males (under 15 years) and female	Would the 50 th and 90 th percentiles provide more robust data?	4.4.3
Housing Assistance	Average waiting time for public rental housing for clients who have received early housing allocation	Can the technical term be explained? (What is 'early housing allocation'?)	4.2.3
		Would the 50 th and 90 th percentiles provide more robust data?	4.4.3
Office for Disability	Client satisfaction with advice provided	Is how it is measured clear? (The history of achieving 100 per cent each year suggests that this may be measured differently to most client satisfaction measures.)	4.2.2
	Office for Disability projects delivered within agreed timeframes	Are original milestones used?	4.4.3
Office of Women's Affairs	Office of Women's Affairs projects delivered within agreed timeframes	Are original milestones used?	4.4.3
Youth Affairs	Percentage of programs delivered within agreed timeframes	Are original milestones used?	4.4.3

Appendix A4.5 Measures for review by the Department of Justice

Output	Performance measure	Reason for review	See section
Policing Services	Proportion of crimes against the person resolved within 30 days	Is how it is measured clear? (What counts as 'resolved'?)	4.2.2
	Proportion of property crime resolved within 30 days	Is how it is measured clear? (What counts as 'resolved'?)	4.2.2
Infringement and Orders Management	Prosecutable images	Can the technical term be explained? (What makes an image 'prosecutable'?)	4.2.3
	Assets converted within 90 day conversion cycle	Can plainer English be used? (What does 'conversion' mean in this context?)	4.2.3

Output	Performance measure	Reason for review	See section
Enhancing Community Safety	Issuing of Working with Children Check assessments in accordance with the <i>Working with Children Act 2005</i>	Could a more challenging standard be used?	4.3.4
Court Services	Quality of court registry services in Supreme Court	Is how it is measured clear? (By what instrument is this measured, what services are measured and whose opinion is measured?)	4.2.2
	Quality of court registry services in County Court	Is how it is measured clear? (By what instrument is this measured, what services are measured and whose opinion is measured?)	4.2.2
	Quality of court registry services in Magistrates' Court	Is how it is measured clear? (By what instrument is this measured, what services are measured and whose opinion is measured?)	4.2.2
	All timeliness measures in this output	Is how it is measured clear? (All timeliness measures in this output refer to 'agreed timeframes'. What are these timeframes and who agreed to them?)	4.2.2
Access to Justice and Support Services	Stakeholder satisfaction with law reform projects, briefings and consultations (Legal Policy)	Is how it is measured clear? (Who counts as a stakeholder?)	4.2.2
	Stakeholder satisfaction with consultation/education processes (VLRC [Victorian Law Reform Commission])	Is how it is measured clear? (Who counts as a stakeholder?)	4.2.2
	Victorian Institute of Forensic Medicine quality audit (VIFM)	Is what is measured clear? (The target is a percentage, but it is not clear what it is a percentage of.)	4.2.1
Protecting Community Rights	Timely provision of Births, Deaths and Marriages certificates	Is how it is measured clear? (How is 'timely' defined?)	4.2.2
	VEOHRC [Victorian Equal Opportunity and Human Rights Commission] Complaints finalised within agreed timeframe	Is how it is measured clear? (What is the 'agreed timeframe' and who agreed to it?)	4.2.2
Privacy Regulation	Compliance activities conducted	Is what is measured clear? (What counts as an 'activity'?)	4.2.1
	Privacy awareness activities conducted	Is what is measured clear? (What counts as an 'activity'?)	4.2.1
	Statutory or agreed timelines met	Is how it is measured clear? (What are the 'agreed timelines' and who agreed to them?)	4.2.2
State Electoral Roll and Elections	Challenges to VEC [Victorian Electoral Commission] conduct upheld in Court	Could a more challenging standard be used?	4.3.4
Prisoner Supervision and Support	Average daily prison utilisation rate of total prison capacity	Would the 50 th and 90 th percentiles provide more robust data?	4.4.3
Gambling and Liquor Regulation and Racing Industry Development	Liquor and gambling compliance activities (VCGLR [Victorian Commission for Gambling and Liquor Regulation])	Is what is measured clear? (What counts as an 'activity'?)	4.2.1

Output	Performance measure	Reason for review	See section
Gambling and Liquor Regulation and Racing Industry Development	Liquor and gambling licensing activities (VCGLR)	Is what is measured clear? (What counts as an 'activity'?)	4.2.1
	Liquor and gambling information and advice (VCGLR)	Is what is measured clear? (How are 'information and advice' quantified?)	4.2.1
Gambling and Liquor Regulation and Racing Industry Development	Racing industry development initiatives delivered	Is what is measured clear? (What counts as an 'initiative'?)	4.2.1
	Liquor and gambling information and advice responsiveness (VCGLR)	Is what is measured clear? (The target is a percentage, but it is not clear what it is a percentage of.)	4.2.1
Promoting and Protecting Consumer Interests	Information and advice provided to consumers and traders delivered by Consumer Affairs Victoria (CAV)	Is what is measured clear? (How are 'information and advice' quantified?)	4.2.1
	Services provided within agreed timeframes	Is how it is measured clear? (What are the 'agreed timeframes' and who agreed to them?)	4.2.2
Anti-Corruption and Public Sector Integrity	Corruption prevention initiatives delivered by IBAC [Independent Broad-based Anti-Corruption Commission]	Is what is measured clear? (What counts as an 'initiative'?)	4.2.1
Freedom of Information (FOI) Commissioner	Satisfaction with services performed (FOI Commissioner)	Is how it is measured clear? (Whose satisfaction is measured?)	4.2.2
	Statutory and other agreed timelines met (FOI Commissioner)	Is how it is measured clear? (What are the 'agreed timelines' and who agreed to them?)	4.2.2

Appendix A4.6 Measures for review by the Department of Premier and Cabinet

Output	Performance measure	Reason for review	See section
Strategic Advice and Government Support	Policy services timeliness rating	Is what is measured clear? (Who assesses the timeliness and on what criteria?)	4.2.1
Government-wide Leadership and implementation	Annual special events	Is what is measured clear? (What counts as a 'special event'?)	4.2.1
	Timely delivery of events, functions and international visit arrangements	Is how it is measured clear? (How is 'timely' defined?)	4.2.2
Access, Industry Development and Innovation	Public information rated 'informative' or 'very informative'	Is how it is measured clear? (Who rates the public information and how?)	4.2.2
	Arts Development applications processed for Ministerial consideration	Is how it is measured clear? (Is this the average time taken?)	4.2.2
	All other applications processed for Ministerial consideration	Is how it is measured clear? (Is this the average time taken?)	4.2.2
Cultural Infrastructure and Facilities	Infrastructure development projects	Is what is measured clear? (Does this measure projects underway or completed in the year? What projects are counted towards this measure?)	4.2.1
	Risk management projects	Is what is measured clear? (Does this measure projects underway or completed in the year?)	4.2.1
		Is this a high-priority activity?	4.3.1

Output	Performance measure	Reason for review	See section
Cultural Infrastructure and Facilities	Success measures of projects achieved	Is what is measured clear? (What is a 'success measure' and which projects are counted?)	4.2.1
	Performance and grant agreements completed within agreed timeframes	Are original milestones used?	4.4.3
Arts Portfolio Agencies	Agency service agreements in place	Is what is measured clear? (What agreements are referred to here?)	4.2.1
	Arts portfolio public body annual reports tabled in Parliament by the required statutory dates	Could a more challenging standard be used?	4.3.4
Multicultural Affairs and Citizenship	Cultural precinct enhancement grants paid in line with funding agreement milestones	Are original milestones used?	4.4.3
	Victorian community grants paid in line with funding agreement milestones	Are original milestones used?	4.4.3
	Event briefs completed within the required timeframe	Is this a high-priority activity?	4.3.1
Aboriginal Affairs	Award Ceremonies held: Victorian Indigenous Honour Roll	Could this be replaced by a measure of timeliness or quality?	4.4.3
	Client service contacts for members of the Stolen Generations with Connecting Home Limited	Is what is measured clear? (What counts as a 'contact'?)	4.2.1
	Client service contacts for members of the Stolen Generations with the Victorian Koori Family History Service	Is what is measured clear? (What counts as a 'contact'?)	4.2.1
	Participants who undertake governance training	Is what is measured clear? (Who are the 'participants'? What do they participate in?)	4.2.1
	Assessments completed by Office of Aboriginal Affairs Victoria (OAAV) within legislative timeframe: cultural heritage management plans	Could a more challenging standard be used?	4.3.4
Advice and Support to the Governor	Events and services arranged in response to requests by the Governor and the Premier	Could this be replaced by a measure of timeliness or quality?	4.4.3
	Contract milestones are met	Is what is measured clear? (What 'contracts' are being measured?)	4.2.1
		Are original milestones used?	4.4.3
	Timely arrangement of events and services	Is how it is measured clear? (How is 'timely' defined?)	4.2.2
State Services Authority	Recommendations arising from reviews of actions (Section 64) implemented by the public service	Can the technical term be explained? (What are 'reviews of actions (Section 64)'?)	4.2.3
		Could a more challenging standard be used?	4.3.4

Appendix A4.7 Measures for review by the Department of State Development, Business and Innovation

Output	Performance measure	Reason for review	See section
Innovation and Technology	Businesses provided with research and development assistance	Is what is measured clear? (What counts as 'assistance'?)	4.2.1
	Establishment or renewal of whole of Government ICT [information and communication technology] contracts	Could this be replaced by a measure of timeliness or quality?	4.4.3
Small Business Assistance	Number of business interactions with services provided by Business Victoria Online	Is what is measured clear? (What counts as a 'business interaction'?)	4.2.1
	Number of businesses engaged with the Department	Is what is measured clear? (What counts as being 'engaged'?)	4.2.1
Energy and Resources	Delivery of key milestones for the Powerline Bushfire Safety work program	Are original milestones used?	4.4.3
	Delivery of Advanced Metering Infrastructure program in line with planned project milestones	Are original milestones used?	4.4.3
	Technical Review Board to complete the review of stability reports for Latrobe Valley coal mines	Is what is measured clear? (The target is 'three'. It is not clear what there are expected to be three of.)	4.2.1
	Proportion of minerals and petroleum publications and packages requiring post-release correction or recall	Could a more challenging standard be used?	4.3.4
	Submissions to Environment Effects Statements (EES) for earth resource proposals completed according to EES panel timelines	Could a more challenging standard be used?	4.3.4
	Facilitate delivery of milestones for the feasibility stage of CarbonNet (Carbon Capture and Storage) project	Are original milestones used?	4.4.3

Appendix A4.8 Measures for review by the Department of Transport, Planning and Local Infrastructure

Output	Performance measure	Reason for review	See section
Transport Safety Regulation and Investigations	Road vehicle and driver regulation: vehicle and driver information requests processed	Is what is measured clear? (A note in the 2013-14 budget papers about the 2012-13 expected outcome indicates that this measure relates to requests by toll road operators and councils. ^(a) The performance measure itself does not make clear what these requests are or who is making them.)	4.2.1
	Transport and marine safety investigations: proportion of notified accidents with passenger fatalities and/or multiple serious passenger injuries investigated	Could a more challenging standard be used?	4.3.4

Output	Performance measure	Reason for review	See section
Transport Safety Regulation and Investigations	Transport safety regulation: audit of commercial maritime duty holders other than vessel owners and operators in accordance with risk-based audit plan	Is what is measured clear? (The target is a percentage, but it is not clear what it is a percentage of.)	4.2.1
	Transport safety regulation: audits conducted to identify gaps between currently deemed accredited bus operators systems and the <i>Bus Safety Act 2009 (Vic)</i> requirements	Is what is measured clear? (The target is a percentage, but it is not clear what it is a percentage of.)	4.2.1
	Transport safety regulation: commercial vessels surveyed	Is what is measured clear? (The target is a percentage, but it is not clear what it is a percentage of. This measure replaced the measure 'Commercial vessels requesting annual survey are surveyed' with a note in the budget papers indicating that it measures the same activity. ^(b) It is not clear from the performance measure that only vessels requesting surveys are being measured.)	4.2.1
	Transport safety regulation: compliance inspections of vessel operating and zoning rules in designated high-risk segments of Victorian waterways in accordance with risk-based audit plan	Is what is measured clear? (The target is a percentage, but it is not clear what it is a percentage of.)	4.2.1
	Transport safety regulation: recreational vessel inspections undertaken in accordance with risk-based audit plan	Is what is measured clear? (The target is a percentage, but it is not clear what it is a percentage of.)	4.2.1
	Road vehicle and driver regulation: average speed of calls answered in VicRoads call centres	Would the 50 th and 90 th percentiles provide more robust data?	4.4.3
	Road vehicle and driver regulation: customers served within 10 minutes in VicRoads Customer Service Centres	Would the 50 th and 90 th percentiles provide more robust data?	4.4.3
	Taxi and hire vehicle: calls to the Victorian Taxi Directorate call centre answered within 20 seconds	Would the 50 th and 90 th percentiles provide more robust data? Is this a high-priority activity?	4.4.3 4.3.1
	Transport and marine safety investigations: accidents/incidents assessed within two days of notification to determine need for detailed investigation	Could a more challenging standard be used?	4.3.4
	Transport and marine safety investigations: average time taken to complete investigations	Would the 50 th and 90 th percentiles provide more robust data?	4.4.3
	Transport safety regulation: applications for bus operators registrations processed on time	Could a more challenging standard be used?	4.3.4
	Transport safety regulation: applications for bus safety accreditation processed on time	Could a more challenging standard be used?	4.3.4

Output	Performance measure	Reason for review	See section
Transport Safety Regulation and Investigations	Transport safety regulation: applications for rail accreditation and variations to accreditation processed on time	Could a more challenging standard be used?	4.3.4
Transport Safety and Security Management	Audited Port Safety and Environment Management Plans compliant with the <i>Port Management Act</i>	Could a more challenging standard be used?	4.3.4
Transport Safety and Security Management	Proportion of reported marine pollution incidents that are reviewed against the Victorian State Marine Pollution Contingency Plan and gazetted directions for regional control authorities	Could a more challenging standard be used?	4.3.4
	Review of risk management plans of declared essential services and supervision of exercises to test the plans against the prescribed standards in the <i>Terrorism (Community Protection) Act 2003</i>	Could a more challenging standard be used?	4.3.4
	Road safety projects completed within agreed scope and standards	Is what is measured clear? (Who agreed to the scope and standards?)	4.2.1
		Are original scope and standards used?	4.4.3
	Portfolio input to government response to infrastructure security and/or emergency management reviews provided within the required timeframes	Could a more challenging standard be used?	4.3.4
	Road safety programmed works completed within agreed timeframes	Are original timeframes used?	4.4.3
Metropolitan Transport Services	Service punctuality for: metropolitan bus services	Is how it is measured clear? (What is counted as punctual?)	4.2.2
	Service punctuality for: metropolitan train services	Is how it is measured clear? (What is counted as punctual?)	4.2.2
	Service punctuality for: tram services	Is how it is measured clear? (What is counted as punctual?)	4.2.2
Regional Transport Services	Service punctuality for: regional bus services	Is how it is measured clear? (What is counted as punctual?)	4.2.2
	Service punctuality for: regional train services	Is how it is measured clear? (What is counted as punctual?)	4.2.2
Statewide Transport Services	Multi Purpose Taxi Program: applications assessed and completed within 14 days	Is this a high-priority activity?	4.3.1

Output	Performance measure	Reason for review	See section
Public Transport Network Improvements and Maintenance	Progress of Regional Rail Link	Is what is measured clear? (The Annual Report explains that this measures the cumulative expenditure compared to budget ^(c) but this is not clear from the performance measure itself.)	4.2.1
	Public transport network improvement: minor projects completed – bus	Is this a high-priority activity?	4.3.1
	Public transport network improvement: minor projects completed – train	Is this a high-priority activity?	4.3.1
	Public transport network improvement: minor projects completed – tram	Is this a high-priority activity?	4.3.1
	Tram – procurement of new rolling stock	Is how it is measured clear? (The target is a percentage, but it is not clear what it is a percentage of.)	4.2.2
	W-Class Trams fully restored	Is this a high-priority activity?	4.3.1
Public Transport Network Improvements and Maintenance	Public transport network improvement: performance against master project schedule	Is what is measured clear? (The target is a percentage, but it is not clear what it is a percentage of.)	4.2.1
		Are original milestones used?	4.4.3
	SmartBus: Yellow Orbital Stage 2 – Ringwood to Melbourne Airport: completion of on-road bus priority treatments	Can the technical term be explained? (What is an 'on-road bus priority treatment'?)	4.2.3
Road Network Improvements	Road projects completed within agreed scope and standards: metropolitan	Are original scope and standards used?	4.4.3
	Road projects completed within agreed scope and standards: regional	Are original scope and standards used?	4.4.3
	Transport access site treatments completed within agreed scope and standards in compliance with the <i>Disability Discrimination Act</i>	Are original scope and standards used?	4.4.3
	Programmed transport access works completed within agreed timeframes in compliance with the <i>Disability Discrimination Act</i>	Are original timeframes used?	4.4.3
	Programmed works completed within agreed timeframes: metropolitan	Are original timeframes used?	4.4.3
	Programmed works completed within agreed timeframes: regional	Are original timeframes used?	4.4.3
Road Asset Management	Annual road maintenance program completed within agreed timeframes: metropolitan	Are original timeframes used?	4.4.3
	Annual road maintenance program completed within agreed timeframes: regional	Are original timeframes used?	4.4.3
Ports and Freight Network Improvements and Maintenance	Road-based freight accessibility and reliability projects completed within specified scope and standards	Are original scope and standards used?	4.4.3
	Road-based freight accessibility and reliability projects completed within agreed timeframes	Are original timeframes used?	4.4.3

Output	Performance measure	Reason for review	See section
Planning, Building and Heritage	Report annually on analysis of supply, consumption and adequacy of residential and industrial land	Could this be replaced by a measure of timeliness or quality?	4.4.3
	Environmental effects statements, referrals and assessments completed in accordance with Ministerial Guidelines	Could a more challenging standard be used?	4.3.4
	Heritage certificates issued accurately	Could a more challenging standard be used?	4.3.4
	Average number of days to process a planning scheme amendment	Would the 50 th and 90 th percentiles provide more robust data?	4.4.3
	Average number of days to process a planning scheme authorisation	Would the 50 th and 90 th percentiles provide more robust data?	4.4.3
	Community Support Grants completed within agreed timeframes	Are original timeframes used?	4.4.3
Planning, Building and Heritage	Heritage permits issued within statutory timeframes	Could a more challenging standard be used?	4.3.4
Local Government	LGV's [Local Government Victoria's] legislative and regulatory change considers stakeholder feedback and consultation with local government	Could a more challenging standard be used? (Is consideration of feedback an appropriately challenging indicator of quality?)	4.3.4
		Is how it is measured clear? (How has the consideration of feedback been quantified?)	4.2.2
	LGV's policy and program development considers stakeholder feedback and consultation with local government	Could a more challenging standard be used? (Is consideration of feedback an appropriately challenging indicator of quality?)	4.3.4
		Is how it is measured clear? (How has the consideration of feedback been quantified?)	4.2.2
	Victoria Grants Commission allocations determined and consultation program completed within agreed timeframes	Are original milestones used?	4.4.3
Sport and Recreation	Major events facilitated with an event plan, budget, branding and promotional activities	Could a more challenging standard be used?	4.3.4
	Completion of post event reports and economic impact assessments of each event (where required) within agreed timeframes	Could a more challenging standard be used?	4.3.4

Sources:

- (a) Budget Paper No.3, 2013-14 *Service Delivery*, May 2013, p.244
- (b) Budget Paper No.3, 2012-13 *Service Delivery*, May 2012, p.281
- (c) Department of Transport, Planning and Local Infrastructure, *Annual Report 2012-13*, p.118

Appendix A4.9 Measures for review by the Department of Treasury and Finance

Output	Performance measure	Reason for review	See section
Financial and Resource Management Frameworks	Annual review of whole of government compliance framework	Could this be replaced by a measure of timeliness or quality?	4.4.3
	Review of major resource management policies	Could this be replaced by a measure of timeliness or quality?	4.4.3
	Material and adverse whole-of-government issues relating to financial management and governance (identified by Victorian Auditor-General's Office) rectified	Could a more challenging standard be used?	4.3.4
Budget and Financial Policy Advice	Victoria represented in major industrial relations cases and inquiries	Could a more challenging standard be used? (Is Victoria being represented an appropriately challenging indicator of quality?)	4.3.4
	Delivery of Output Evaluation and Base Review reports within agreed timeframes	Is what is measured clear? (Can the 'agreed timeframes' be specified?)	4.2.1
	Delivery of output performance and asset investment performance reports within agreed timeframes	Is what is measured clear? (Can the 'agreed timeframes' be specified?)	4.2.1
Economic and Financial Policy	Briefings on key Australian Bureau of Statistics economic data on day of release	Is this a high-priority activity?	4.3.1
	Long-term research projects managed on time	Is what is measured clear? (How is this quantified?)	4.2.1
		Are original milestones used?	4.4.3
	Meet financial reporting deadlines	Could a more challenging standard be used?	4.3.4
Financial Reporting	Auditor-General qualification relating to material weaknesses in financial reporting systems and processes for the State of Victoria Financial Report or Estimated Financial Statements	Could a more challenging standard be used?	4.3.4
	Estimates reporting – Budget and Budget Update	Could this be replaced by a measure of quality? (This measure counts the number of budgets and budget updates released in a year. Timeliness measures for the budgets and budget updates already exist. It is not clear what additional value quantifying the number of budgets and budget updates provides. A quality measure would be more informative.)	4.4.3
		Could a more challenging standard be used? (The Budget and Budget Update are required by the Financial Management Act.)	4.3.4

Output	Performance measure	Reason for review	See section
Financial Reporting	Financial Performance Reporting – Annual Financial Report, Mid-Year Financial Report and Quarterly Financial Reports	Could this be replaced by a measure of quality? (This measure counts the number of reports released in a year. Timeliness measures for the financial performance reports already exist. It is not clear what additional value quantifying the number of reports provides. A quality measure would be more informative.)	4.4.3
		Could a more challenging standard be used? (These reports are required by the Financial Management Act.)	4.3.4
GBE Performance Monitoring and Financial Risk Management	Manage the review process for the State's credit rating	Could this be replaced by a measure of timeliness or quality?	4.4.3
	Board appointments approved within agreed timelines	Is what is measured clear? (Who agreed to the timelines?)	4.2.1
		Could a more challenging standard be used?	4.3.4
Land and Infrastructure Investment Management	Provision of commercial and risk management advice on infrastructure and commercial projects (including projects identified as high value high risk) which facilitates sound investment and minimises risks	Is what is measured clear? (Is whether the advice facilitates sound investment and minimises risk measured? What counts as one instance of 'provision of advice'?)	4.2.1
		Is how it is measured clear? (The target is described as a 'weighted number', but this is not explained.)	4.2.2
Land and Infrastructure Investment Management	Capacity to develop and implement policies, procedures and training to govern and build capability to deliver infrastructure investment	Is what is measured clear? (How is capacity quantified as '41'?)	4.2.1
		Is how it is measured clear? (The target is described as a 'weighted number', but this is not explained.)	4.2.2
	Gateway reviews undertaken to minimise Government's exposure to project risks	Is how it is measured clear? (The target is described as a 'weighted number', but this is not explained.)	4.2.2
Economic Regulatory Services	Decisions upheld where subject to review, appeal or disallowance	Could a more challenging standard be used?	4.3.4
	Deadlines met for major milestones	Is what is measured clear? (What projects/programs are referred to? What milestones are referred to?)	4.2.1
		Are original milestones used?	4.4.3
Revenue Management Services to Government	Meet Cabinet and Parliamentary timelines	Could a more challenging standard be used?	4.3.4

Appendix A4.10 Measures for review by the Parliamentary Departments

Output	Performance measure	Reason for review	See section
Procedural Support, Documentation Preparation and Provision of Information for Council	Procedural References updated biannually	Can the technical term be explained? (What is a 'procedural reference'?)	4.2.3
		Could this be replaced by a measure of timeliness or quality?	4.4.3
	Bills and amendments processed accurately through all relevant stages and other business of the House conducted according to law, Standing and Sessional Orders	Could a more challenging standard be used?	4.3.4
Procedural Support, Documentation Preparation and Provision of Information for Assembly	Procedural References updated biannually	Can the technical term be explained? (What is a 'procedural reference'?)	4.2.3
		Could this be replaced by a measure of timeliness or quality?	4.4.3
	Bills and amendments processed accurately through all relevant stages in compliance with constitutional requirements and standing orders	Could a more challenging standard be used?	4.3.4
Provision of Information and Resources to Parliament	Monthly management reports to MPs and departments	Could a more challenging standard be used?	4.3.4
	Provide MPs with a functional electorate office	Is how it is measured clear? (The target is a percentage, but it is not clear what it is a percentage of.)	4.2.2
	Clear Audit opinion on Parliamentary Financial Statements (previous year)	Is this a high-priority activity?	4.3.1
		Could a more challenging standard be used?	4.3.4
	Payroll processing completed accurately and within agreed timeframes	Is this a high-priority activity? (Other government organisations do not include this within their performance measures.)	4.3.1
Reports tabled and papers published	Inquiries conducted and reports produced in compliance with procedural and legislative requirements	Could a more challenging standard be used?	4.3.4
	Reports tabled in compliance with procedural and legislative deadlines	Could a more challenging standard be used?	4.3.4

Appendix A4.11 Measures for review by the Victorian Auditor-General's Office

Output	Performance measure	Reason for review	See section
Parliamentary Reports and Services	Reports completed on time	Are original milestones used?	4.4.3
Audit Reports on Financial Statements	External/peer reviews finding no material departures from professional and regulatory standards	Could a more challenging standard be used?	4.3.4
	Management letters issued to agencies within established timeframes	Can the technical term be explained? (For the benefit of the community, indicate what a 'management letter' is.)	4.2.3

APPENDICES TO CHAPTER 5

SETTING TARGETS AND REPORTING RESULTS

Appendix A5.1 Performance measures where actual results have varied from the target by an average of more than 10 per cent over the last five years: Department of Education and Early Childhood Development

Measure name ^(a)	
Annual government-funded module enrolments	Number of school students enrolled in Victorian Certificate of Applied Learning
Enrolments in units of accredited vocational programs in schools as a proportion of total VCE [Victorian Certificate of Education] unit enrolments in schools	Number of school students participating in accredited vocational programs
Government-funded student contact hours of training and further education provided	Number of school students satisfactorily completing at least one Victorian Certificate of Applied Learning certificate
Maternal and child health clients with children aged 0 to 1 year receiving enhanced maternal and child health services	Number of school-based apprentices/trainees
Number of apprenticeships/trainees who qualify for the completion bonus	Percentage of Victorian Certificate of Applied Learning Certificates satisfactorily completed by school students
Number of Assistant Principals, aspiring leaders and leadership teams participating in leadership development programs	Statewide computer to student ratio: primary
Number of certificate enrolments in accredited vocational programs in schools	Statewide computer to student ratio: secondary

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget papers 2009-10 to 2013-14; departmental 2012-13 annual reports

Appendix A5.2 Performance measures where actual results have varied from the target by an average of more than 10 per cent over the last five years: Department of Environment and Primary Industries

Measure name ^(a)	
Applications for intellectual property protection	Postgraduate level/PhD students in training by DEPI
Crown land leases directly managed by the Department of Environment and Primary Industries [DEPI]	Rebates approved to households for improved water efficiency in the house and garden
Cumulative water savings (permanent reduction in irrigation distribution system delivery losses) realised through water recovery projects	Scientific and technical publications in international and/or peer review journals that promote productive, profitable and sustainable farming systems
Environmental condition research reports issued, improvement tools, guidelines, policies, systems and plans completed and issued	Significant customer interactions to facilitate export outcomes
International scientific workshops/conferences led/organised by DEPI to promote science leadership among peers	Total output cost: Land and Fire Management
Landcare members and community volunteers participating in Landcare activities	Total output cost: Statutory Activities and Environment Protection

Length of rivers where works have been undertaken to improve instream health	Value of external (non-state) funding contribution to research projects that support productive, profitable and sustainable farming systems
Native Vegetation Credit Trading Agreements (which produce potential offsets to clearing of native vegetation) signed through the BushBroker program	Visitors to Zoos Victoria at Melbourne, Werribee and Healesville
Personnel with accreditation in a fire role	

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget papers 2009-10 to 2013-14; departmental 2012-13 annual reports

Appendix A5.3 Performance measures where actual results have varied from the target by an average of more than 10 per cent over the last five years: Department of Health

Measure name ^(a)	
Average working days between screening of client and commencement of community-based drug treatment	Standard Equivalent Value Units: Small Rural Services – Acute Health
Average working days between screening of client and commencement of residential-based drug treatment	Sub-acute ambulatory care occasions of service
Better Health Channel visits	Successful courses of treatment (episodes of care): community-based drug treatment services
Calls to food safety hotlines	Time on hospital bypass
Commenced courses of treatment: community-based drug treatment services	Total FTE (early graduate) allied health positions in public system
Emergency patients admitted to a mental health bed within eight hours	Total output cost: Aged Care Assessment
Individuals provided with respite and support services	Total output cost: Public Health Development, Research and Support
Major trauma patients transferred to a major trauma service	Total output cost: Small Rural Services – Home and Community Care Services
Needles and syringes provided through the Needle and Syringe Program	Trained Alcohol and drug workers
Ratio of emergency to general courses of dental care	Weighted Inlier Equivalent Separations (WIES): Small Rural Services – Acute Health

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget papers 2009-10 to 2013-14; departmental 2012-13 annual reports

Appendix A5.4 Performance measures where actual results have varied from the target by an average of more than 10 per cent over the last five years: Department of Human Services

Measure name ^(a)	
Average waiting time for public rental housing for clients who have received early housing allocation	Number of women engaged with the Office of Women's Affairs through delivery of funded projects and targeted meetings as part of program delivery and policy development
Bond loans provided during year	Proportion of homelessness support episodes where an accommodation need was unable to be either provided or referred

Children and young people who were the subject of a substantiated report within 12 months of the closure of a previous substantiated report	Total number of family services cases provided
Children and young people who were the subject of an investigation which led to a decision not to substantiate, who were subsequently the subject of a substantiation within three months of case closure	Total output cost: Office of Women's Affairs

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget papers 2009-10 to 2013-14; departmental 2012-13 annual reports

Appendix A5.5 Performance measures where actual results have varied from the target by an average of more than 10 per cent over the last five years: Department of Justice

Measure name ^(a)	
Births, Deaths and Marriages registration transaction error rate	Total output cost: Gambling and Liquor Regulation and Racing Industry Development
Community education and consultation sessions conducted by Victorian Law Reform Commission (VLRC)	Total output cost: Infringement and Orders Management
Community education/training programs, services and events delivered by VEOHRC [Victorian Equal Opportunity and Human Rights Commission]	Total output cost: State Electoral Roll and Elections
Medico-legal death investigation reports issued within agreed period (VIFM)	Victims receiving a service from the Victims of Crime Helpline, Victims Assistance and Counselling Program and Victims Register
Number of Working with Children Checks processed	Warrants actioned

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget papers 2009-10 to 2013-14; departmental 2012-13 annual reports

Appendix A5.6 Performance measures where actual results have varied from the target by an average of more than 10 per cent over the last five years: Department of Premier and Cabinet

Measure name ^(a)	
Access: users/attendances at all agencies	International markets accessed
All other applications processed for Ministerial consideration	Jurisdictional complaints finalised, including general, Freedom of Information and Whistleblower complaints
Annual special events	Policy briefs prepared: Access, Industry Development and Innovation
Arts Development applications processed for Ministerial consideration	Proportion of complaint investigations reviewed at the request of complainants (by a fresh, senior investigator) where the original findings were found to be sound and well founded
Community engagement: members and friends of agencies	Public Records Office Victoria: digital records preserved
Community engagement: volunteer hours	Recommendations made in jurisdictional complaint investigations that are accepted by respondent agencies
Consultations with culturally and linguistically diverse (CALD) communities	Reports tabled in Parliament
Cultural Diversity Week events supported by the Victorian Multicultural Commission	Restoring community war memorial grants: projects approved

Diverse range of product, producers and cultural venues supported; project companies and artists funded	Total output cost: Ombudsman Services
Formal events and activities delivered across the public sector that promote values and employment principles; effective workforce planning and development; good governance in public sector entities; and effectiveness in public administration	Versions of Acts and Statutory Rules published electronically
Internal reviews of complaint investigations conducted at the request of the complainant	

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget papers 2009-10 to 2013-14; departmental 2012-13 annual reports

Appendix A5.7 Performance measures where actual results have varied from the target by an average of more than 10 per cent over the last five years: Department of State Development, Business and Innovation

Measure name ^(a)	
Additional employment from production supported by Film Victoria	New investment facilitated in regional Victoria
Audits completed at mineral and petroleum sites on specific high-risk issues	Number of business interactions with services provided by Business Victoria Online
Client satisfaction with Victorian Small Business Commissioner mediation service	Proportion of business disputes presented to the Small Business Commissioner successfully mediated
Exercise strategies for maintaining security of electricity and gas supply	Strategic policy briefings on energy matters to portfolio minister
Jobs derived from investment facilitated	Value of exports facilitated and imports replaced
Jobs derived from investment facilitated in regional Victoria	Value of film, television and digital media production supported by Film Victoria production
New investment facilitated	

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget papers 2009-10 to 2013-14; departmental 2012-13 annual reports

Appendix A5.8 Performance measures where actual results have varied from the target by an average of more than 10 per cent over the last five years: Department of Transport, Planning and Local Infrastructure

Measure name ^(a)	
Bridge strengthening and replacement projects completed: metropolitan	Pedestrian projects completed
Bus/tram route and other high occupancy vehicle improvements completed	Road safety programmed works completed within agreed timeframes
Congestion projects completed	Road safety projects/initiatives completed: safe road users
Events facilitated: Sport and recreation	Road vehicle and driver regulation: customers served within 10 minutes in VicRoads Customer Service Centres
Local road projects completed: regional	Road vehicle and driver regulation: vehicle and driver information requests processed

Major road improvement projects completed: metropolitan	Taxi and hire vehicle complaints assessed
Other road improvement projects completed: metropolitan	Taxi and hire vehicle inspections
Pavement resurfaced: metropolitan	Total kilometres scheduled: regional train and coach
Payments made for: metropolitan train services	Transport safety regulation: rail safety audits/compliance inspections conducted in accordance with legislative requirements
Payments made for: tram services	

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget papers 2009-10 to 2013-14; departmental 2012-13 annual reports

Appendix A5.9 Performance measures where actual results have varied from the target by an average of more than 10 per cent over the last five years: Department of Treasury and Finance

Measure name ^(a)	
Advice on adequacy of final Regulatory Impact Statements, Business Impact Assessments and Regulatory Change Measurements prepared by departments	Output Evaluation and Base Reviews
Board appointments	Performance reports for regulated businesses or industries
Briefings on Cabinet Submissions	Performance reviews and compliance audits of regulated businesses
Briefs provided on services to government	Program of long-term research projects completed
Capacity to develop and implement policies, procedures and training to govern and build capability to deliver infrastructure investment	Provision of commercial and risk management advice on infrastructure and commercial projects (including projects identified as high value high risk) which facilitates sound investment and minimises risks
Complete the initial assessment phase of Business Impact Assessments within 10 working days of receipt	Registration and accreditation decisions/approvals in relation to the Victorian Energy Efficiency Target Scheme
Delivery of Output Evaluation and Base Review reports within agreed timeframes	Reviews, investigations or advisory projects
Gateway reviews undertaken to minimise Government's exposure to project risks	Total output cost: GBE Performance Monitoring and Financial Risk Management
Number of final inquiry reports submitted to Government	

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget papers 2009-10 to 2013-14; departmental 2012-13 annual reports

Appendix A5.10 Performance measures where actual results have varied from the target by an average of more than 10 per cent over the last five years: Parliamentary Departments

Measure name ^(a)	
Committee members satisfied that advice about procedure, research and administration is responsive, clear, objective and prompt	Reports tabled per annum
Documents tabled within time guidelines: Procedural Support, Documentation Preparation and Provision of Information for Assembly	Total output cost: Procedural Support, Documentation Preparation and Provision of Information for Assembly

Member satisfaction that advice is responsive, prompt, clear and objective

Total output cost: Procedural Support, Documentation Preparation and Provision of Information for Council

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget papers 2009-10 to 2013-14; departmental 2012-13 annual reports

Appendix A5.11 Examples of explanations not meeting better practice: Department of Education and Early Childhood Development

Measure name ^(a)	Explanation given in budget papers or annual report	Department should in future:
Families who are satisfied with the Early Childhood Intervention Services provided	The Actual is higher than the Target due to higher than expected satisfaction levels with service delivery.	Explain variance by giving more information than simply restating the result.
Number of school students participating in accredited vocational programs	The 2012-13 Actual is higher than the 2012-13 Target due to higher than anticipated demand.	Ensure explanations for variances identify the underlying cause of the variance (i.e. what caused the higher-than-anticipated demand).
Participation rate of 25-64 year olds in training and further education in Victoria	The higher 2013-14 Target reflects forecast improvements in performance.	Ensure explanation for changing target reveals the underlying cause of the change.

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget Paper No.3, 2012-13 Service Delivery, May 2012; Budget Paper No.3, 2013-14 Service Delivery, May 2013; 2012-13 departmental annual reports

Appendix A5.12 Examples of explanations not meeting better practice: Department of Environment and Primary Industries

Measure name ^(a)	Explanation given in budget papers or annual report	Department should in future:
Known state prohibited weed sites monitored and treated in line with the relevant weed action plan	Field assessments have been completed for 56 of 57 State Prohibited Weed reports.	Explain variance by giving more information than simply restating the result.
Personnel with accreditation in a fire role	The target has been exceeded over the past number of years and will be revised upwards to 1800 for 2013-14.	Ensure explanations for variances identify the underlying cause of the variance (i.e. what caused the higher-than-anticipated demand).
Works approvals and licences completed within required statutory timelines	The 2012-13 actual was lower than the 2012-13 target due to higher than anticipated community interest in a number of projects.	Ensure explanations for variances identify the underlying cause of the variance (i.e. what caused the higher-than-anticipated community interest).

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget Paper No.3, 2012-13 Service Delivery, May 2012; Budget Paper No.3, 2013-14 Service Delivery, May 2013; 2012-13 departmental annual reports

Appendix A5.13 Examples of explanations not meeting better practice: Department of Health

Measure name ^(a)	Explanation given in budget papers or annual report	Department should in future:
Average working days between screening of client and commencement of community-based drug treatment	A good result.	Provide full explanations of all variances, including those which are viewed as positive.
Average working days between screening of client and commencement of residential-based drug treatment	A good result.	Provide full explanations of all variances, including those which are viewed as positive.
Commenced courses of treatment: community-based drug treatment services	Continuing to exceed target.	Provide full explanations of all variances, including those which are viewed as positive.
Percentage of priority 1, 2 and 3 clients assessed within the appropriate time - hospital-based assessment	More than 99 per cent of Priority 1 and 2 clients in hospital (P1 within 2 days, P2 within 14 days) receive appropriate timely assessment. This result indicates a positive effect on hospital throughput.	Follow guidance to identify whether factors causing the higher-than-expected result are internal, such as a change in hospital practice or external, such as lower morbidity.
Percentage of priority 1, 2 and 3 clients assessed within the appropriate time - community-based assessment	Actual performance is a positive result.	Provide full explanations of all variances, including those which are viewed as positive.
Proportion of ambulance patient transfers within 40 minutes	Ambulance patient transfer performance continues to be below target. Performance has decreased compared with the same quarter in 2011-12 and is a focus for improvement initiatives by hospitals and Ambulance Victoria.	<p>Ensure explanations for variances identify the underlying cause of the variance (i.e. what is the cause of the lower-than-anticipated proportion of transfers within 40 minutes).</p> <p>Follow guidance to identify whether factors causing the lower-than-anticipated proportion of transfers within 40 minutes are internal, such as a change in hospital practice or external, such as growth in demand in the community.</p>
Successful courses of treatment (episodes of care): community-based drug treatment services	A good result.	Provide full explanations of all variances, including those which are viewed as positive.

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget Paper No.3, 2012-13 Service Delivery, May 2012; Budget Paper No.3, 2013-14 Service Delivery, May 2013; 2012-13 departmental annual reports

Appendix A5.14 Examples of explanations not meeting better practice: Department of Human Services

Measure name ^(a)	Explanation given in budget papers or annual report	Department should in future:
Applications for aids and equipment acknowledged in writing within 10 working days	A positive result indicating a more timely and responsive service.	Provide full explanations of all variances, including those which are viewed as positive.
Number of public housing dwellings upgraded during year	In 2012-13 a total of 1,827 general capital upgrades were completed exceeding the 2011-12 target by 227.	Explain variance by giving more information than simply restating the result.

Total number of family services cases provided	The higher than target actual result reflects the high level of demand for family services.	Ensure explanations for variances identify the underlying cause of the variance (i.e. what caused the high level of demand).
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(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget Paper No.3, 2012-13 Service Delivery, May 2012; Budget Paper No.3, 2013-14 Service Delivery, May 2013; 2012-13 departmental annual reports

Appendix A5.15 Examples of explanations not meeting better practice: Department of Justice

Measure name ^(a)	Explanation given in budget papers or annual report	Department should in future:
Criminal matters disposed in the County Court	The actual is above target due to a higher than forecast number of finalisations.	Explain variance by giving more information than simply restating the result. Follow guidance to identify whether factors causing variances are internal or external (i.e. whether the number of finalisations is due to an external factor such as increased crime rates or internal factors such as efforts to decrease court backlogs or stricter prosecution standards).
Criminal matters disposed in the Magistrates' Court	The actual is above target due to a higher than anticipated number of criminal matters being disposed in the Magistrates' Court.	Explain variance by giving more information than simply restating the result. Follow guidance to identify whether factors causing variances are internal or external (i.e. whether the number of finalisations is due to an external factor such as increased crime rates or internal factors such as efforts to decrease court backlogs or stricter prosecution standards).

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget Paper No.3, 2012-13 Service Delivery, May 2012; Budget Paper No.3, 2013-14 Service Delivery, May 2013; 2012-13 departmental annual reports

Appendix A5.16 Examples of explanations not meeting better practice: Department of Premier and Cabinet

Measure name ^(a)	Explanation given in budget papers or annual report	Department should in future:
All other applications processed for Ministerial consideration	The 2012-13 Actual result is higher than the 2012-13 Target because there was a greater volume of applications received than anticipated.	Explain variance by giving more information than simply restating the result.
Arts Development applications processed for Ministerial consideration	The 2012-13 Actual result is lower than the 2012-13 Target because the time required to process funding applications was shorter than anticipated. The lower result, therefore, reflects a positive outcome.	Provide full explanations of all variances, including those which are viewed as positive.

Formal events and activities delivered across the public sector that promote values and employment principles; effective workforce planning and development; good governance in public sector entities; and effectiveness in public administration	The lower 2013-14 Target reflects a refocus of the SSA's activities to meet the needs of a contemporary public sector.	Ensure explanation for changing target reveals the underlying cause of the change (i.e. what the changing needs are, and the reasons for them).
Number of trained mentor bank participants available to support Aboriginal people	The higher 2013-14 Target reflects an increase in number of participants that will be trained.	Ensure explanation for changing target gives more information than a restatement of the target.
Statutory Rules made and bills prepared and introduced into Parliament	Whilst the 2012-13 Actual result is lower than the 2012-13 Target, a significant amount of drafting work was undertaken for bills that were not introduced into Parliament during the reporting period.	Ensure explanations for variances identify the underlying cause of the variance (i.e. why the bills were not introduced).

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget Paper No.3, 2012-13 Service Delivery, May 2012; Budget Paper No.3, 2013-14 Service Delivery, May 2013; 2012-13 departmental annual reports

Appendix A5.17 Examples of explanations not meeting better practice: Department of State Development, Business and Innovation

Measure name ^(a)	Explanation given in budget papers or annual report	Department should in future:
Energy for the Regions: Number of towns included	The 2013-14 Target is greater than the 2012-13 Target as an additional eight towns are expected to be included in 2013-14 to complete the program of 14 towns.	Ensure explanation for changing target gives more information than a restatement of the target.
Number of domestic overnight visitors	The 2013-14 Target is based on an independent forecast that is influenced by 2012-13 results.	Ensure explanation for changing target reveals the underlying cause of the change.
Regional councils participating at the regional expo	All 48 regional and rural councils participated (100%) in the Expo.	Explain variance by giving more information than simply restating the result.
Number of visitors (international)	Target exceeded due to higher than anticipated visitors from China and other Asian growth markets.	Follow guidance to identify whether factors causing variances are internal or external (i.e. whether the increase from these sources is primarily due to marketing by the Department or an external factor such as currency shifts).
Regional infrastructure projects approved by Minister	A greater number of projects were submitted than anticipated.	Follow guidance to identify whether factors causing variances are internal or external (i.e. whether the greater number of submissions is due to departmental activity or an external factor). Ensure explanations for variances identify the underlying cause of the variance (i.e. why were more projects submitted).

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget Paper No.3, 2012-13 Service Delivery, May 2012; Budget Paper No.3, 2013-14 Service Delivery, May 2013; 2012-13 departmental annual reports

Appendix A5.18 Examples of explanations not meeting better practice: Department of Transport, Planning and Local Infrastructure

Measure name ^(a)	Explanation given in budget papers or annual report	Department should in future:
Cycling projects completed	Total number of projects is higher than the original approved program due to one additional project being completed in 2012-2013.	Explain variance by giving more information than simply restating the result.
Passengers carried: bus services	The lower 2012-13 result reflects the recent trend of a decline in metropolitan bus patronage.	Ensure explanations for variances identify the underlying cause of the variance (i.e. why there has been a decline in patronage). Follow guidance to identify whether factors causing variances are internal, such as timetable alterations or external, such as costs of alternative travel or road congestion.
Passengers carried: regional train and coach services	The lower 2012-13 result reflects the recent trend of a decline in regional train and coach patronage.	Ensure explanations for variances identify the underlying cause of the variance (i.e. why there has been a decline in patronage). Follow guidance to identify whether factors causing variances are internal, such as timetable alterations or external, such as costs of alternative travel or road congestion.
Passengers carried: tram services	The lower 2012-13 Expected Outcome and 2013-14 Target reflect the most recent trends and long-term projections.	Ensure explanation for changing target reveals the underlying cause of the change. Follow guidance to identify whether factors causing variances are internal, such as timetable alterations or external, such as costs of alternative travel or road congestion.
Passengers carried: tram services	The lower 2012-13 result reflects the recent trend of a decline in tram patronage.	Ensure explanations for variances identify the underlying cause of the variance (i.e. why there has been a decline in patronage). Follow guidance to identify whether factors causing variances are internal, such as timetable alterations or external, such as costs of alternative travel or road congestion.
Public railway crossings upgraded	The lower 2013-14 Target reflects the number of projects that are expected to be delivered under the 2013-14 program.	Ensure explanation for changing target gives more information than a restatement of the target.
South West Passing Loop works completed	The 2012-13 result reflects a change in project timings, with completion expected by the end of 2013.	Follow guidance to identify whether factors causing variances are internal, such as departmental rescheduling or external, such as contractor issues.

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget Paper No.3, 2012-13 Service Delivery, May 2012; Budget Paper No.3, 2013-14 Service Delivery, May 2013; 2012-13 departmental annual reports

Appendix A5.19 Examples of explanations not meeting better practice: Department of Treasury and Finance

Measure name ^(a)	Explanation given in budget papers or annual report	Department should in future:
Advice on adequacy of final Regulatory Impact Statements, Business Impact Assessments and Regulatory Change Measurements prepared by departments	The lower 2013-14 Target reflects the demand driven nature of the activity.	Ensure explanation for changing target reveals the underlying cause of the change.
Briefs provided on services to government	The outcome is higher than the target due to a greater number of required briefs.	<p>Ensure explanations for variances identify the underlying cause of the variance (i.e. why were more briefs required).</p> <p>Follow guidance to identify whether factors causing variances are internal or external (i.e. whether the greater number of briefs is due to departmental activity or an external factor).</p>
Reviews, investigations or advisory projects	The 2013-14 Target has increased due to the expected number of projects increasing.	Ensure explanation for changing target gives more information than a restatement of the target.

(a) Measure names and responsible departments are taken from the 2013-14 budget papers. Names may differ between the 2013-14 budget papers, the 2012-13 budget papers and departments' 2012-13 annual reports.

Sources: Budget Paper No.3, 2012-13 Service Delivery, May 2012; Budget Paper No.3, 2013-14 Service Delivery, May 2013; 2012-13 departmental annual reports

Appendix A5.20 Recommendations specifically pertaining to target setting for the Department of State Development, Business and Innovation^(a)

Report	Rec	Recommendation text	Government response	Government comment in response	Department assessment of implementation	Department comment on implementation
Report on the 2006-07 Financial and Performance Outcomes	45 p.377	The Department of Innovation, Industry and Regional Development should strengthen its approach to reporting performance by undertaking an annual review of the output performance measures it has identified in the Service Delivery Budget Paper to ensure that all measures are relevant and targets are meaningful.	Accept	The Department of Innovation, Industry and Regional Development already undertakes reviews of Service Delivery Budget Paper outputs, performance measures and targets on an annual basis to ensure better alignment with the overall objectives of the department and government outcomes. The review of the output structure for 2008-09 included modifications to outputs, performance measures and targets to reflect these aspects as well as the integration of machinery of government changes. Further Action planned: The Department of Innovation, Industry and Regional Development will continue to undertake annual reviews of outputs, performance measures and targets to ensure they reflect the overall objectives of the department and government outcomes and are in accordance with the reporting requirements of the Department of Treasury and Finance.	n/a	n/a
Report on the 2007-08 Financial and Performance Outcomes	24 p.232	In view of the many targets which were significantly exceeded in 2007-08, the Department of Innovation, Industry and Regional Development consider putting in place a more rigorous target setting process to generate more meaningful (realistic and stretch) performance targets.	Accept in principle	DIIRD reviews performance targets annually taking into account a number of factors including prior years' performance, phasing of programs and environmental factors. Further Action planned: The department will continue to review targets in a rigorous manner and ensure that targets reflect intended outcomes of programs delivered for the economic development of the State.	n/a	n/a
Report on the 2008-09 Financial and Performance Outcomes	23 p.226	The Department of Innovation, Industry and Regional Development continue revising its performance targets to ensure that its targets in future years are sufficiently robust.	Accept	DIIRD will continue to undertake an annual review of all targets. No further action planned.	n/a	n/a

Report	Rec	Recommendation text	Government response	Government comment in response	Department assessment of implementation	Department comment on implementation
Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	23 p.166	The Department of Business and Innovation seek advice from a suitably qualified source to explore ways of improving the Department's performance with respect to meeting performance measure targets.	Support	The Department of Business and Innovation undertook a review of its performance measures prior to the 2012-13 Budget. New performance measures were developed to align performance reporting and monitoring with the new Performance Management Framework.	Under development (as at 30 January 2013)	The Department has sought independent advice in the development of its major project performance measures. The Department is also reviewing its methodology for developing its investment attraction performance measures. Measures are still under development. New measures (with revised data definitions) will be included in future budget papers.
Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	25 p.177	The Department of Business and Innovation review the Investment Attraction and Facilitation and Exports outputs to ensure that the non-cost performance measures provide a comprehensive overview of what is being provided with the funding.	Support	In addition to the work done to review its performance measures prior to the 2012-13 Budget, the Department of Business and Innovation is also undertaking a further review of its Investment Attraction and Exports outputs.	Under development (as at 30 January 2013)	The Department is reviewing its methodology for developing its investment attraction performance measures. Other measures will be progressively reviewed. Measures are still under development.
Report on the 2009-10 and 2010-11 Financial and Performance Outcomes	37 p.193	The Department of Business and Innovation develop new procedures to calculate expected outcomes and targets for performance measures.	Support	The Department of Business and Innovation undertook a review of its performance measures and associated data sets and business rules in the development of its revised 2012-13 performance measures. The revised data sets provide a more meaningful and rigorous overview of performance.	Methodology and data definitions have been improved (as at 30 January 2013).	Improved correlation between targets, expected outcomes and actuals.

(a) Including the Department's predecessors, the Department of Innovation, Industry and Regional Development and the Department of Business and Innovation.

Public Accounts and Estimates Committee, Report on the 2006-07 Financial and Performance Outcomes, May 2008; Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 79th Report on the 2006-07 Financial and Performance Outcomes, May 2009; Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 87th Report on the 2007-08 Financial and Performance Outcomes, May 2010; Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 94th Report on the 2008-09 Financial and Performance Outcomes, May 2010; Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 94th Report on the 2008-09 Financial and Performance Outcomes, May 2010; Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 109th Report to the Parliament - Report on the 2009-10 and 2010-11 Financial and Performance Outcomes, April 2012; Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 109th Report to the Parliament - Report on the 2009-10 and 2010-11 Financial and Performance Outcomes, May 2012; Department of Business and Innovation, response to the Committee's 2011-12 Financial and Performance Outcomes General Questionnaire, received 30 January 2013

APPENDICES TO CHAPTER 7

REVIEW OF THE 2012-13 ANNUAL REPORTS

Appendix A7.1 Budget portfolio outcomes (FRD 8B)

Department	Includes required financial statements and formats ^(a)	Compares against initial 2012-13 targets	Explains significant material variances	Clarifies statements are not audited
Education and Early Childhood Development	Yes	Yes	No (Only one variance explained)	Yes
Environment and Primary Industries	Yes	Yes	Yes (Material variances appear to have adequate explanations, although some just include a general cross reference to the comprehensive statements)	Yes
Health	No (Balance sheet does not split capital and reserves in the equity section)	Yes	Yes	Yes
Human Services	No (Balance sheet does not split capital and reserves in the equity section)	No (Some revised targets from 2013-14 BP5 are used)	Yes	Yes
State Development, Business and Innovation	No (Only a summary was provided for the Statement of changes in equity)	No (Some revised targets from 2013-14 BP5 are used and some are from unknown sources; There are mathematical errors in variance calculations; Variances are calculated on the revised budgets figures rather than the 2012-13 budgets)	No (Variances are calculated on the revised budgets; Some material variances are not explained)	Yes
Justice	No (Statements of changes in equity are in a different format)	Yes	No (No explanations provided)	Yes

Department	Includes required financial statements and formats ^(a)	Compares against initial 2012-13 targets	Explains significant material variances	Clarifies statements are not audited
Premier and Cabinet	No (No statement of changes in equity)	No (Some revised targets from 2013-14 BP5 are used and some are from unknown sources)	No (No explanations provided)	Yes
Primary Industries	Yes	No (Some revised targets from 2013-14 BP5 are used and some appear to have been internally reallocated)	Yes	Yes
Planning and Community Development	No (Statements of changes in equity are in a different format)	No (Some revised targets from 2013-14 BP5 are used and some are from unknown sources)	Yes	No (Information comes immediately after the auditor's opinions which could be confusing)
Transport, Planning and Local Infrastructure	Yes	Yes	Yes	Yes
Treasury and Finance	No (No statement of changes in equity provided and formatting differences in administered items statement)	No Some revised targets from 2013-14 BP5 are used and some are from unknown sources	Yes	Yes

(a) The Committee has still counted departments as compliant where there are format changes to the statements of changes in equity but the same information for 2012-13 is still presented.

Sources: 2012-13 annual reports

Appendix A7.2 Disclosure index (FRD 10)

Department/Water entity	Example followed (categories, description and page numbers)	Correct page references
DEPARTMENTS		
Education and Early Childhood Development	Yes	5 incorrect page references
Environment and Primary Industries	Yes	3 incorrect page references
Health	Yes	1 incorrect page reference
Human Services	Yes	Yes
State Development, Business and Innovation	Yes	5 incorrect page references
Justice	No (No page numbers)	No page references provided

Department/Water entity	Example followed (categories, description and page numbers)	Correct page references
Premier and Cabinet	Yes	Yes
Primary Industries	Yes	3 incorrect page references
Planning and Community Development	Yes	3 incorrect page references
Transport, Planning and Local Infrastructure	Yes	2 incorrect page references
Treasury and Finance	Yes	Yes
WATER ENTITIES		
Barwon Regional Water entity	Yes	1 incorrect page reference
City West Water	No (Legislation is not indexed)	4 incorrect page references
Coliban Regional Water entity	Yes	6 incorrect page references
Gippsland and Southern Rural Water (Southern Rural Water)	Yes	3 incorrect page references
Goulburn-Murray Rural Water Corporation	Yes	39 incorrect page references ^(a)
Grampians Wimmera Mallee Water Corporation	Yes	Yes
Melbourne Water Corporation	No (Legislation is not indexed)	12 incorrect page references
South East Water Limited	Yes	7 incorrect page reference
Yarra Valley Water Limited	No (Legislation is not indexed)	Yes

(a) This includes a number of instances where the page range was considered too wide to be useful.

Sources: 2012-13 annual reports

Appendix A7.3 Government advertising (FRD 22D)

Department/Water entity	Complies with FRD 22D requirements	Required campaign details provided	Required expenditure breakdown
DEPARTMENTS			
Education and Early Childhood Development	Yes	Yes (Two campaigns)	Yes
Environment and Primary Industries	Yes	Yes (One campaign)	Yes
Health	Yes (Additional disclosure also provided for four campaigns under \$150,000)	Names and summaries provided for four campaigns under \$150,000	Total cost only for four campaigns under \$150,000
Human Services	Yes (Nil report)	n/a ^(a)	n/a ^(a)

Department/Water entity	Complies with FRD 22D requirements	Required campaign details provided	Required expenditure breakdown
State Development, Business and Innovation	No (Included in Summary of additional departmental information available on request)	No	No
Justice	Yes	Yes (Five campaigns)	Yes
Premier and Cabinet	No	No	No
Primary Industries	Yes	Yes (One campaign)	Yes
Planning and Community Development	Yes	Yes (Three campaigns)	Yes
Transport, Planning and Local Infrastructure	No	No	No
Treasury and Finance	Yes (Nil report)	n/a ^(a)	n/a ^(a)
WATER ENTITIES			
Barwon Regional Water entity	Yes (Nil report)	n/a ^(a)	n/a ^(a)
City West Water	No	No	No
Coliban Regional Water entity	No	No	No
Gippsland and Southern Rural Water (Southern Rural Water)	No	No	No
Goulburn-Murray Rural Water Corporation	Yes (Nil report)	n/a ^(a)	n/a ^(a)
Grampians Wimmera Mallee Water Corporation	No	No	No
Melbourne Water Corporation	No	No	No
South East Water Limited	No	No	No
Yarra Valley Water Limited	No	No	No

(a) Not applicable as department/agency did not engage in advertising campaigns of \$150,000 or greater.

Sources: 2012-13 annual reports

Appendix A7.4 Capital projects (Model Report)

Department	Complies with 2013 Model Report requirements
Education and Early Childhood Development	Yes
Environment and Primary Industries	Yes
Health	Yes
Human Services	Yes
State Development, Business and Innovation	No
Justice	No

Department	Complies with 2013 Model Report requirements
Premier and Cabinet	No
Primary Industries	Yes
Planning and Community Development	No
Transport, Planning and Local Infrastructure	No
Treasury and Finance	No

Sources: 2012-13 annual reports

Appendix A7.5 Tabling dates

Department/Water entity	Annual report tabling date	Complies with the Financial Management Act deadline (12 November)
DEPARTMENTS		
Education and Early Childhood Development	15/10/2013	Yes
Environment and Primary Industries	19/09/2013	Yes
Health	31/10/2013	Yes
Human Services	15/10/2013	Yes
State Development, Business and Innovation	15/10/2013	Yes
Justice	17/10/2013	Yes
Premier and Cabinet	17/09/2013	Yes
Primary Industries	19/09/2013	Yes
Planning and Community Development	18/09/2013	Yes
Transport, Planning and Local Infrastructure	18/09/2013	Yes
Treasury and Finance	29/10/2013	Yes
WATER ENTITIES		
Barwon Regional Water entity	18/09/2013	Yes
City West Water	18/09/2013	Yes
Coliban Regional Water entity	18/09/2013	Yes
Gippsland and Southern Rural Water (Southern Rural Water)	18/09/2013	Yes
Goulburn-Murray Rural Water Corporation	18/09/2013	Yes
Grampians Wimmera Mallee Water Corporation	18/09/2013	Yes
Melbourne Water Corporation	18/09/2013	Yes
South East Water Limited	18/09/2013	Yes
Yarra Valley Water Limited	18/09/2013	Yes

Source: Parliament of Victoria, 'Tabled Documents Database', <www.parliament.vic.gov.au/council/tabled-documents/search-tabled-documents/>, accessed 18 March 2014

