

CHAPTER 2: GOVERNMENT RESPONSES TO THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE REPORTS ON THE 2002-2003 AND THE 2003-2004 BUDGET ESTIMATES

Key Findings of the Committee:

- 2.1 The Committee's Report on the 2003-2004 Budget Estimates made 81 recommendations. Of these, 48 were accepted; 25 were accepted in part/principle; three were under review; and five were rejected.**
- 2.2 Of the 109 recommendations contained in the Committee's Report on the 2002-2003 Budget Estimates, 54 were accepted; 23 were accepted in part; 14 were accepted in principle; eight were under review; and ten were rejected.**
- 2.3 The Department of Education and Training and the Department of Innovation, Industry and Regional Development need to more clearly specify ministerial accountability arrangements for some outputs.**
- 2.4 Current recruitment arrangements in the Parliamentary Departments do not meet the standards used across the broader Victorian public sector. Application of the merit principle is enhanced when vacancies are externally advertised, thereby attracting the most suitable candidates and establishing a culture within the Parliamentary Departments that supports genuine contestability.**

2.1 Legislative requirement to respond to Committee's recommendations

There is a legislative requirement that the responsible Ministers provide a response within six months to the recommendations contained in the Committee's reports that are tabled in Parliament.¹

2.2 Previous recommendations

Government responses to two of the Committee's budget estimates reports were tabled in Parliament during the past year. The Committee's report on the 2002-03

¹ *Parliamentary Committees Act 2003*, s.36(1)

Budget Estimates was delayed and not tabled until June 2003 because of the state election in November 2002 and the Committee was not reappointed until 27 March 2003.

The Committee noted that the Government indicated in its responses that several recommendations were ‘under review’.² The Committee intends to follow-up on the status of these recommendations and report on these matters in future reports.

2.2.1 2003-2004 Budget Estimates

The Committee’s *Report on the 2003-2004 Budget Estimates* was tabled in the Legislative Assembly and the Legislative Council on 16 September 2003. The Treasurer provided a copy of the Government’s response to the Committee on 16 March 2004 and it was tabled in the Legislative Assembly on 31 March 2004.

Of the 81 recommendations contained in the Committee’s *Report on the 2003-2004 Budget Estimates*, 48 were accepted; 16 were accepted in part; nine were accepted in principle; three were under review; and five were rejected. (see exhibit 2.1). The Government’s response is at Appendix 5.

² Government’s Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, 54th Report, March 2004; Government’s Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2002-2003 Budget Estimates*, 52nd Report, March 2004

Exhibit 2.1: Government response to the recommendations in the PAEC 2003-2004 Budget Estimates Report

Department	Accept	Accept in part	Accept in principle	Under review	Reject	Total
Education and Training		1	4		2	7
Human Services	12		1			13
Infrastructure	6	3	1			10
Innovation, Industry and Regional Development	4	2		1		7
Justice	8	2	1		1	12
Premier and Cabinet	3		1	2		6
Primary Industries		3				3
Sustainability and Environment	3					3
Treasury and Finance	3	3	1			7
Victorian Communities	7	2			1	10
Parliamentary Departments	2				1	3
Total	48	16	9	3	5	81

Source: Government response to the Recommendations of the Public Accounts and Estimates Committee's 54th Report on the 2003-2004 Budget Estimates

The Committee was particularly interested in the response from the Government relating to the following recommendations.

Reject — Recommendation 2, 2003-2004 Budget Estimates

All vacant positions, beyond a six month period, with the Parliamentary Departments be advertised externally.

The Presiding Officers advised the Committee that the decision to advertise internally or externally should be a decision of the Parliamentary Departments. All positions are advertised internally throughout the Parliamentary Departments and, if deemed appropriate, are advertised externally.³

Parliament of Victoria staff are employed under the *Parliamentary Officers Act 1975*. As such, they are not subject to recruitment guidelines issued by the Public Service Commissioner which are applicable to the Victorian Public Service.

The Committee notes that new permanent staff are appointed by either the Speaker of the Legislative Council or the President of the Legislative Council on the recommendation of the head of the relevant department.⁴ Under the *Parliamentary*

³ Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, 54th Report, March 2004, p.2

⁴ *Parliamentary Officers Act 1975*, s.7

Officers Act, the person recommended for appointment must be the person who, in the opinion of the officer recommending the appointment, is best qualified and entitled to the appointment on the basis of merit taking into account:⁵

- (a) the extent to which each applicant has skills, knowledge, aptitude and experience relevant to the requirements of the office; and
- (b) diligence and good conduct; and
- (c) where relevant, the performance of each applicant in relation to the functions of any positions, employment or occupation previously held or engaged in by the applicant.

Temporary employees may be appointed under the *Parliamentary Staff Act 1975* 'whenever in the opinion of the President, the Speaker, the Library Committee or the House Committee the prompt despatch of business renders temporary assistance necessary'.⁶ In such cases, the President, the Speaker, the Library Committee or the House Committee may engage such persons as they consider suitable and necessary to perform such work.⁷

The Parliament's equity and diversity policy states that '*all employment and management practices are based on the principle of merit, resulting in the appointment and promotion of the best person for the job in every case.*'⁸ As part of the guidelines to avoid discrimination, the equity and diversity policy states:⁹

1. When advertising any vacant position, the Parliament of Victoria will use the term 'Equal Opportunity Employer'.
2. All permanent vacancies for Parliamentary Officers will be advertised internally.
3. All long-term temporary vacancies or higher duty vacancies (three months or more) will be advertised internally.
4. All internal applicants will be considered when short-term vacancies (three months or less) arise.
5. Terms and conditions of employment will not be considered nor applied if they are not specifically related to the job.

Guidelines produced by the Commissioner for Public Employment on selecting on merit (and applying to the broader Victorian public service but not to staff employed by Parliament) specify a minimum standard that all vacancies for executive and

⁵ *ibid.*, s.8

⁶ *ibid.*, s.12

⁷ *ibid.*

⁸ Parliament of Victoria, *Equity and Diversity — Equal Opportunity Policy Statement*, 26 June 2002

⁹ *ibid.*

on-going vacancies should be advertised. Vacancies may be exempted from advertisement:¹⁰

- where the agency head certifies that there is no breach of merit and equity;
- to employ members of disadvantaged groups declared by the Commissioner; and
- where the agency head directs an employee to be re-assigned at a particular classification or remuneration level.

While the Commissioner for Public Employment's guidelines do not state that 'advertised' vacancies refers strictly to external announcements of vacancies, the Committee believes that where the field of internal applicants is not sufficiently large to ensure a competitive application process, external advertisement should be an obligatory part of the recruitment process.

Under the Commissioner for Public Employment's minimum standards on selecting on merit, agency heads are also required to report decisions to exempt vacancies from advertisement in annual reports to Parliament.¹¹

The Committee believes that the application of the merit principle is enhanced when vacancies are advertised externally, thereby attracting the most suitable candidates and contributing to establishing a culture within the Parliamentary Departments that supports genuine contestability.

The Committee considers the Parliamentary Departments should develop a recruitment policy that mirrors requirements applicable to the broader Victorian public service. Such a policy should specify circumstances where exemptions may be granted to meet operational needs without compromising the merit principle (such as where vacancies were regarded as temporary, staff were reclassified or involved specialised duties). The Committee believes that the Parliamentary Departments should also report on the operation of this policy in their annual reports.

The Committee recommends that:

Recommendation 1: **The Parliamentary Departments adopt a recruitment policy that is consistent with the requirements applicable to the broader Victorian public service.**

¹⁰ Office of Public Employment, *Selecting on Merit*, July 1998, pp.1–2

¹¹ *ibid.*

Reject — Recommendation 4, 2003-2004 Budget Estimates

The Department of Education and Training reconcile ministerial responsibilities to departmental outputs and divisional structure to ensure that responsibilities are well defined and publicly understood.

The Department of Education and Training advised the Committee that specific legislative and delegated responsibilities have been allocated to portfolio Ministers.¹² The Committee noted that public information about ministerial responsibilities is presented in Appendix 11 of the department's 2003-04 annual report, which details the Acts (or sections of each Act) administered by their respective Ministers and their responsibilities in relation to outputs.¹³ The department's annual report also states that the Minister for Education and Training has 'overall responsibility' for the Education and Training portfolio.¹⁴

The department indicated that responsibility for several outputs is shared between Ministers and responsibility is shared in some instances across divisions of the department.¹⁵ The department stated that *'it is not possible in these circumstances to reconcile ministerial responsibilities with outputs and divisional structures'*.¹⁶

While the Committee is satisfied that from a machinery of government perspective there has been a specific allocation of legislation to specific Ministers, the dual responsibility for specific outputs listed in the department's response to the Committee's 2004-05 Budget Estimates questionnaire¹⁷ clouds ministerial responsibility for specific activities - a fundamental component of accountability in the Westminster parliamentary system.

The Committee's concern about direct ministerial responsibility for outputs is reinforced by comments made by the Minister for Education and Training at the 2004-2005 Budget Estimates hearing that *'we do not have lead Ministers'*.¹⁸ This appears to contradict the department's annual report, which states that the Minister for Education and Training has 'overall responsibility' for the Education and Training portfolio.¹⁹

¹² Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, 54th Report, March 2004, p.3

¹³ Department of Education and Training, *Annual Report 2003-04*, p.133

¹⁴ *ibid.*

¹⁵ Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, 54th Report, March 2004, p.3

¹⁶ *ibid.*

¹⁷ Department of Education and Training response to the Committee's 2004-05 Budget Estimates questionnaire, p.1

¹⁸ Hon. L. Kosky, MP, Minister for Education and Training, record of transcript, 20 May 2004, p.24

¹⁹ Department of Education and Training, *Annual Report 2003-04*, p.133

The Committee believes that the department's current public statement about the allocation of responsibility needs to be revised to ensure that there is a single point of accountability for each output or activity to specific Ministers.

The Committee recommends that:

Recommendation 2: **The Department of Education and Training clarify the accountability arrangements of the Minister for Education and Training and the Minister for Education Services for outputs in the Department of Education and Training, including defining 'overall responsibility' for the Education and Training portfolio.**

Accept in principle — Recommendation 6, 2003-2004 Budget Estimates

The Department of Education and Training:

- (a) *clarify the definitions of 'new', 'replacement', 'modernisation' and 'maintenance' in relation to schools; and publish the definitions in future Budget Papers;*
- (b) *clearly distinguish, and report separately, funding allocated to the different categories of 'new', 'replacement', 'modernisation' and 'maintenance' for schools;*
- (c) *monitor capital spending on new and established schools and report publicly on the progress made with implementing projects; and*
- (d) *track and analyse the impact of capital spending on future maintenance requirements in educational institutions.*

The Department of Education and Training accepted in principle all parts of this recommendation, except for (b) which was accepted in part.²⁰

The Department of Education and Training advised the Committee that it will continue to work within whole of government frameworks determined by the Department of Treasury and Finance in relation to reporting on capital works.²¹ The Committee noted that in line with these arrangements, maintenance is not detailed separately in Budget Papers, as it is recurrent expenditure.²²

²⁰ Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, 54th Report, March 2004, p.5

²¹ *ibid.*

²² *ibid.*

The Committee notes that information about the expenditure on school construction and maintenance is currently reported in several different publications including Budget Paper No. 3 (new output and asset initiatives over future years), Budget Information Paper No. 1 (expenditure on capital projects by school) and the department's annual report (maintenance expenditure for all portfolio agencies including schools).²³ However, drawing together information from these sources it is not possible to separately identify, on a consolidated basis, a statement of actual and budgeted expenditure on school replacement, modernisation and new school construction programs as well as actual and budgeted maintenance expenditure.

The Committee believes that the significant funding directed to constructing, upgrading and maintaining school facilities warrants the development of a consolidated reporting framework in the department's annual report, rather than reporting on different aspects across a number of separate publications.

The Committee recommends that:

Recommendation 3: **The Department of Education and Training provide a consolidated statement in its annual report of expenditure on school capital projects and maintenance programs that separately identifies budgeted and actual expenditure directed to the construction of new schools, upgrades, modernisation and maintenance programs.**

Reject — Recommendation 9, 2003-2004 Budget Estimates

To enable an assessment of the outcomes of the completion bonus program, the Department of Education and Training establish baseline information and targets that identify current and anticipated apprentice and trainee completion rates.

A completion bonus program was phased in from July 2003 to improve apprentice and trainee completion rates.²⁴ The Government estimated the budget impacts from the scheme in terms of the numbers of apprentices and trainees likely to attract the completion bonus, which were expected to rise from an average of approximately 55 per cent to 70 per cent by 2006-07.²⁵ The Committee noted that the department advised at the time (July 2003) that there are no actual target numbers for completions

²³ Budget Paper No. 3, *2004-05 Service Delivery*, pp.270–274; Budget Information Paper No. 1, *2003-04 Public Sector Asset Investment Program*, pp.32–37; Department of Education and Training, *Annual Report 2002-03*, p.103

²⁴ Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, 54th Report, September 2003, p.148

²⁵ Hon. L. Kosky, MP, Minister for Education and Training, transcript of evidence, 16 May 2003, p.172

under the new arrangements and that data is not held on completion rates for trainees and apprentices.²⁶

The Committee was therefore surprised that while the Government rejected the recommendation, it then later advised the Committee that completion rates for apprenticeships are currently between 70 per cent and 77 per cent, while completion rates for traineeships are about 55 per cent.²⁷

While the Committee is pleased that the department is now monitoring completion rates, it believes that the significant funding directed towards the initiative (including an additional \$13.9 million over four years allocated in the 2004-05 Budget)²⁸ warrants inclusion in the Budget Papers as a separate quality performance measure that matches the existing quantity measure for the program ('Number of apprentices/trainees completions who qualify for the completion bonus').²⁹

The Committee recommends that:

Recommendation 4: **The Department of Education and Training include in the Training and Further Education output an additional quality performance measure relating to the percentage of apprentices/trainees that qualify for the completion bonus.**

Reject — Recommendation 34, 2003-2004 Budget Estimates

The Department of Innovation, Industry and Regional Development take immediate steps to resolve its complex framework of ministerial responsibilities and issue a statement that clearly aligns ministerial responsibilities with accountability for budget and departmental activities and resource issues.

The Department of Innovation, Industry and Regional Development advised the Committee that the question of ministerial responsibilities is a matter for the Premier and Ministers, not the department. The complex framework of responsibilities reflects the interconnectedness of the various aspects of the state and regional development

²⁶ Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, 54th Report, September 2003, p.149

²⁷ Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, 54th Report, March 2004, p.9

²⁸ Budget Paper No. 3, *2004-05 Service Delivery*, p.270-271

²⁹ *ibid.*, p.60

function. The desirability of clear accountability for budget and departmental activities is accepted and will be considered.³⁰

The Committee noted that Ministers share responsibility for six of the department's 12 outputs in 2004-05.³¹ Of the six outputs for which there is shared responsibility, the department identified four outputs for which responsibility was assigned to a 'lead Minister' (see exhibit 2.2). For the remaining two outputs with shared responsibility – Rural Community Development and Regional Economic Development – no lead Ministers were identified.³²

The Committee noted that the department's latest annual report did not include a statement that specified the 'lead Minister' for each output where there was shared ministerial responsibility.³³

Exhibit 2.2: Department of Innovation, Industry and Regional Development Ministerial accountability for outputs

Output	Lead Minister
Business Development	Minister for State and Regional Development
Strategic Policy	Minister for Innovation
Science Technology and Innovation	Minister for Innovation
Investment Facilitation and Attraction	Minister for State and Regional Development (a)

Note: (a) *The Minister for Information and Communication Technology has responsibility under this output in relation to Multimedia Victoria*

Source: *Department of Innovation, Industry and Regional Development response to the Committee's 2004-05 Budget Estimates questionnaire, pp.1-2*

In its response to the Committee's 2004-05 Budget Estimates questionnaire, the department advised that when responsibility for output delivery is shared by a number of Ministers the accountability framework for delivery is complex.³⁴ In many instances performance targets are directly linked to ministerial portfolios, however, responsibility for major performance targets in regard to investment, jobs and exports is shared by several Ministers. For example, all output indicators of the Investment Facilitation and Attraction output are shared by the Minister for State and Regional Development, and Minister for Innovation, Minister for Manufacturing and Export, Minister for Financial Services Industry and Minister for Small Business. The

³⁰ Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, 54th Report, March 2004, p.25

³¹ Department of Innovation, Industry and Regional Development response to the Committee's 2004-05 Budget Estimates questionnaire, pp.1-4

³² *ibid.*, p.3

³³ Department of Innovation, Industry and Regional Development, *Annual Report 2002-03*, p.5

³⁴ Department of Innovation, Industry and Regional Development response to the Committee's 2004-05 Budget Estimates questionnaire, p.3

Committee noted that the lead Minister for this output was identified by the department as the Minister for State and Regional Development.³⁵

A further example is that there are 18 performance indicators in relation to the Business Development output. The distribution of performance indicators in this output among ministerial portfolios is shown in exhibit 2.3. The Committee noted that the lead Minister for this output was identified by the department as the Minister for State and Regional Development.³⁶

**Exhibit 2.3: Business Development output
Ministerial responsibility for performance measures**

Ministerial Portfolio/s	Number of indicators
Minister for Manufacturing and Export and Minister for Financial Services Industry	11
Minister for Small Business	1
Minister for State and Regional Development	2
Shared by Minister for State and Regional Development, Minister for Innovation, Minister for Manufacturing and Export, Minister for Financial Services Industry and Minister for Small Business	4
Total	18

Source: *Department of Innovation, Industry and Regional Development response, to the Committee's 2004-05 Budget Estimates questionnaire, p.3*

While the Committee welcomes efforts to clarify ministerial responsibility for outputs and performance measures within outputs managed by the Department of Innovation, Industry and Regional Development, the Committee believes that the two outputs where a 'lead minister' has not been identified weakens accountability to Parliament for the delivery of these outputs. The Committee believes the department should identify and clearly articulate specific responsibilities within these outputs for each Minister in its annual report. Where there is specific responsibility allocated for a performance measure within an output, this should also be clearly specified.

The Committee recommends that:

Recommendation 5: The Department of Innovation, Industry and Regional Development include in its annual report a statement that identifies the allocation of responsibility for outputs with a shared ministerial responsibility.

³⁵ *ibid.*

³⁶ *ibid.*

Under review — Recommendation 35, 2003-2004 Budget Estimates

Government contracts published on the Internet include a summary of the key performance indicators contained in the contracts.

This recommendation was specific to the performance information in the contract for the Docklands Film and Television Studio, for which contracts were published on the Internet but some information, considered to be commercial in confidence, had not been publicly released.³⁷

The Department of Innovation, Industry and Regional Development advised the Committee that the contracts publishing system is used by departments and many public sector agencies to meet the Government's disclosure requirements. For public sector agencies, Government policy requires that their policies on disclosure be documented, having regard to the Government's policy on openness and probity.³⁸

The Committee noted that the contracts publishing system is administered by the Victorian Government Purchasing Board (a statutory authority within the Department of Treasury and Finance).³⁹

The Committee noted that the contract publishing system was under review and guidelines for the uploading and maintenance of contract data were under development. The department advised the Committee that as part of the guidelines development, consideration is being given to the viability of using performance indicator headings where associated text has been deleted in accordance with Freedom of Information Act criteria.⁴⁰

The Committee believes that this specific recommendation raises a more general point regarding the availability of simplified information for contracts valued at more than \$10 million, which can often run to several hundred pages.

The Committee noted that implementation guidelines for the contracts publishing system specify that details of contracts reported include:⁴¹

- the department (including department reference);
- description of goods or services sufficient to identify the nature and quantity of procurement;

³⁷ Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, 54th Report, September 2003, p.289

³⁸ Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, 54th Report, March 2004, p.26

³⁹ Victorian Government Purchasing Board, *Annual Report 2002-03*, pp.5-7

⁴⁰ Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, 54th Report, March 2004, p.26

⁴¹ Department of Premier and Cabinet, *Ensuring Openness and Probity in Victorian Government Contracts: Implementation Guidelines*, p.7

- for common use arrangements and standing offer agreements, the total estimated cost/value (including GST value) and period of offer;
- for each supplier its name, postal address, postcode, state, ABN and DUN;
- name and phone number of departmental contact officer;
- category; and
- grounds for exclusion of any information.

The Committee believes that while this information provides a useful summary of major contracts, the inclusion of simplified summary information on the key performance indicators on which contract payments are based should also be included. Such information would significantly improve the transparency of arrangements by minimising the time taken by third parties to review contracts and the performance of contractors.

The Committee recommends that:

Recommendation 6: **The Victorian Government Purchasing Board include in the revised guidelines for the disclosure of information on the contracts publishing system the requirement that summary information on the key performance indicators on which contract payments are based, be disclosed.**

Reject — Recommendation 41, 2003-2004 Budget Estimates

The Department of Justice:

- (a) delete the average prison design daily capacity utilisation rate as a performance measure for the Prisoner Supervision and Support output group; and*
- (b) develop and report in the Budget Papers on the number of beds available and capacity utilisation for the different types of prison accommodation including permanent, flexible and temporary facilities.*

The department advised the Committee that the measure is an accepted national performance comparator used in the Council of Australian Governments Report on Government Service Provision and should be retained. Current measures and targets

of average daily prison design capacity utilisation rate are updated as new capital improvements are completed.⁴²

Although the department rejected this recommendation, the measure was subsequently removed from the Budget Papers,⁴³ a move supported by the Minister at the 2004-05 Budget Estimates hearing, where the Minister for Corrections noted that:

... we think it is a fairly useless measure because it basically measures the number of prisoners against the original design capacity of the prison, which tells you nothing about whether the prison is overcrowded or not. We have done a lot of expansions and changes to our prisons. Also we have our demountables in there, so we think the more useful measure is the actual percentage utilisation rate against total prison capacity. That is a matter we also will be taking up through the correctional services ministers. Correctional services ministers in other states have expressed similar views, and it is a matter that also will be taken up with the Productivity Commission. For our purposes, for prison planning purposes and for analysis of whether our prisons are overcrowded or not it is a useless measure, and I think that is why this committee recommended [the discontinuation].⁴⁴

While the Committee supports the discontinuation of this measure, the Committee notes that the Government response did not include a discussion relating to part (b) of the recommendation, which related to the inclusion of new performance measures for capacity utilisation of the different types of prison accommodation.⁴⁵ The Committee believes that the two remaining quantity measures in the Prisoner Supervision and Support output do not adequately reflect the cost of supplying different types of accommodation (permanent and temporary). The Committee would support the expansion of measures currently used, to separately reflect the utilisation of the increased permanent prison capacity under construction as well as the utilisation of temporary capacity in the prison system.

Reject — Recommendation 78, 2003-2004 Budget Estimates

The Government develop a comprehensive strategy for the ongoing operation of the Queen Victoria Women's Centre, based on the findings of the Ministerial Advisory Committee.

⁴² Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, 54th Report, March 2004, p.31

⁴³ Budget Paper No. 3, *2004-05 Service Delivery*, p.345

⁴⁴ Hon. A. Haermeyer, MP, Minister for Corrections, transcript of evidence 21 May 2004, p.5

⁴⁵ Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, 54th Report, March 2004, p.31

The Department for Victorian Communities advised the Committee that it is the responsibility of the Queen Victoria Women's Centre Trust to develop a strategy addressing the medium and long-term operations of the centre. The Government's role is the monitoring of the Queen Victoria Women's Centre's comprehensive strategy to ensure the ongoing operation of the centre.⁴⁶

At the 2004-2005 Budget Estimates hearing, the Minister confirmed to the Committee that the strategy had not yet been completed, but was 'not far away'.⁴⁷ The Committee is most concerned that the strategy has not yet been released, particularly since it was foreshadowed in June 2002 as being publicly 'announced in the very near future'.⁴⁸

The Committee looks forward to the release of this strategy - a recommendation that was initially part of the Committee's *Report on the 2000-2001 Budget Estimates*.⁴⁹

2.2.2 2002-2003 Budget Estimates

The *Report on the 2002-2003 Budget Estimates* was tabled in the Legislative Council on 11 June 2003 and subsequently tabled on the next sitting day of the Legislative Assembly on 26 August 2003.

Of the 109 recommendations contained in the Committee's *Report on the 2002-2003 Budget Estimates* 54 were accepted; 23 were accepted in part; 14 were accepted/agreed to in principle; eight were under review; and ten were rejected (see exhibit 2.4). The Government's response is at Appendix 4.

⁴⁶ *ibid.*, p.54

⁴⁷ Hon. M. Delahunty, MP, Minister for Women's Affairs, transcript of evidence 16 June 2004, p.4

⁴⁸ Hon. M. Delahunty, MP, Minister for Women's Affairs, transcript of evidence 18 June 2002, p.216

⁴⁹ Public Accounts and Estimates Committee, *Report on the 2000-2001 Budget Estimates*, 38th Report, November 2000, p.459

Exhibit 2.4: Government response to the recommendations in the PAEC 2002-2003 Budget Estimates Report

Department	Accept	Accept in part	Accept in principle	Under review	Reject	Total
Education and Training	1	3	3			7
Human Services	7		2		1	10
Infrastructure	7	1	1	4	3	16
Innovation, Industry and Regional Development	12		5	2	1	20
Justice	6	8				14
Premier and Cabinet	5	1		2		8
Primary Industries		2				2
Sustainability and Environment	3					3
Treasury and Finance	6	4	1		3	14
Victorian Communities	4	4	1		2	11
Parliamentary Departments	2		1			3
Auditor-General	1					1
Total	54	23	14	8	10	109

Source: Government response to the Recommendations of the Public Accounts and Estimates Committee's 52nd Report on the 2002-2003 Budget Estimates

The Committee identified several issues in the Government's response that warranted further comment. These are discussed below.

Reject — Recommendation 6.8(d), 2002-2003 Budget Estimates

The Department of Human Services develop performance measures that focus on waiting times for repairs and maintenance, and the number of public housing units requiring repairs and maintenance.

The Committee noted that the Office of Housing provides responsive maintenance to properties on a needs basis, according to the Office of Housing maintenance standards and legislative requirements under the *Residential Tenancies Act 1997*.⁵⁰ The department advised the Committee that the Office of Housing's maintenance standards ensure that properties are maintained in good repair and are safe and secure during the life of the tenancy.⁵¹

⁵⁰ Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2002-2003 Budget Estimates*, 52nd Report, March 2004, p.23

⁵¹ *ibid.*

The department also advised the Committee that all repairs to occupied Office of Housing public and community housing properties are required to be completed within the following timeframes:⁵²

- urgent repairs - must be completed within 24 hours;
- priority repairs - must be completed within seven days; and
- normal repairs - must be completed within 14 days.

The department pointed out that the accrued maintenance backlog figures referred to by the Committee are a result of the property inspections regime, which is undertaken to provide information to direct planned maintenance and upgrading programs – not to indicate responsive maintenance requirements.⁵³ The department believed that representation of the backlog works as outstanding maintenance is therefore not accurate and not an effective performance measure of the maintenance regime.⁵⁴

The Committee noted that expenditure on public housing maintenance in 2002-03 was \$71.3 million.⁵⁵ In a recent performance audit of public housing maintenance, the Auditor-General made 25 recommendations relating to the operations of the Office of Housing including:⁵⁶

- developing a strategy to reduce the level of backlog maintenance;
- enforcing the conditions of its contracts to ensure that all contractors perform to the required standards;
- exploring the greater use of performance benchmarking and spreading of good practice across regions; and
- training its staff to use the complaints procedure.

In its response to the Auditor-General's report, the Department of Human Services indicated it either supported the Auditor-General's recommendations or supported the intent of the recommendations.⁵⁷

While the new monitoring mechanisms for maintenance should improve the existing quality of reporting,⁵⁸ the Committee believes that the significant resources directed towards public housing maintenance warrant additional performance measures in the Budget Papers to assess the timeliness and quality of works undertaken by the Office of Housing.

⁵² *ibid.*

⁵³ *ibid.*

⁵⁴ *ibid.*

⁵⁵ Auditor-General Victoria, *Maintaining public housing stock*, June 2004, p.3

⁵⁶ *ibid.*, pp.5-11

⁵⁷ *ibid.*, pp.31-81

⁵⁸ Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2002-2003 Budget Estimates*, 52nd Report, March 2004, p.23

The Committee recommends that:

Recommendation 7: **The Department of Human Services examine the information that is available from the new monitoring system for public housing maintenance and develop appropriate performance measures to assess the timeliness and quality of works undertaken by the Office of Housing.**

Reject — Recommendation 7.12, 2002-2003 Budget Estimates

The Department of Infrastructure develop and institute three new performance measures for the Governance Support output, namely:

- (a) a measure of the timeliness of the submission of municipal financial statements to the Auditor-General within eight weeks of the end of the financial year;*
- (b) a measure of the number and percentage of municipal financial statements qualified by the Auditor-General for a financial year; and*
- (c) a measure of the number and percentage of municipal performance statements qualified by the Auditor-General for a financial year.*

The Committee notes that the activities previously undertaken in the Governance Support output are now included in the Local Government Sector Development output, which is now the responsibility of the Department for Victorian Communities.⁵⁹ The restructured output largely carries over the performance measures from previous local government related outputs.⁶⁰

In rejecting this recommendation, the Department of Infrastructure believed that the existing performance measures provide a sound basis for assessment, with the additional measures being suggested relating to the activities of Councils and the Auditor-General.⁶¹ The department advised the Committee that the performance of these bodies in the proposed measures is not controlled by the Department for Victorian Communities and therefore adds little to any assessment of the performance of Local Government Victoria.⁶²

⁵⁹ Budget Paper No. 3, 2004-05 Service Delivery, pp.238–239

⁶⁰ *ibid.*

⁶¹ Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2002-2003 Budget Estimates*, 52nd Report, March 2004, p.35

⁶² *ibid.*

The Committee noted the Auditor-General had recently identified that councils could achieve earlier finalisation of their financial statements, with seven weeks being the average elapsed time for the receipt of draft financial statements by auditors.⁶³

While the Committee recognises that Local Government Victoria – a division of the Department for Victorian Communities – does not directly influence the preparation of audited financial and performance statements, the Committee believes that Local Government Victoria has a significant interest in this area, which is consistent with its self defined role to:⁶⁴

not so much as micro management of individual councils but being concerned with 'oversighting, supporting and encouraging' the system of local government.

The Committee believes that this advisory/education role is currently reflected in a number of performance measures that are presently used for the Local Government Sector Development output, including '*Councils with proper structures and functioning audit committees and Council annual reports lodged within statutory timeframes*'.⁶⁵ The Committee notes that recent activities carried out by Local Government Victoria in this area include the development of a standard set of financial statements,⁶⁶ asset management policies⁶⁷ and an accounting guide for infrastructure assets.⁶⁸

The Committee believes that the inclusion of performance measures relating to the quality and timeliness of the presentation of financial and performance statements to auditors would further encourage efforts by councils and Local Government Victoria to improve this important aspect of external accountability and provide an indication of the effectiveness of Local Government Victoria's efforts to improve these processes.

⁶³ Auditor-General Victoria, *Report on Public Sector Agencies*, November 2003, p.266

⁶⁴ Department for Victorian Communities, Local Government Victoria, www.dvc.vic.gov.au/local_gov.htm, accessed 6 August 2004

⁶⁵ Budget Paper No. 3, *2004-05 Service Delivery*, pp.238-239

⁶⁶ Department for Victorian Communities, *Standard Statements: A guide*, March 2004

⁶⁷ Department for Victorian Communities, *Sustaining Local Assets: Local government asset management policy statement*, December 2003

⁶⁸ Department for Victorian Communities, *Accounting for infrastructure assets: A guide*, December 2003

The Committee recommends that:

Recommendation 8: **The Department for Victorian Communities develop and report performance measures that reflect its efforts to improve the quality and timeliness of local government financial and performance reports to auditors.**

Reject — Recommendation 8.7, 2002-2003 Budget Estimates

The Department of Innovation, Industry and Regional Development develop performance measures to reflect the achievements/outputs generated by the provision of grant funds and the extent to which the objectives of the Regional Infrastructure Development Fund are being achieved. These performance measures should be included in Budget Paper No. 3 and be reported in the department's annual report.

The Department of Innovation, Industry and Regional Development advised the Committee that it was finalising a document reviewing the first three years of the Regional Infrastructure Development Fund (RIDF), including the achievements of projects funded.⁶⁹ The report, dated January 2004, was released on 28 April 2004.⁷⁰

The Committee noted that the department believed that the diverse nature and size of individual RIDF projects meant that it is difficult to provide whole of fund outcome measures for inclusion in Budget Paper No. 3.⁷¹ For this reason, the department intended to continue to focus on assessing outputs on a project-by-project basis.⁷²

The Committee noted that performance measures for the output that administers funds from the RIDF – Regional Infrastructure Development – are largely unchanged from the 2002-03 Budget.⁷³

The department's report on the RIDF included estimates by a consultant of the economic benefits to regional Victoria, which found that the initial expenditure of \$93 million will deliver \$879 million of net additional impact over the next 20 years which equates to a benefit-to-cost ratio of 8:1.⁷⁴ To improve transparency relating to

⁶⁹ Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2002-2003 Budget Estimates*, 52nd Report, March 2004, p.47

⁷⁰ Department of Innovation, Industry and Regional Development, *Regional Infrastructure Development Fund*, January 2004

⁷¹ Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2002-2003 Budget Estimates*, 52nd Report, March 2004, p.47

⁷² *ibid.*

⁷³ Budget Paper No. 3, *2004-05 Service Delivery*, p.146

⁷⁴ Department of Innovation, Industry and Regional Development, *Regional Infrastructure Development Fund*, January 2004, p.7

the calculation of the economic benefits of RIDF grants, the Committee believes the department should publicly release the consultant's report.

While the Committee is impressed at the projected benefits from the initial \$93 million allocated from the RIDF, the Committee believes that the additional \$180 million allocated to the fund over five years in the 2003-04 Budget warrants the inclusion of additional performance measures in the Budget Papers.

The Committee notes that recipients of RIDF grants greater than \$1 million are required to complete a Victorian Industry Participation Policy Statement outlining the level of local content, the number of new jobs created, and possible skills and technology transfer generated by the RIDF project.⁷⁵ The department believed that through this requirement, the RIDF encourages applicants to actively evaluate and consider the use of local contractors and materials in the delivery of their project and that it would ensure that the multiplier effect of RIDF funding is felt within a local community and local jobs and industry are supported.⁷⁶

The Committee also notes that the 2004-05 Business Plan for Regional Development Victoria includes four key performance indicators relating to the administration of the RIDF.⁷⁷ While three of these are included as performance measures in the Budget Papers, the fourth – *Value of infrastructure investments leveraged through RIDF grants* – is not.⁷⁸

The Committee believes that there is merit in including additional performance measures in the Budget Papers relating to the outcomes of grants made from the RIDF. Such reporting should provide an annual indication of progress against the objectives of the fund and supplement the economic impact studies commissioned by the department on an irregular basis. The Committee therefore encourages the department to examine additional appropriate performance measures for the Regional Infrastructure Development output.

Under review — Recommendation 11.4, 2002-2003 Budget Estimates

The Government, in co-operation with the NSW Government, develop and implement an effective governance framework for the Joint Government Enterprise which includes:

- (a) comprehensive corporate and business plans containing high level objectives that are consistent with Government policy; and*

⁷⁵ *ibid.*

⁷⁶ *ibid.*

⁷⁷ Department of Innovation, Industry and Regional Development, *Regional Development Victoria: Business Plan 2004-2005*, p.4

⁷⁸ *ibid.*

- (b) *an effective performance monitoring system that provides complete, accurate and timely performance information that can be compared to key targets and desired outcomes.*

This recommendation related to the formation of a Joint Government Enterprise with responsibility to identify and fund water savings projects in Victoria and NSW in order to offset increased flows in the Snowy and Murray Rivers.⁷⁹

The Department of Premier and Cabinet's response⁸⁰ (see Appendix 4) did not address this recommendation, instead discussing the forthcoming review of the Growing Victoria Strategy.

The Committee noted the Joint Government Enterprise – Water for Rivers – had been established as a company in late 2003.⁸¹ At the 2004-05 estimates hearings, the Minister for Water advised the Committee that:⁸²

The establishment of the joint government enterprise was significantly delayed because unfortunately the commonwealth government was threatening to tax it, and so it was not set up for many months because it could possibly have been set up in such a way that it would have been subject to taxation. It is now operating. In terms of actual projects, a number of projects have not only commenced, but have been completed. The Woorinen and Normanville pipeline projects have been completed and will deliver up water savings that can go towards the Snowy River.

As a company set up under the *Corporations Act 2001* (Cth) with shareholdings by the Commonwealth, NSW and Victorian governments, the Victorian Government has limited power over reporting by the Joint Government Enterprise.

The Committee recommends that:

Recommendation 9: **The Department of Sustainability and Environment ensure that its annual report contains appropriate information on the outcomes achieved from funds allocated to the operations of the Joint Government Enterprise, in a manner that will complement existing reporting arrangements for this organisation.**

⁷⁹ Public Accounts and Estimates Committee, *Report on the 2002-2003 Budget Estimates*, 52nd Report, June 2003, p.469

⁸⁰ Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2002-2003 Budget Estimates*, 52nd Report, March 2004, p.75

⁸¹ Hon. I. MacFarlane, MP, Federal Minister for Industry, Tourism and Resources, media release, *Snowy joint government enterprise now open for business*, 17 December 2003

⁸² Hon. J. Thwaites, MP, Minister for Water, transcript of evidence, 17 June 2004, p.4

The Committee believes that reporting by the Department for Sustainability and Environment will need to complement that of the Joint Government Enterprise to ensure that the effectiveness of its activities can be fully assessed.

Reject — Recommendation 11.7(b), 2002-2003 Budget Estimates

The Department for Victorian Communities include a note in the Budget Papers to explain the low performance target and the relevance and definition of PROV standards' within the performance measure titled 'Public Record Office Victoria electronic records maintained in accordance with PROV standards'.

In rejecting this recommendation, the Department of Premier and Cabinet (which had responsibility for the Public Records Office prior to December 2002) advised the Committee that the low performance target (13 per cent) reflects the fact that only the Department of Infrastructure has implemented a Victorian electronic records strategy compliant record keeping system to date.⁸³ The Department for Victorian Communities estimate is that the Department of Infrastructure creates 13 per cent of Government electronic records.⁸⁴

The Committee noted that this performance measure was discontinued in the 2004-05 Budget Papers and that two new measures relating to the maintenance of electronic records by departments were introduced.⁸⁵

The Minister for Victorian Communities advised the Committee that:⁸⁶

We are as a government developing and implementing an electronic record system across all departments. This is not an exercise just for our department although we are the overseeing department. The individual departments themselves are implementing it and are funding it. They need to all become compliant with the new system in the coming five years. So it really is a whole of government exercise; it is about having the technology right, the formatting of information right and the technologies there to record it in a way that will remain readable into the future. It is a very positive thing for the Victorian government. It is something that governments around the world are grappling with. We are one of the more advanced governments.

The Committee welcomes the new performance measures, which provide information on the activities undertaken by the Public Records Office to support the introduction

⁸³ Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2002-2003 Budget Estimates*, 52nd Report, March 2004, p.78

⁸⁴ *ibid.*

⁸⁵ Budget Paper No. 3, *2004-05 Service Delivery*, pp.244–245 and p.355

⁸⁶ Hon. J. Thwaites, MP, Minister for Victorian Communities, transcript of evidence, 17 June 2004, p.10

of electronic record keeping. However, the Committee believes that the Department for Victorian Communities should provide broader reporting in its annual report on efforts across departments to implement the Victorian electronic records strategy.

The Committee believes that ensuring an adequate record of administrative actions is maintained is essential for good governance. The Committee intends to closely monitor progress by departments in implementing the strategy.

Reject — Recommendation 13.7, 2002-2003 Budget Estimates

The Department of Treasury and Finance review the performance measures to ensure they include key measures that focus on key targets and outcomes of the WorkCover and Transport Accident Commission portfolios. In addition, the performance measures should be aligned with the corporate and business plans of the Victorian WorkCover Authority and the Transport Accident Commission.

The Department of Treasury and Finance advised the Committee that Victorian Workcover Authority (VWA) and the Transport Accident Commission (TAC) performance measures are extremely important and are used by the department to review these agencies' performance against their corporate and business plans. The Committee noted that the department regularly discussed these plans, measures and outcomes with VWA and TAC and sought to improve the scope and relevance of performance measures and their alignment against corporate and business plans.⁸⁷

The Committee agrees with the department that the achievement of targets is the responsibility of the boards of TAC and VWA and therefore it may not be appropriate to include these as performance measures for the Department of Treasury and Finance in the Budget Papers. However, the Committee believes that there are significant opportunities to strengthen reporting guidelines for these organisations.

The Committee's review of the TAC and VWA annual reports for 2002-03 and 2003-04 revealed that while both agencies reported current performance for a range of indicators against previous years, there were few instances where performance was measured against targets.⁸⁸

The Committee notes that neither of these agencies is required to make publicly available their corporate or business plans, a basis from which Parliament (and the community generally) would be able to assess actual performance as disclosed in the annual report against expected performance.⁸⁹ This differs from requirements for

⁸⁷ Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2002-2003 Budget Estimates*, 52nd Report, March 2004, p.93

⁸⁸ Victorian Workcover Authority, *Annual Report 2002-03 and 2003-04*; Transport Accident Commission, *Annual Report 2002-03 and 2003-04*

⁸⁹ *Transport Accident Act 1984*; *Accident Compensation Act 1985*

similar entities in other jurisdictions such as NSW where business plans for the forthcoming year are required to be tabled in Parliament within 14 days after being received by the Treasurer and responsible Minister or in Queensland where annual reports must include a comparison of performance against the business plan.⁹⁰

Although there is no requirement for the VWA or the TAC to make such plans public, the Committee noted that the most recent corporate plan (covering the period 2003-04) for the VWA was available on the Internet, while the TAC's statement of corporate intent (covering the period 2001–2004) was also available.⁹¹

The Committee believes that accountability is strengthened when clear assessments can be made between expectations expressed in planning documents and actual performance.

The Committee recommends that:

Recommendation 10: **In their annual reports, the Transport Accident Commission and the Victorian WorkCover Authority make clear links between expectations of performance, as expressed in planning documents, and actual performance.**

Accept in principle — Recommendation 14.2, 2002-2003 Budget Estimates

Parliamentary Departments publish their business plans prior to the financial year to which they relate.

The Parliamentary Departments advised the Committee that they would endeavour to meet this recommendation, although achievement of this recommendation can be affected if the autumn session of Parliament does not finish until some time in June.⁹²

The Committee noted that Parliamentary Departments have developed a strategic plan covering the period 2003–2006. This plan – *One Parliament* – operates at a level between the corporate plan and the one year business plans and outlines the range of activities that are to be implemented over the planning period to meet 23 strategic objectives.⁹³

⁹⁰ *State Owned Corporations Act 1989* (NSW), s.26; *Government Owned Corporations Act 1993* (Qld), s.131

⁹¹ Victorian WorkCover Authority, *Corporate Plan 2003-06*, www.workcover.vic.gov.au, accessed 24 September 2004; Transport Accident Commission, *2001-2004 Statement of Corporate Intent*, www.tac.vic.gov.au, accessed 24 September 2004

⁹² Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2002-2003 Budget Estimates*, 52nd Report, March 2004, p.95

⁹³ Parliament of Victoria, *One Parliament: A business plan for the Parliamentary Departments 2003–2006*

The Committee was disappointed that the relevant business plans for each parliamentary department have not yet been published and distributed at the time of the preparation of this report in October 2004. While the Committee acknowledges that structural changes associated with implementing the One Parliament arrangements have complicated planning activities, the Committee encourages the Parliamentary Departments to produce and distribute business plans for each year as early as possible.