

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*

DEPARTMENT OF TREASURY AND FINANCE

Pursuant to Section 36 of the *Parliamentary Committees Act 2003*, this paper provides a response to the recommendations contained in the Public Accounts and Estimates Committee's (PAEC) 111th Report.

Guide for readers - Following is the explanation of the format of this paper.

1 Title		
2 Chapter number and topic		
1 PAEC recommendation	2 Response	3 Action taken to date and commitment to further action

Row 1: Indicates the title of this paper.

Row 2: Indicates the number and topic of the response to the PAEC recommendations.

Column 1: Contains PAEC's recommendations as published in its 111th Report – Part Two.

Column 2: Indicates the Government's response to each recommendation.

Column 3: Provides an explanation of the Government's position on the recommendation indicates the actions that have been taken to date, relevant to the implementation of the recommendation and outlines commitment to further action, relevant to the implementation of the recommendation.

PAEC recommendation	Response	Action taken to date and commitment to further action
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Recommendation 1, Chapter 2.4 Budget setting and initiatives, page 17

<p>The Government develop a reporting framework, including measures and targets, for its economic reform and medium-term fiscal strategies. Progress compared to targets should be reported annually in the budget papers or annual Financial Report for the State.</p>	<p>Support in principle</p>	<p>The Government supports this recommendation in principle.</p> <p>Budget Paper No.2, Chapter 1 <i>Economic and fiscal overview</i>, outlines key measures and targets for the medium-term strategy. The Department of Treasury and Finance (DTF) will continue to include commentary on progress against the targets in the budget papers.</p>
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Recommendation 2, Chapter 2.4 Budget setting and initiatives, page 22

<p>Where a value reported as a total in budget papers disagrees with the sum of each contributing value, an explanation for the difference be given.</p>	<p>Support</p>	<p>Differences between the reported total and sum of each contributing value are explained in budget papers. The differences identified by PAEC relate to a number of health initiatives, and are explained in Budget Paper 3, Chapter 1 <i>Service Delivery</i> on pages 30, 112 and 116-8.</p>
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Recommendation 3, Chapter 2.4 Budget setting and initiatives, page 22

<p>Where figures for funds committed are cited in successive budgets, but the figures vary, clear explanations be provided for the variations.</p>	<p>Support</p>	<p>In future budget papers, DTF will explain variations between funding committed and cited in successive budgets.</p>
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PAEC recommendation	Response	Action taken to date and commitment to further action
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Recommendation 4, Chapter 2.4 Budget setting and initiatives, page 24

<p>Future budget papers include a table listing the Government's formal election commitments. For each commitment, the table should identify relevant initiatives and show:</p> <p>(a) the total funding required;</p> <p>(b) how much has been funded in prior budgets;</p> <p>(c) how much has been funded in the current budget; and</p> <p>(d) how much remains to be funded.</p>	<p>Not support</p>	<p>The Government ensures transparency of spending decisions by publishing the financial impact across the budget and forward estimates as well as providing a description of new initiatives in Budget Paper No. 3 <i>Service Delivery</i>. Election commitments are identified as part of this description. Any subsequent policy variations with budgetary impact are similarly described in Budget Paper No. 3 <i>Service Delivery</i>.</p>
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Recommendation 5, Chapter 2.4 Budget setting and initiatives, page 24

<p>In describing initiatives based on election commitments, the Department of Treasury and Finance clearly specify any:</p> <p>(a) alterations or re-scoping of the election commitments; and</p> <p>(b) changes between the initial cost estimate and the amount of funding actually provided in the Budget.</p>	<p>Not support</p>	<p>The Government ensures transparency of spending decisions by publishing the financial impact across the budget and forward estimates as well as providing a description of new initiatives in Budget Paper No. 3 <i>Service Delivery</i>. Election commitments are identified as part of this description. Any subsequent policy variations with budgetary impact are similarly described in Budget Paper No. 3 <i>Service Delivery</i>.</p>
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Recommendation 6, Chapter 2.4 Budget setting and initiatives, page 25		
<p>The Department of Treasury and Finance investigate ways to monitor announced funding commitments made since the election, so that:</p> <p>(a) all commitments can be easily identified;</p> <p>(b) funding provided for these commitments in a budget is clearly identified;</p> <p>(c) any variations between the commitment and the actual level of funding provided are identified and explained; and</p> <p>(d) the value of commitments that will need to be funded in future budgets is known.</p>	Not support	<p>The Government ensures transparency of spending decisions by publishing the financial impact across the budget and forward estimates as well as providing a description of new initiatives in Budget Paper No. 3 <i>Service Delivery</i>. Election commitments are identified as part of this description. Any subsequent policy variations with budgetary impact are similarly described in Budget Paper No. 3 <i>Service Delivery</i>.</p>
Recommendation 7, Chapter 3.4 Components of revenue over time, page 50		
<p>In future budget papers, the Department of Treasury and Finance provide explanations when significant variations for revenue components are predicted over the forward estimates period.</p>	Support	<p>The Government supports the recommendation to provide explanations when significant variations for revenue components are predicted over the forward estimates period.</p>

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Recommendation 8, Chapter 3.4 <i>Components of revenue over time</i> , page 51		
<p>The Department of Treasury and Finance and the Commonwealth explore ways of more effectively liaising with each other when preparing forecasts for general purpose grants.</p>	<p>Support</p>	<p>DTF liaises extensively with the Commonwealth Treasury on its forecasts for the national GST pool and population shares, and will continue to explore avenues for further cooperation. However, minor differences in these parameters may still arise because Victoria's budget is finalised before the Commonwealth's.</p> <p>The major difference in respective forecasting approaches relates to GST relativities. The Commonwealth relies on a simplifying assumption that holds each state's fiscal capacities constant over the forward estimates. As such forecast relativities are anchored by historical trends. This is a relatively unsophisticated approach that does not reflect emerging or prospective trends in revenues and expenses across jurisdictions.</p> <p>DTF's approach is based on the Commonwealth Grants Commission methodology and more explicitly incorporates projected trends in state revenues and expenses based on the each jurisdiction's own forecasts in their most recent budgets.</p> <p>The investment DTF has made in developing a more robust and sophisticated approach to modelling GST relativities reflects the importance to the bottom line of how state shares are likely to change over the forward estimates. In contrast, the distribution amongst the states does not affect the Commonwealth.</p> <p>This methodology is detailed in the notes to the estimated financial statements. The Victorian Auditor-General's Office has certified that the methodologies used to determine key assumptions in the estimated financial statements are reasonable.</p>
Recommendation 9, Chapter 3.4 <i>Components of revenue over time</i> , page 51		
<p>If the Department of Treasury and Finance uses a different method for estimating future GST grants (such as predicting different relativities or different GST pool sizes) compared to the Commonwealth Government, the differences in these methods should be explained in the budget papers.</p>	<p>Not support</p>	<p>DTF discloses its methodology for forecasting GST grants in Budget Paper No. 5 Chapter 1 <i>Estimated Financial Statements and Notes</i>. It is not feasible or appropriate to provide commentary in the budget papers on the approach adopted by other jurisdictions.</p>

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Recommendation 10, Chapter 3.4 Components of revenue over time, page 51

<p>If the Department of Treasury and Finance is expecting large amounts of funding through general purpose grants from sources other than GST revenue, these sources should be detailed and quantified.</p>	<p>Support in principle</p>	<p>While there are not currently any general purpose grants other than GST, the Government supports disclosure of sources of revenue.</p>
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Recommendation 11, Chapter 3.4 Components of revenue over time, page 57

<p>Future budget papers include a discussion of the effects that changes to dividend requirements are expected to have on contributing agencies.</p>	<p>Not support</p>	<p>Dividend policy for government business enterprises is set down in the DTF's Corporate Planning and Performance Reporting Requirements October 2009. The dividend policy has not changed. In accordance with the established policy, dividends are determined by the Treasurer in consultation with the board of directors of the business, and the portfolio Minister. In determining the appropriate level of dividend for a business, the Treasurer considers all of the relevant commercial considerations pertaining to the business, including reported profit, operating cash flow, planned capital expenditure, gearing and interest cover, the views of the board and the portfolio Minister, and the budget position. It is not proposed to discuss the future financial performance of government business enterprises in the budget papers, as their financial performance is influenced by many factors, including customer demand, operating costs, interest rates, and climatic conditions (for example, the water businesses). The annual reports of government business enterprises, including their audited financial statements, are tabled in Parliament on an annual basis.</p>
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Recommendation 12, Chapter 3.4 Components of revenue over time, page 58		
<p>The Department of Treasury and Finance include a disaggregation of dividends revenue showing, for each year:</p> <p>(a) which authorities contribute dividend payments for the year;</p> <p>(b) the period the dividend payment relates to; and</p> <p>(c) reasons for any alteration to dividend payments or schedules.</p>	<p>a-b) Support</p> <p>c) Not support</p>	<p>DTF collects and collates individual entity information relating to dividends collected for the public non financial corporation (PNFC) and public financial corporation (PFC) sectors. This information is readily available and can be disaggregated and reported.</p> <p>DTF does not support recommendation (c). Under Victorian legislation, the Treasurer determines dividends after consulting with the government business enterprise board and the relevant portfolio Minister. Dividends are referenced to benchmark payout ratios (50 per cent of net profit after tax for PNFCs and profit from insurance operations for PFCs). Dividends are based on a range of factors, including the reported profit, operating cash flow, retained earnings, gearing and interest cover, liquidity and working capital requirements, optimal capital structure, forecast cash flow requirements (including planned capital expenditure) and other individual circumstances. Therefore the dividend payout ratios can vary from year to year and be altered for a variety of reasons.</p>
Recommendation 13, Chapter 3.5, Revenue and revenue foregone initiatives, page 62		
<p>The Department of Treasury and Finance clarify under which circumstances a change in policy that affects revenue estimates is discussed as a revenue (or revenue foregone) initiative.</p>	<p>Support</p>	<p>DTF supports this recommendation. Where a new policy decision has a direct impact on revenue, and that impact is material (in the budget year and/or forward estimates period) and can be reasonably estimated, it will be discussed as a revenue (or revenue foregone) measure in the budget publication immediately following the announcement.</p>
Recommendation 14, Chapter 3.5, Revenue and revenue foregone initiatives, page 62		
<p>In the section of Budget Paper No.3 that lists revenue initiatives, the Department of Treasury and Finance include cross-references to any initiatives not listed in that Section that have an impact on revenue.</p>	<p>Not support</p>	<p>The revenue initiatives section of Budget Paper No. 3 <i>Service Delivery</i> is intended to reflect the direct impacts of revenue policy decisions. It is not feasible to identify all indirect revenue implications of other initiatives.</p>

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Recommendation 15, Chapter 3.6, Net debt and borrowings		
<p>The Government produce interim targets for net debt, which will assist in monitoring progress over time.</p>	<p>Not support</p>	<p>The Government outlined its medium-term fiscal strategy in Budget Paper No. 2, Chapter 1 <i>Economic and fiscal overview</i>. This included a parameter to reduce net debt as a percentage of Gross State Product (GSP) over the decade to 2022 and bring the Government's finances to a more sustainable footing. Progress toward this parameter will be clear from the forecasts of net debt over the budget and forward estimates.</p>
Recommendation 16, Chapter 4.1 Introduction, page 67		
<p>Future budget papers detail each department's base funding, explaining any significant variances in the amount of base funding from one year to the next.</p>	<p>Not support</p>	<p>The Government publishes explanations for all decisions that impact on departments' funding. The explanation is published in the year decisions are made and outlines the future impact of these decisions. The disclosure in future budget papers of all changes to output expenditure as a result of past decisions is not practical and would substantially increase the cost of producing the budget due to the volume of previously approved initiatives.</p>

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Recommendation 17, Chapter 4.4 <i>Understanding the level of expenditure, page 72</i>		
<p>The Government establish a suite of measures to identify whether or not efficiency initiatives have actually achieved efficiencies. Actual results for these measures should be publicly reported each year. Among other things, these measures should clearly identify whether savings targets have been achieved though:</p> <p>(a) efficiencies (that is, through delivering services at a reduced cost per unit); or</p> <p>(b) reduced service delivery.</p>	<p>Not support</p>	<p>Departments are funded on a global basis under the annual appropriation acts and ministers have the ability to reprioritise funding within their portfolio department in order to meet government priorities such as achieving efficiencies.</p> <p>Any anticipated impacts on service delivery of budget decisions, including savings initiatives, are reflected in changes to the descriptions of services to be delivered or in changes to performance measures and targets, as appropriate. These expected impacts are disclosed within Budget Paper No. 3 <i>Service Delivery</i>, as appropriate and footnoted when any target is varied.</p> <p>Requirements for reporting actual results are directed through <i>Financial Reporting Direction 22C</i> which states that the entity's annual report should include a summary of the entity's performance against its operational and budgetary objectives for the current reporting period. This is further described in the <i>2011-12 Model Report for Victorian Government Departments</i> providing detailed guidance, in particular:</p> <ul style="list-style-type: none"> ▪ <i>“the actual result on an output by output basis against the budget target (as per Budget Paper No. 3) and the actual result for each quantity, quality, timeliness and cost performance measure. The output performance measures should be presented as published in the department’s output statements in Budget Paper No. 3;</i> ▪ <i>appropriate commentary to explain the cause of significant or material variances between the Budget Paper No. 3 targets and actual results. The commentary provided should be sufficient to assist the reader in understanding variances between actual and targeted results.”</i>

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Recommendation 18, Chapter 4.4 *Understanding the level of expenditure, page 77*

<p>Regarding the Better Services Implementation Taskforce, the Government should publicly disclose:</p> <p>(a) the strategies developed by the Taskforce;</p> <p>(b) how the strategies will be implemented;</p> <p>(c) accountability frameworks established to monitor the success of these strategies; and</p> <p>(d) the relationship between the Taskforce's strategies and the Government's published savings initiatives.</p>	<p>Support in principle</p>	<p>The Government supports this recommendation in principle and will, subject to Cabinet confidentiality and regular Government approval processes, release information about the Better Services Implementation Taskforce's work at the appropriate time.</p> <p>Consistent with its terms of reference, the Taskforce is overseeing departments' development and implementation of reforms to service delivery, governance and internal processes.</p>
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Recommendation 19, Chapter 4.6 Savings initiatives, page 86		
<p>When announcing savings initiatives, the Department of Treasury and Finance provide additional information in the budget papers. This should include, where available:</p> <p>(a) the specific areas targeted for savings;</p> <p>(b) a quantified break-down of the savings targets according to those specific areas; and</p> <p>(c) the level of expected savings for each specific area for each department.</p>	<p>Not support</p>	<p>Departments are funded on a global basis under the annual appropriation acts and Ministers have the ability to reprioritise funding within their portfolio department in order to meet government priorities such as achieving efficiencies.</p> <p>Any anticipated impacts on service delivery of budget decisions, including savings initiatives, are reflected in changes to the descriptions of services to be delivered or in changes to performance measures and targets, as appropriate. These expected impacts are disclosed within Budget Paper No. 3 <i>Service Delivery</i>, as appropriate and footnoted when any target is varied.</p>
Recommendation 20, Chapter 4.6 Savings initiatives, page 87		
<p>When previously announced savings initiatives are continued and increased in later budgets, the budget papers should detail how the additional savings are expected to be realised, in which departments they will be realised and what the impacts will be.</p>	<p>Support in principle</p>	<p>The budget papers provide details of the scope and cost of new initiatives for the budget year and forward estimates, including savings. When previously announced savings initiatives are continued in subsequent budgets, the new year in the forward estimates is created using the relevant escalation factors and any assumptions that were applied to the earlier years. Explanations are provided for any variation to the scope or application of savings measures other than expected escalation or relevant assumptions.</p>

PAEC recommendation	Response	Action taken to date and commitment to further action
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Recommendation 21, Chapter 4.6 Savings initiatives, page 88		
<p>In future budget papers, the Department of Treasury and Finance provide details of the methodology used to calculate savings targets and to calculate their impacts on service delivery.</p>	<p>Not support</p>	<p>In cases where the Government has identified specific areas that are to achieve efficiencies, and the detail is available at the time of the publication, the budget papers provide a description of these initiatives.</p> <p>Any anticipated impacts on service delivery of budget decisions, including savings initiatives, are reflected in changes to the descriptions of services to be delivered or in changes to performance measures and targets, as appropriate. These expected impacts are disclosed within Budget Paper No. 3 <i>Service Delivery</i>, and footnoted when any target is varied.</p>
Recommendation 22, Chapter 4.6 Savings initiatives, page 89		
<p>The Department of Treasury and Finance amend the guidance for annual reports to require departments to disclose their actual achievements compared to targets for savings initiatives and the impacts of savings measures. The required disclosure should include, as a minimum, the information suggested in Section 4.6.4 of this report.</p>	<p>Not support</p>	<p>The Victorian financial management framework is based on setting a price for outputs and establishing performance expectations for that price. It is not appropriate, within this framework, to shift the focus of attention to changes in inputs. Departments have flexibility to shift resources within their budgets to best deliver their outputs.</p>

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Recommendation 23, Chapter 4.7 Reprioritised funding, page 90		
Future budget papers provide additional details about the line item 'funding from reprioritisation and adjustments', including which programs or services have been affected and what impacts are expected.	Not support	As previously outlined in the Government's response to the PAEC's <i>Report on the 2011-12 Budget Estimates, Part Three</i> , recommendation 24, departments are funded on a global basis in the annual appropriation acts and Ministers have the ability to reprioritise funding within their portfolio department. If the reprioritisation of funding has a significant impact on service delivery, this is reflected in the changes to output performance measures and is required to be footnoted in Budget Paper No. 3 <i>Service Delivery</i> .
Recommendation 24, Chapter 5.4 Objectives and objective performance indicators, page 101		
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'.	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 ' <i>what is being delivered, to whom, to what standard and by when</i> ' 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.
Recommendation 25, Chapter 5.4 Objectives and objective performance indicators, page 102		
The Department of Treasury and Finance ensure that future departmental performance statements include objective performance indicators.	Support	As part of the Budget and Financial Management Guidance-08 ' <i>Departmental objective indicators must demonstrate the contribution of departmental outputs to the achievement of the objective through performance data.</i> ' DTF will continue to work with departments to include departmental objective indicators in the 2013-14 budget papers.

PAEC recommendation	Response	Action taken to date and commitment to further action
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Recommendation 26, Chapter 5.5 <i>Outputs</i>, page 108		
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.	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.
Recommendation 27, Chapter 5.6 <i>Output performance measures</i>, page 115		
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.	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.
Recommendation 28, Chapter 5.6 <i>Output performance measures</i>, page 118		
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.	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.

PAEC recommendation	Response	Action taken to date and commitment to further action
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Recommendation 29, Chapter 5.6 Output performance measures, page 118		
The Department of Treasury and Finance ensure that all outputs have performance targets that reflect the impact of changes to funding.	Support	<p>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.</p> <p>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.</p>
Recommendation 30, Chapter 5.7 Victoria's performance management framework, page 119		
The Department of Treasury and Finance establish a central access point for all documents and resources related to performance management.	Support in principle	<p>DTF will continue to review access to guidance material and resources related to performance management to facilitate easy access by departments.</p> <p>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.</p>
Recommendation 31, Chapter 5.7 Victoria's performance management framework, page 120		
The Department of Treasury and Finance publish the Performance Management Framework on its website.	Support	The Government supports this recommendation.

PAEC recommendation	Response	Action taken to date and commitment to further action
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Recommendation 32, Chapter 5.7 Victoria's performance management framework, page 120

The Department of Treasury and Finance implement independent validation of performance measures and targets.	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 <i>Performance Reporting by Departments</i> , May 2010). This work includes performance audits, which evaluate whether an organisation is achieving its objectives effectively, and in compliance with relevant legislation.
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Recommendation 33, Chapter 5.7 Victoria's performance management framework, page 121

The Department of Treasury and Finance implement a system for having departments' performance information systems independently validated.	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 <i>Performance Reporting by Departments</i> , May 2010). This work includes performance audits, which evaluate whether an organisation is achieving its objectives effectively, and in compliance with relevant legislation.
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Recommendation 34, Chapter 5.7 Victoria's performance management framework, page 122

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.	n/a	The Victorian Auditor-General's Office responds directly to the Committee in relation to recommendations.
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Recommendation 35, Chapter 6.3 Annual asset investment between 2012-13 and 2015-16, page 127		
<p>The Government should detail its expected performance compared to its asset investment target each year in the budget papers. This should be followed by reporting actual results compared to the target in the annual Financial Report for the State. Any occasions on which the target is not met should be explained.</p>	<p>Support</p>	<p>The Government supports this recommendation.</p> <p>Budget Paper No.2, Chapter 1 <i>Economic and fiscal overview</i>, outlines key measures and targets for the medium-term fiscal strategy, one of which is its infrastructure investment target. The annual budget papers, as well as the annual financial report, will continue to report on the State's infrastructure investment performance against its target.</p>
Recommendation 36, Chapter 6.3 Annual asset investment between 2012-13 and 2015-16, page 130		
<p>Future budget papers should include a comparison between net direct investment and depreciation in the general government sector.</p>	<p>Support</p>	<p>The Government supports this recommendation.</p> <p>Net direct investment and depreciation in the general government sector is included in Budget Paper No.5, Chapter 1 <i>Estimated Financial Statements and Notes</i> in Note 15, <i>Net acquisition of non-financial assets from transactions</i>. This will be continued for future budget papers.</p>
Recommendation 37, Chapter 6.3 Annual asset investment between 2012-13 and 2015-16, page 130		
<p>In any year where net direct investment is expected to be less than depreciation in the general government sector, the budget papers should explain the Government's reasons for planning this and show the Government's strategy to manage the situation.</p>	<p>Support in principle</p>	<p>The Government supports this recommendation in principle.</p> <p>Budget paper No.2, Chapter 4 <i>Budget Position and Outlook</i> provides commentary on the Government's infrastructure investment program, including its medium-term fiscal parameter of infrastructure investment of 1.3 per cent of GSP (calculated as a rolling five-year average).</p> <p>DTF will seek to improve the linkage between infrastructure investment and depreciation by including additional commentary in future budget papers.</p>

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Recommendation 38, Chapter 6.6 Avenues of asset investment – which Government bodies do the investing, page 136		
<p>The Department of Treasury and Finance provide a detailed break-down of asset investment through other sectors ('net cash flows from investments in financial assets for policy purposes') as part of the budget papers. This should include:</p> <p>(a) what projects are funded by the item; and</p> <p>(b) what policy purposes each project supports when not published elsewhere.</p>	<p>Support in principle</p>	<p>The Government supports this recommendation in principle.</p> <p>DTF will outline the major projects funded by 'net cash flows from investments in financial assets for policy purposes' and their primary policy purpose in future budget papers.</p>
Recommendation 39, Chapter 6.6 Avenues of asset investment – which Government bodies do the investing, page 136		
<p>The guidance for annual reports be amended to require departments that fund asset investment through other sectors ('net cash flows from investments in financial assets for policy purposes') to include in their annual reports a report that shows the progress of the project and results of the investment.</p>	<p>Not support</p>	<p>Budget Paper No. 4 <i>State Capital Program</i> annually provides information on actual and estimated spending against the Total Estimated Investment (TEI) for PNFC capital projects with a TEI of \$1 million or more which are in progress, expected to be commenced or completed in the budget year.</p> <p>It is not considered the responsibility of departments to report on PNFC sector agency performance in delivering capital projects within their annual reports. However, as indicated in the response to Recommendation 38, DTF will look at ways to improve disclosures relating to this investment by government through alternative means.</p>

PAEC recommendation	Response	Action taken to date and commitment to further action
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Recommendation 40, Chapter 6.6 Avenues of asset investment – which Government bodies do the investing, page 138		
The budget papers include an additional table bringing together all components of estimated expenditure on public private partnerships, including interest, operating payments and any other expenditure.	Not support	<p>DTF undertakes to investigate options to improve data presentation and coordination in the annual financial report.</p> <p>Currently there is no specific Australian Accounting Standard in relation to the accounting for and disclosure of public private partnerships (PPP) by the grantor of the PPP contract. The practice has been, and still is, to apply the Leasing standard (AASB 117). However, PPPs are service arrangements and not technically the acquisition of an asset, so the leasing standard is not necessarily the best fit for PPPs. Nevertheless DTF notes that work is being undertaken by the accounting standard setters reviewing the reporting of PPPs. There is also a review of current leasing standards underway. The valuation of PPP financial obligations is derived under the Lease Standard conventions, as are opening asset values.</p> <p>Victoria's current level of disclosure is already above and beyond that disclosed by other jurisdictions. However, Victoria will continue to monitor the development of better practice reporting and disclosure of PPPs.</p>
Recommendation 41, Chapter 6.6 Avenues of asset investment – which Government bodies do the investing, page 138		
The budget papers detail expected expenditure for the year ahead for each individual public private partnership project.	Not support	Figures are reported in the Departmental/Entity Annual Reports and the annual financial report. This PPP disclosure is consistent with other capital investment projects and service contracts as departmental forecasts of expenditure do not disaggregate into specific projects or long-term operating contracts.
Recommendation 42, Chapter 6.6 Avenues of asset investment – which Government bodies do the investing, page 139		
Significant changes to the components of expenditure on public private partnerships should be accompanied by explanations.	Not support	Disclosure is in accordance with accounting standards and consistent with practices in other jurisdictions.
Recommendation 43, Chapter 6.6 Avenues of asset investment – which Government bodies do the investing, page 140		
The budget papers disclose expenditure on public private partnerships by public non-financial corporations to the same standard as the general government sector.	Not support	Disclosure is in accordance with accounting standards and consistent with practices in other jurisdictions. Figures are reported in the PNFC annual reports and the annual financial report.

PAEC recommendation	Response	Action taken to date and commitment to further action
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Recommendation 44, Chapter 6.8 Inconsistent reporting in budget papers, page 144

<p>The Department of Treasury and Finance provide a reconciliation between the different figures for asset investment given in Table 6.3 of this report. This reconciliation should quantify and explain differences between these figures caused by:</p> <p>(a) threshold conventions;</p> <p>(b) sectoral classification conventions;</p> <p>(c) expenditure for projects not disclosed individually in Budget Paper No.4;</p> <p>(d) contingency allowances; and</p> <p>(e) any other factors that contribute to differences.</p>	<p>Support in principle</p>	<p>The Government supports this recommendation in principle.</p> <p>DTF will include a reconciliation between different figures for asset investment to explain differences driven by threshold conventions, sectoral classification conventions and other factors which contribute to differences in future budget papers.</p> <p>The Government does not support quantifying and explaining differences caused by expenditure for projects not disclosed individually in Budget Paper No.4 <i>State Capital Program</i> and contingency allowances. These items are generally not disclosed because they are commercially sensitive.</p>
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Recommendation 45, Chapter 6.8 Inconsistent reporting in budget papers, page 145

<p>The Department of Treasury and Finance expand the glossary of definitions in the budget papers to include plain English definitions of all terms identified in Appendix A6.7, as well as any other terms used in describing asset investment.</p>	<p>Support</p>	<p>In future budget papers, DTF will expand the glossary of definitions in the budget papers to include plain English definitions of terms used to describe asset investment.</p>
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PAEC recommendation	Response	Action taken to date and commitment to further action
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Recommendation 46, Chapter 6.8 <i>Inconsistent reporting in budget papers, page 146</i>		
<p>The Department of Treasury and Finance ensure that new asset initiatives announced in budget updates are treated consistently in the papers of the following budget.</p>	<p>Support</p>	<p>The Government supports this recommendation.</p> <p>Budget Paper No. 3 <i>Service Delivery</i> and Budget Update list asset initiatives that receive new funding. This may include existing asset initiatives which receive additional or 'new' funding. Budget Paper No. 4 <i>State Capital Program</i> lists all new and existing asset initiatives as part of the budget. This approach will be applied consistently in future budget papers.</p>
Recommendation 47, Chapter 6.8 <i>Inconsistent reporting in budget papers, page 146</i>		
<p>The Department of Treasury and Finance ensure that all new asset initiatives are discussed in detail in either Budget Paper No.3 or the budget update.</p>	<p>Not Support</p>	<p>The Government does not support this recommendation.</p> <p>The Government is sometimes unable to disclose and discuss in detail new asset initiatives the Government has made provision for in the annual budget which are still dependent on negotiations, are commercially sensitive or where disclosing information may compromise the Government's ability to achieve value for money for Victorians. The Government supports transparency and will continue to disclose information on new asset initiatives when appropriate in the next available publication.</p>

PAEC recommendation	Response	Action taken to date and commitment to further action
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Recommendation 48, Chapter 7.3 Implementation of recommendations, page 152

<p>The Government implement all of the supported recommendations from the Report on the 2011-12 Budget Estimates, ensuring that:</p> <p>(a) the activities undertaken are specifically those identified in the recommendation; and</p> <p>(b) each recommendation is implemented in a timely and complete manner.</p>	<p>a) Not support</p> <p>b) Support</p>	<p>Implementation of supported recommendations is the responsibility of the Government.</p> <p>a) This part of the recommendation is not supported as the Government response to the <i>Report on the 2011-12 Budget Estimates</i> indicated where the implementation would not be in the specific form recommended by the Committee.</p> <p>b) The Government is committed to timely and complete implementation as described in the Government's response, except in cases where further examination has shown that implementation is no longer supported.</p>
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Recommendation 49, Chapter 7.3 Implementation of recommendations, page 152

<p>The Government identify in its response to the Report on the 2012-13 Budget Estimates any recommendations from the Report on the 2011-12 Budget Estimates which it initially supported, but no longer supports.</p>	<p>Support</p>	<p>The Government has implemented the majority of recommendations according to the commitment to further action outlined in its response to the <i>Report on the 2011-12 Budget Estimates</i>. Recommendations that could not be implemented in time for the <i>2012-13 Budget</i> will be considered for the 2013-14 budget.</p> <p>Recommendations that the Government no longer supports include:</p> <ol style="list-style-type: none"> <p>Recommendation 22, PAEC's 102nd Report Part Two</p> <p><i>Recommendation:</i> 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.</p> <p><i>Original response:</i> Support. 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>
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PAEC recommendation	Response	Action taken to date and commitment to further action
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		<p><i>Revised response:</i> Not Support. Performance measures for the aviation portfolio are not considered necessary given the relative magnitude of the portfolio.</p> <p>2. Recommendation 32, PAEC's 102nd Report Part Three</p> <p><i>Recommendation:</i> To provide a more comprehensive publication for informing the Parliament and the community about the remaining expenditure connected with asset projects which is yet to be funded, the Department of Treasury and Finance disclose in the budget papers an estimate for each asset project of when:</p> <p>(a) the project is planned to be completed; and</p> <p>(b) funds are to be allocated to fully fund the project.</p> <p><i>Original response:</i> Support. See response to Recommendation 31. Further to this response, consideration will be given to including information on the planned completion date of approved asset investments in future budget papers, where appropriate.</p> <p><i>Revised response:</i> a) Support b)Not support. Consistent with the Government's original response to Recommendation 31, Budget Paper No. 3 <i>Service Delivery</i> already discloses via footnotes which projects may have funding which is committed beyond the forward estimates period. In addition, Budget Paper No 4 <i>State Capital Program</i> already outlines the remaining expenditure for approved asset investments. In reviewing this recommendation, the Government supports a) disclosing the completion date for approved asset investments. However, the Government does not support recommendation b) disclosing funds which are to yet to be allocated to fully fund the project. Disclosing the balance of funding for projects which are yet to be considered for funding in future budgets will constrain the Government's ability to prioritise proposals for future investment to meet changing and emerging needs each year. In addition the value of funding to be considered in future budgets may vary as the scope of remaining works to be funded may also alter.</p>
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PAEC recommendation	Response	Action taken to date and commitment to further action
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Recommendation 50, Chapter 7.5 Monitoring the implementation of recommendations, page 156		
<p>The Government establish and publish guidelines for the implementation of Parliamentary Committee recommendations. These guidelines should include:</p> <p>(a) a mechanism for assigning responsibility for the implementation of recommendations;</p> <p>(b) processes for monitoring the implementation of positively received recommendations; and</p> <p>(c) a system for reporting on the implementation of positively received recommendations.</p>	Under review	While there are accountability measures in the current processes for Government responses to Parliamentary Committee recommendations, the Government will consider this recommendation as part of a review of the <i>Guidelines for Submissions and Responses to Inquiries</i> in 2013.
Recommendation 51, Chapter 7.5 Monitoring the implementation of recommendations, page 157		
<p>In the development of guidelines for the implementation of Parliamentary Committee recommendations, the Government consider as a model the Australian Capital Territory's <i>Guidelines for Responding to Reports by the Auditor-General</i>.</p>	Under review	The Government will consider the Australian Capital Territory's Guidelines in the 2013 review of the <i>Guidelines for Submissions and Responses to Inquiries</i> .

PAEC recommendation	Response	Action taken to date and commitment to further action
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Recommendation 52, Chapter 7.6 *Quality of responses to recommendations*, page 162

<p>The Government establish and publish processes and guidance for responses to Parliamentary Committee recommendations to ensure:</p> <p>(a) decisions about whether or not to support recommendations are based on current and accurate information;</p> <p>(b) responses clearly address the recommendations' substance as well as intent;</p> <p>(c) responses are classified in a way that enables consistent interpretation of the Government's intent; and</p> <p>(d) the expectations associated with a particular response type are explicit.</p>	<p>Under review</p>	<p>The Government will consider providing more detailed guidance regarding responding to Parliamentary Committee recommendations in the 2013 review of the <i>Guidelines for Submissions and Responses to Inquiries</i>.</p>
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PAEC recommendation	Response	Action taken to date and commitment to further action
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Recommendation 53, Chapter 7.6 <i>Quality of responses to recommendations</i>, page 162		
<p>The Government assign the Department of Premier and Cabinet or the Department of Treasury and Finance responsibility for the quality assurance of responses to Parliamentary Committee recommendations. This should include ensuring that each response meets defined criteria for clearly and consistently representing the Government's intentions in relation to the recommendations.</p>	<p>Not support</p>	<p>The Government considers that it is appropriate that the relevant responsible Minister lead the preparation of the Government responses that are relevant to their portfolio.</p>
Recommendation 54, Chapter 7.6 <i>Quality of responses to recommendations</i>, page 163		
<p>After an appropriate length of time, the Auditor-General consider reviewing the systems and processes put in place by central agencies for responding to Parliamentary Committee recommendations.</p>	<p>n/a</p>	<p>The Victorian Auditor-General's Office responds directly to the Committee in relation to recommendations.</p>