
Government Responses to the Recommendations of
PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE'S

119th Report to Parliament – *Report on the 2012-13 Financial and Performance Outcomes*

Consolidated Response

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) 119th Report.

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

1		
Title		
2		
Chapter number and topic		
1	2	3
PAEC recommendation	Response	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 119th Report.

Column 2: Indicates the Government's response to each recommendation: 'Support', 'Support-in-Principle' or 'Not Support'.

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
Recommendation 1, p39, Chapter 3: Revenue		
<p>The Department of Treasury and Finance investigate ways of changing the guidance for entities other than departments to enable the Parliament and other stakeholders to compare the actual revenue for those entities against the original forecasts that were set for the year.</p>	<p>Support in principle</p>	<p>The Department of Treasury and Finance (DTF) notes the Committee's acknowledgement that, due to the specific characteristics of public non-financial corporations (PNFC) sector entities (and consistent with private sector practice), budgets of these entities are not required to be published in their annual reports. To do so, would expose a number of entities to commercial risk/disadvantage.</p> <p>Notwithstanding, DTF notes the Committee's observations and will seek to enhance the sectoral variance narrative in future Annual Financial Reports, to improve transparency around key variances between actual results and original estimates for the PNFC sector.</p>
Recommendation 2, p64, Chapter 5: Output Expenditure and Delivery		
<p>That the Department of Education and Early Childhood Development review its costing methodology for its <i>Higher Education and Skills</i> output to more accurately forecast related student demand.</p>	<p>Support</p>	<p>The Government has commissioned an independent VET Funding Review to provide the advice on designing a more stable and sustainable funding system and ensuring investment in training aligns with the goals of the Government's Back to Work plan.</p> <p>The Review will recommend VET funding models and settings that manage expenditure within the existing budget.</p> <p>In the 2014-15 State Budget, the Government allocated additional funding to meet demand for training.</p>
Recommendation 3, p72, Chapter 5: Output Expenditure and Delivery		
<p>The Department of Treasury and Finance provide a further disaggregation of 'other operating expenses' for the public non-financial corporations sector in the Annual Financial Report and in the budget papers to the same level as is disclosed for the general government sector.</p>	<p>Support in principle</p>	<p>DTF will provide a disaggregation of 'other operating expenses' for the PNFC sector as part of future online budget data sets, via the DTF website, rather than in the printed budget papers.</p>

PAEC recommendation	Response	Action taken to date and commitment to further action
Recommendation 4, p73, Chapter 5: Output Expenditure and Delivery		
The Department of Treasury and Finance provide a further disaggregation of 'other operating expenses' for the public financial corporations sector in the Annual Financial Report and in the budget papers to the same level as is disclosed for the general government sector.	Support in principle	DTF will provide a disaggregation of 'other operating expenses' for the PFC sector as part of future online budget data sets, via the DTF website, rather than in the printed budget papers.
Recommendation 5, p80, Chapter 6: Asset Investment		
To improve understanding of planned investment in departmental minor asset projects, and align disclosures with the public non-financial corporations sector, the Department of Treasury and Finance should also include within the budget papers the aggregate total estimated investment for such projects.	Support in principle	The Government supports in-principle the publication of estimated expenditure for departmental minor asset projects to improve the understanding of these investments. The Government will examine options to improve transparency and disclosure for departmental minor asset projects and capital expenditure in the budget papers.
Recommendation 6, p84, Chapter 6: Asset Investment		
The Department of Treasury and Finance explore avenues to bring about greater comparability between budget and actual asset investment by government purpose classification published in annual budget papers and the Annual Financial Report.	Support	DTF has revised the methodology for capturing budget estimates to allow for more accurate disclosure of government purpose classification information in estimates publications. From the 2014-15 financial year, these data sets will provide greater comparability between budget and actual information.

PAEC recommendation	Response	Action taken to date and commitment to further action
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Recommendation 7, p113, Chapter 7: Reporting Practices for Key Asset Projects

The Department of Treasury and Finance formulate minimum external reporting standards for major asset projects which are applicable to all public sector agencies. Such standards should encompass key milestones, including those of a works nature, established by agencies for the full lifecycle of projects. They should be designed in a manner which enables Parliament and the community to exercise judgement on the overall effectiveness of agencies in managing asset projects and achieving optimal outcomes.

Not support

The Government already publishes extensive information in the budget papers (for example, Budget Paper No. 4 *State Capital Program*) on major asset projects throughout the lifecycle.

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Recommendation 8, p113, Chapter 7: Reporting Practices for Key Asset Projects

<p>The framework for standardised asset reporting in the Victorian public sector be separately tailored to address the specific features of public private partnerships. These features include direct involvement by the private sector in major partnership functions and the associated responsibilities of managing agencies for achieving optimal project outcomes.</p>	<p>Not support</p>	<p>Consistent with the response to Recommendation 7, the Government considers that the current reporting framework for Public Private Partnership (PPP) arrangements adequately captures the unique features of PPPs and is therefore appropriate for the purposes of external reporting. Actual (outturn) costs of PPP projects are not disclosed to the State because, under the PPP contract, the risks of delay and cost overruns during the construction phase and asset performance during the operating phase are transferred to the private sector.</p> <p>PPP projects during the initial project development phase and subsequently throughout their contract term are disclosed in various publications:</p> <ol style="list-style-type: none"> 1. The approach to budgeting for PPP projects is detailed in Budget Paper No. 5 <i>Statement of Finances</i> and note 1(Q) of the Annual Financial Report. 2. Budget Paper No. 4 State Capital Program discloses upcoming PPP projects and lists PPP projects in construction and procurement. 3. The Annual Financial Report contains a dedicated PPP section (Note 33b) that discloses the State's commitments for PPP projects in accordance with accepted accounting and reporting standards of treating PPPs as finance leases. 4. Within three months of a PPP project reaching financial close, the PPP contract and a project summary are released. The project summary is tabled in Parliament.
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Recommendation 9, p113, Chapter 7: Reporting Practices for Key Asset Projects

<p>Where responsibility for the development and delivery of a project and/or related projects is spread across several agencies, the Department of Treasury and Finance should nominate a lead agency to include a consolidated report in its annual report on the totality of the project's performance over the reporting period, including both capital and operational components.</p>	<p>Not support</p>	<p>Consistent with the Government's response to Recommendation 7, extensive information on progress in delivering the state's capital program is already published in Budget Paper No. 4.</p>
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Recommendation 10, p118, Chapter 8: The Government's Responses to Previous Recommendations of the Committee

Government responses supporting the Committee's recommendations that cite proposed review action include, to the extent possible, specific details of the planned reviews and their associated timelines. This approach would assist the Parliament's consideration of the responses.

Support in principle

The Government notes the Committee's request regarding its responses.