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

79th Report on the 2006-07 Financial and Performance Outcomes

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) 79th 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 | 4 Further Action Planned |

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 the PAEC's recommendations as published in its 79th Report.

Column 2: Indicates the Government's response to each recommendation (**Accept, Accept in Part, Accept in Principle, Under Review or Reject**).

Column 3: Indicates those actions relevant to the implementation of the recommendation that have been taken to date.

Column 4: Indicates the additional actions planned that are relevant to implementation of the recommendation, together with an explanation of the Government's position concerning the recommendation.

Note: The recommendations made by PAEC concerning the Victorian Auditor-General's Office relate to issues that are operational in nature. As the Victorian Auditor-General's Office is an independent government entity, the Government has made a broad comment on these recommendations and considers that a direct response should be issued by the Victorian Auditor-General's Office independent to the Government Response.

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 2: OVERVIEW OF THE STATE'S 2006-07 FINANCIAL OUTCOMES

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|-----------------------|---|--|
| Recommendation 1 (Page 47) | | | |
| <p>The Department of Treasury and Finance periodically disclose for the information of Parliament and the community particulars of action taken to ensure that its forecasting method employed in the development of annual budgets remains at leading edge by world standard.</p> | <p>Accept in Part</p> | <p>The Department of Treasury and Finance continually reviews all its forecasting methods.</p> <p>Actions that the department take include:</p> <ul style="list-style-type: none"> • upgrading the economic parameters used in forecasting methodologies and recalibrate regularly; • refurbishing old methodologies and constructing new methodologies; • independent monitoring of both processes and methodologies; and • evaluating the performance of forecasts, including comparisons with other jurisdictions. <p>The Auditor-General reviews the methodologies used to prepare the Treasury taxation revenue forecasts as part of the annual Budget process. Major activity is disclosed in the Department of Treasury and Finance's annual report, in aggregate.</p> | <p>No further actions planned.</p> |
| Recommendation 2 (Page 47) | | | |
| <p>The Department of Treasury and Finance establish performance measures focusing on the accuracy of all of its main budget projections and the annual operating result.</p> | <p>Under Review</p> | <p>The main budget projections are based on a series of economic assumptions. These assumptions are vulnerable to a range of factors that are outside the direct control of the department, such as market volatility and unforeseen events, and can be difficult to predict. As such, in most instances, the degree of accuracy in budget projections is not an accurate reflection of the Department's performance.</p> | <p>The Department of Treasury and Finance is currently reviewing Victoria's public finance practices and legislation.</p> <p>This issue is currently being considered as part of the review.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 2: OVERVIEW OF THE STATE'S 2006-07 FINANCIAL OUTCOMES

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|-----------------------|---|--|
| <i>Recommendation 3 (Page 47)</i> | | | |
| <p>The Department of Treasury and Finance disclose in the annual financial report a dissection of annual operating expenses under the government's budgetary themes, encompassing both current and trend data.</p> | <p>Accept in Part</p> | <p>The annual financial report reflects the consolidation of all entities controlled by the State Government. Reporting in the annual financial report is grouped by the Government's financial objectives (e.g. taxation, service delivery, operating surplus, etc). The format for the report is based on a general purpose financial report for government outlined in AAS 31. This format is consistent with AASB 1049, which will apply from 2008-09. Adherence to this standard improves comparability of reports and ensures that Victoria remains in line with accounting requirements.</p> <p>The Government also provides an annual report on progress towards achieving the GVT outcomes in Budget Paper 3, which includes current and trend data. Further, Appendix A of Budget Paper 3 identifies which departmental output the initiatives funded by the Government in the annual State Budget contribute to.</p> | <p>Adoption of AASB 1049 in 2008-09.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 2: OVERVIEW OF THE STATE'S 2006-07 FINANCIAL OUTCOMES

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|----------------------------|--|-----------------------------------|
| Recommendation 4 (Page 47) | | | |
| <p>The Department of Treasury and Finance complement its past financial reporting initiatives with quantification of the impact on the annual operating result for the general government sector of unplanned one-off events, unapplied output contingencies, salary agreements with public sector groups and savings targets achieved by departments.</p> | <p>Accept in Part</p> | <p>In their annual reports and other publications, such as the State Budget, the Government and departments provide comprehensive commentary on the main contributing factors that result in material variations from the projected annual surplus and other key budget projections.</p> <p>Further, the annual financial report already quantifies the impact of unplanned one-off events in Note 37 to the annual financial report, <i>Public Account Disclosure</i>. This note quantifies, among other financial measures, the payments made to departments for unplanned events and salary agreements, including payments made from <i>Advance to the Treasurer</i> and pursuant to Section 35 of the <i>Financial Management Act</i>.</p> <p>In respect to the savings targets achieved by departments, as the current reporting framework focuses on the delivery of outputs and outcomes, the Department of Treasury and Finance does not request that departments submit information on their achievement of specific savings targets.</p> | <p>No further action planned.</p> |
| Recommendation 5 (Page 50) | | | |
| <p>Future annual financial reports identify the reasons for any significant variations between actual and estimated infrastructure spending in departments, and the consequential impact on the infrastructure program, including details of projects advanced, deferred or abandoned.</p> | <p>Accept in Principle</p> | <p>The State's various financial and budget reports provide ongoing reporting on the capital investment program, including funding which facilitates strategic oversight of the program by Parliament.</p> <p>Commencing with the 2006-07 Annual Financial Report for the State, a comparison of the total infrastructure investment against the most recently published revised budget was provided in <i>Chapter 2 - General Government Sector Outcome</i> by department and also for the net contribution to other sectors of government (see Table 2.9). Details were also provided on the key infrastructure investments for the year.</p> <p>Budget Information Paper 1 provides information on the annual capital program within each department including where total budget or cash flows have changed.</p> | <p>No further action planned.</p> |

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CHAPTER 2: OVERVIEW OF THE STATE'S 2006-07 FINANCIAL OUTCOMES

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|----------------------------|--|-----------------------------------|
| Recommendation 6 (Page 50) | | | |
| <p>Future annual financial reports disclose anticipated changes to cost and time budgets for any infrastructure projects brought forward due to a stronger than expected operating result, and the expected impact on the existing program of any freeing up of funding previously allocated to those projects.</p> | <p>Accept in Principle</p> | <p>The State's various financial and budget reports provide ongoing reporting on the capital investment program, including funding which facilitates strategic oversight of the program by Parliament.</p> <p>Commencing with the 2006-07 Annual Financial Report for the State, a comparison of the total infrastructure investment against the most recently published revised budget was provided in <i>Chapter 2 - General Government Sector Outcome</i> by department and also for the net contribution to other sectors of government (see Table 2.9). Details were also provided on the key infrastructure investments for the year.</p> <p>Budget Information Paper 1 provides information on the annual capital program within each department including where total budget or cash flows have changed.</p> | <p>No further action planned.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 3: NATIONAL REFORM AGENDA – PROGRESS IN IMPLEMENTATION

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|---------------------|--|---|
| Recommendation 7 (Page 67) | | | |
| <p>The Department of Treasury and Finance be more prescriptive in making it mandatory for departments to report annually on their performance in achieving agreed outcomes under the National Reform Agenda, including an outline of the funding provided by the Commonwealth to assist Victoria implement the full package of its NRA proposals brought forward to COAG each year.</p> | <p>Under Review</p> | <p>Financial Reporting Direction FRD 22B Standard Disclosures in the Report of Operations requires departments to disclose any information in their annual report which may be relevant to the current reporting period. The Department of Treasury and Finance continues to work with departments where necessary to ensure that information disclosure is appropriate and relevant. However, the extent to which details in relation to performance in achieving agreed outcomes under the NRA and relevant Commonwealth funding are disclosed in departmental annual reports is at the discretion of each department, after considering the significance or otherwise of this activity within its broader business.</p> <p>Progress in relation to the NRA is reported in other ways including, for example, through the Budget and Budget Update documents issued by the Treasurer. These include a chapter devoted to analysis of reform issues, which sets out key reforms undertaken in Victoria and nationally, with a focus on the past year. The chapter includes discussion of progress made on key NRA programs and projects in sectors such as health, education and regulation, and an indication of future reform priorities.</p> | <p>The Department of Treasury and Finance will continue to review opportunities for government to transparently report on the outcomes of COAG reforms.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 3: NATIONAL REFORM AGENDA – PROGRESS IN IMPLEMENTATION

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|----------------------------|---|--|
| Recommendation 8 (Page 67) | | | |
| <p>To avoid duplication and enable a unified approach to be taken in relation to the implementation of economic reforms at a national and state level, the Department of Premier and Cabinet develop a framework to ensure that the planned work to be undertaken by Victoria under the National Reform Agenda is consistent with the 2008 working program and timetable of the working groups established by COAG in December 2007.</p> | <p>Accept in Principle</p> | <p>The existing Victorian governance framework for overseeing COAG Working Groups effectively coordinates Victorian actions relating to previous COAG work (including National Reform Agenda actions) and new work being undertaken under the December 2007 Working Group arrangements.</p> <p>Many actions planned under the National Reform Agenda have been directly migrated into work plans under the December 2007 Working Group structure.</p> <p>In addition, all proposals for new national reforms under the December 2007 Working Group structure must include consideration of similar reforms, programs and other measures in all jurisdictions.</p> | <p>No additional framework is required at this time.</p> <p>As COAG national reforms are further progressed, it will be important to ensure that Victoria's governance arrangements and coordination processes are sufficient to coordinate reform activity at the Victorian and national level.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 4: PRODUCTIVITY IMPROVEMENT

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|---------------------|--|---|
| Recommendation 9 (Page 105) | | | |
| <p>Departments benchmark their responses to the Committee's questionnaire on productivity against that provided by the Department of Justice.</p> | <p>Under Review</p> | <p>The Government currently reports publicly against a range of performance measures and targets, at both the department and whole of government levels, on outputs and outcomes and continuously looks for opportunities to further report transparently.</p> <p>The current resource management framework requires departments to manage their own outputs and to report on their performance using quality, quantity, timeliness and cost measures. Departments are required to publish, in the State Budget and their annual reports, their actual performance against these measures.</p> <p>At the whole of government level, a range of outcomes is provided through the Growing Victoria Together progress report, which is published in the annual State Budget.</p> <p>As part of a continuous improvement approach, where opportunities are identified to enhance performance reporting, the government will consider their potential implementation.</p> | <p>The Department of Treasury and Finance is currently reviewing Victoria's public finance practices and legislation.</p> <p>This issue is currently being considered as part of the review.</p> <p>The Department of Treasury and Finance will seek agreement with the Department of Justice to circulate their response to other departments for their information.</p> |
| Recommendation 10 (Page 105) | | | |
| <p>The State Services Authority undertake research to quantify efficiency savings across the public sector in the areas of <i>Buying Smarter, Buying Less</i>, shared services, fleet management, grant administration, advertising and consultancies and integrated ICT.</p> | <p>Reject</p> | <p>The Government is undertaking research to identify areas in which efficiencies and savings could be achieved. While this research is ongoing, it has led to in the development of Government's efficiency project, which includes the <i>Buying Smarter, Buying Less</i> program and the provision of shared services. These programs are currently being implemented by the Government Services Group, a division of the Department of Treasury and Finance. The savings achieved from these programs and other efficiency improvement measures are monitored by the Department of Treasury and Finance on a regular basis.</p> | <p>No further action is planned.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 4: PRODUCTIVITY IMPROVEMENT

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|---------------------|---|---|
| Recommendation 11 (Page 106) | | | |
| <p>The Department of Treasury and Finance work with the Public Accounts and Estimates Committee on a research project and workshop aimed at developing a suite of productivity indicators for the public sector.</p> | <p>Under Review</p> | <p>The Government currently provides a range of information, at both the department and whole of government levels, on outputs and outcomes and continuously looks for opportunities to further report transparently.</p> <p>The current resource management framework requires departments to manage their own activities based on agreed output performance measures and to report performance against these targets. At a whole of government level, a range of information on outcomes is provided in the Growing Victoria Together progress report published in the annual State Budget.</p> <p>In addition, since December 2007, the COAG Working Group on the Productivity Agenda has been working to develop national reforms in early childhood development, schooling, and skills and workforce development, in recognition of the strong links between human capital and productivity across the economy.</p> <p>The Department of Treasury and Finance has reviewed the existing measures of labour and multi-factor productivity and is assisting in developing a performance reporting framework that will support the establishment of new specific purpose payments. It is expected that the performance indicators will relate to agreed high level outcomes and government effectiveness.</p> <p>The Government is also currently reviewing Victoria's reporting frameworks as part of the Public Finance Bill project.</p> | <p>The Department of Treasury and Finance will continue to monitor and contribute to the development of productivity measures made by the COAG Working Group and the Australian Bureau of Statistics.</p> <p>The Department of Treasury and Finance will also consider opportunities for adopting further productivity measures into its reporting framework.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 4: PRODUCTIVITY IMPROVEMENT

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|-----------------------|--|--|
| Recommendation 12 (Page 107) | | | |
| <p>The Victorian Government consider initiating discussions with COAG about the possibility of developing an action plan for the gradual development and introduction of a uniform set of indicators to measure productivity growth across government.</p> | <p>Under Review</p> | <p>Since December 2007, the Working Group on the Productivity Agenda has been working to develop national reforms in early childhood development, schooling, and skills and workforce development, in recognition of the strong links between human capital and productivity across the economy.</p> <p>The Department of Treasury and Finance has reviewed the existing measures of labour and multi-factor productivity. In addition, the Department of Treasury and Finance is assisting in developing a performance reporting framework that will support the establishment of new specific purpose payments. It is expected that the performance indicators will relate to agreed high level outcomes and government effectiveness.</p> | <p>The Department of Treasury and Finance will continue to monitor the progress made towards the development of productivity measures and will consider opportunities for refinement of its reporting framework.</p> |
| Recommendation 13 (Page 125) | | | |
| <p>Given the importance of enhancing productivity throughout the public sector, the Victorian Auditor-General's Office consider adopting a greater focus on efficiency when selecting and scoping performance audits in future.</p> | <p>Not Applicable</p> | <p>The Government has reviewed the recommendations the Committee has made for the Victorian Auditor-General's Office (VAGO) and considers these matters to be operational. Therefore, it is appropriate that VAGO address these recommendations independently.</p> | <p>Not applicable.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 5: REGULATION REDUCTION – CUTTING 'RED TAP'

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|-----------------------|---|--|
| Recommendation 14 (Page 148) | | | |
| <p>The Victorian Auditor-General's Office in undertaking its performance auditing function include, where appropriate, consideration of regulatory impact and administration.</p> | <p>Not Applicable</p> | <p>The Government has reviewed the recommendations the Committee has made for the Victorian Auditor-General's Office (VAGO) and considers these matters to be operational. Therefore, it is appropriate that VAGO address these recommendations independently.</p> | <p>Not applicable.</p> |
| Recommendation 15 (Page 149) | | | |
| <p>In order for the government to meet its targets in terms of the level of savings to be achieved by businesses through the advent of regulatory reform, the Department of Treasury and Finance closely monitor the level of accelerated outcomes derived from the future implementation of the government's <i>Reducing the Regulatory Burden</i> initiative by requesting agencies to furnish statements on yearly savings generated from the initiative.</p> | <p>Accept</p> | <p>All departments are required to report on their progress on <i>Reducing the Regulatory Burden</i> initiative to the Department of Treasury and Finance every six months. Progress reports outline savings achieved, future estimated savings and progress on existing initiatives and reviews.</p> <p>The Treasurer publicly reports on the progress of the <i>Reducing the Regulatory Burden</i> initiative on an annual basis. The report includes details of administrative burden reductions achieved and summaries of activities undertaken by departments.</p> | <p>As per the current practice outlined, departments will continue to report their progress to the Department of Treasury and Finance every six months, and the Treasurer will make an annual public report on the initiative.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 5: REGULATION REDUCTION – CUTTING 'RED TAP'

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|---------------|---|--|
| Recommendation 16 (Page 149-150) | | | |
| <p>The Department of Treasury and Finance develop an impact evaluative framework for the progressive reporting of, not only the generation of savings in administrative costs from reducing the regulatory burden on businesses and not-for-profit organisations tracked against targets, but also the quantification of:</p> <ul style="list-style-type: none"> (a) savings achieved by reducing compliance costs; (b) savings made by business regulators in reducing their workload and how such moneys have been used for the public good; (c) the increased investment in innovation and research and development activities by the business community; (d) outcomes delivered to the Victorian community in terms of improved service delivery; and (e) costs involved in the monitoring and oversight of self-regulation. | <p>Reject</p> | <p>There is currently no nationally or internationally agreed methodology for measuring changes in compliance costs.</p> <p>While no target has been set by Government to reduce compliance costs, departments are encouraged to collect data on compliance cost savings where possible.</p> <p>The cost associated with measuring / recording the extra information associated with these recommendations is likely to be significant.</p> | <p>The Department of Treasury and Finance will continue to monitor national and international efforts to measure changes in compliance costs and provide advice to departments as appropriate.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 5: REGULATION REDUCTION – CUTTING 'RED TAP'

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|-----------------|---|-------------------------------|
| (d) the performance of the department's Better Regulation Unit against performance measures and targets, including the way in which government funding of \$41.5 million that commenced in 2006-07 has been used over the four year period on the cross-government initiative; | Accept in Part | The performance of the Business Regulation Unit is reported on in various publications pertaining to the <i>Reducing the Regulatory Burden</i> initiative, including the annual Progress Report and a range of Ministerial media releases. These publications also provide information as to how the funding allocated to the initiative is being used. | |
| (e) 'best practice' alternate ways developed for achieving the required regulatory outcomes in a manner that is less burdensome on businesses, not-for-profit organisations and service providers; and | Accept | The analysis of alternative regulation options is already an integral part of the regulatory impact statement and business impact assessments process, and the VCEC actively encourages departments to consider an appropriate range of options that will minimise the regulatory burden. | |
| (f) the way in which secondary but related issues, such as the reduction of non-regulatory administrative burdens, have been addressed. | Reject | The reduction of non-regulatory administrative burdens is outside the scope of the reducing regulatory burden project. | |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 6: DEPARTMENTAL SAVINGS

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|---------------|--|------------------------|
| <p>(c) the targets and actual amounts in their annual reports of their savings achievements for all of the different savings measures that occurred for the relevant financial year. The annual report should also include details of the savings measure, the source of savings, explanations for instances where the actual savings amount differs from the target amount by more than 10 per cent, and whether such instances had an impact on the delivery of services; and</p> | <p>Reject</p> | <p>As mentioned in part (a), agency annual reports provide summary-level information consistent with the generally accepted principles of general purpose reporting.</p> <p>The financial management and accountability framework for government departments focuses on the delivery of outputs and outcomes rather than management of inputs.</p> | |
| <p>(d) savings measures that were approved post-budget for inclusion in subsequent financial reports (e.g. budget update). Where a measure was approved after the budget update, it should be disclosed in a note in the upcoming Budget Paper No 3 or annual financial report.</p> | <p>Reject</p> | <p>Savings requirements are reported in Budget Paper No. 3 or in the budget update. It is not considered necessary for departments to replicate such reporting in annual reports.</p> <p>The financial management and accountability framework for government departments focuses on the delivery of outputs and outcomes rather than management of inputs. Therefore the allocation of savings is a matter for individual departments to manage within the existing performance management framework even where savings are directed at specific initiatives.</p> | |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 7: REVENUE AND REVENUE FOREGONE

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|-----------------------|---|--|
| Recommendation 19 (Page 176) | | | |
| <p>The Department of Treasury and Finance conduct research to assess the benefit of expanding departmental reporting responsibilities to encompass commentary on expected and actual demand, service and social outcomes arising from central revenue decisions of government.</p> | <p>Under Review</p> | <p>Budget Paper No. 3 provides information about the goods and services the Government intends to deliver. The budget paper provides an overview of the Government's achievements and the impact they have made towards achieving the Government's long-term vision identified in <i>Growing Victoria Together</i>.</p> | <p>The Department of Treasury and Finance is currently reviewing Victoria's public finance practices and legislation.</p> <p>This issue is currently being considered as part of the review.</p> |
| Recommendation 20 (Page 183) | | | |
| <p>The Department of Treasury and Finance develop a more comprehensive framework for calculating revenue foregone, subsidies and concessions, and for evaluating their impact.</p> | <p>Accept in Part</p> | <p>The Victorian Government already reports on tax expenditures and concessions, as outlined in Chapter 5 of Budget Paper No. 4.</p> | <p>As part of its policy of continuous improvements to reporting and transparent accountability, the Department of Treasury and Finance regularly looks for opportunities to improve current reporting standards and estimation methods.</p> |

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CHAPTER 7: REVENUE AND REVENUE FOREGONE

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|-----------------------|--|--|
| Recommendation 21 (Page 187) | | | |
| <p>The Department of Treasury and Finance assess the desirability of introducing a standardised framework in the public sector for the reporting of costs incurred in the collection of revenue and administration of revenue foregone, incorporating disclosure of cost to revenue ratios.</p> | <p>Accept in Part</p> | <p>The State Revenue Office is the principle revenue collection agency for the State of Victoria. It reports, on an output basis, its quality, quantity, timeliness and cost targets and outcomes in Chapter 3 of Budget Paper 3.</p> <p>Through the achievement of its performance measure requiring the maintenance of ISO Certification, the State Revenue Office ensures that the government's reporting and management of revenue is current with world standards.</p> <p>The financial management and accountability framework for government departments focuses on the delivery of outputs and outcomes rather than management of inputs, such as costs incurred in the collection of revenue.</p> | <p>The Department of Treasury and Finance will continue to look for opportunities to improve current reporting standards and review the quality of standard measures used.</p> |
| Recommendation 22 (Page 187) | | | |
| <p>The Auditor-General undertake a performance audit of revenue management across Victoria's main revenue raising agencies.</p> | <p>Not Applicable</p> | <p>The Government has reviewed the recommendations the Committee has made for the Victorian Auditor-General's Office (VAGO) and considers these matters to be operational. Therefore, it is appropriate that VAGO address these recommendations independently.</p> | <p>Not applicable.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 8: PUBLIC SECTOR ASSET INVESTMENT PROGRAM

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|----------------------------|--|-----------------------------------|
| Recommendation 23 (Page 208) | | | |
| <p>The Department of Treasury and Finance review the reporting requirements of public sector agencies in regard to significant variances against cost budgets during the life of infrastructure projects and in the year of their completion.</p> | <p>Accept in Principle</p> | <p>The State's various financial and budget reports, including department's annual reports, provide ongoing reporting on the capital investment program, including funding which facilitates strategic oversight of the program by Parliament.</p> <p>Commencing with the 2006-07 Annual Financial Report for the State, a comparison of the total infrastructure investment against the most recently published revised budget was provided in <i>Chapter 2 - General Government Sector Outcome</i> by department and also for the net contribution to other sectors of government (see Table 2.9). Details were also provided on the key infrastructure investments for the year.</p> <p>Budget Information Paper 1 provides information on the annual capital program within each department including where total budget or cash flows have changed.</p> | <p>No further action planned.</p> |
| Recommendation 24 (Page 209) | | | |
| <p>The Department of Treasury and Finance expand the external reporting requirements of agencies to encompass a description of strategies employed in the management of risk and contingency allowances and any significant changes taken during the reporting period for individual infrastructure projects.</p> | <p>Accept in Principle</p> | <p>The State's various financial and budget reports provide ongoing reporting on the capital investment program, including funding which facilitates strategic oversight of the program by Parliament.</p> <p>Commencing with the 2006-07 Annual Financial Report for the State, a comparison of the total infrastructure investment against the most recently published revised budget was provided in <i>Chapter 2 - General Government Sector Outcome</i> by department and also for the net contribution to other sectors of government (see Table 2.9). Details were also provided on the key infrastructure investments for the year.</p> <p>Budget Information Paper 1 provides information on the annual capital program within each department including where total budget or cash flows have changed.</p> | <p>No further action planned.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 8: PUBLIC SECTOR ASSET INVESTMENT PROGRAM

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|----------------------------|---|---|
| Recommendation 25 (Page 210) | | | |
| <p>The government ensure that Parliament is adequately informed of future outcomes for Victoria arising from the establishment of a new national approach to infrastructure.</p> | <p>Accept in Principle</p> | <p>The new national approach to infrastructure is being developed by COAG in a consultative process led by the Infrastructure Working Group. The Government has been an active participant in this process.</p> <p>COAG outcomes are made public through a COAG communiqué publicly released after COAG meetings, and are available for viewing at www.coag.gov.au. COAG can also decide to make other documents publicly available on a consensus basis, such as Victoria's 5 year infrastructure report, which was considered by COAG in April 2007.</p> <p>In addition, Victorian government departments are obliged to report on the delivery of large infrastructure projects through a number of mechanisms, including departmental annual reporting, the State Budget and Budget Information Paper 1.</p> | <p>The implications for Victoria as a result of the new national approach to infrastructure will be made public with the tabling of the national priority list with COAG in March 2009.</p> <p>The Government will seek to clarify the proposed public reporting arrangements for the Commonwealth government's new statutory body, Infrastructure Australia and will continue to advocate for transparent and merit based decision making on national funding of projects.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 9: TRUST FUND ACCOUNTS

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|-----------------------|--|--|
| Recommendation 26 (Page 247) | | | |
| <p>The Department of Treasury and Finance should revise and make publicly available, Budget Financial Management Guidelines – 18 Trust Accounts. Revisions should:</p> <p>(a) specify a deadline by which departments are required to close their trust accounts once the purpose for which they were created no longer exists; and</p> <p>(b) provide detailed guidance regarding the operation of negative balances.</p> | <p>Accept in Part</p> | <p>The <i>Budget and Financial Management Guidance-18</i> (BFMG-18) was last formally revised in October 2007 as part of the general review of the <i>Budget and Financial Management Guidelines</i>.</p> <p>The <i>Budget and Financial Management Guidelines</i> are made available through a variety of mechanisms for all departments and agencies involved in financial management and it is not considered appropriate for these to be publicly available and as such, this part of the recommendation is rejected.</p> <p>When BFMG-18 was reviewed, it was not considered necessary to specify a deadline for when a trust account should be closed.</p> <p>It is considered inappropriate for any trust account to have a negative balance. The existing guidance on liquidity in BFMG-18 <i>Trust Accounts</i>, provides a process intended to prevent negative balances from occurring.</p> | <p>BFMG-18 will be further reviewed prior to the 2009-10 Budget.</p> <p>Once this revision has occurred the BFMG will be released to departments and agencies in the usual manner.</p> <p>The review will give consideration to including a deadline for when a trust account should be closed once the purpose for which they were created no longer exists.</p> <p>The review, of BFMG-18 will reconsider the existing guidance intended to prevent negative balances.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 9: TRUST FUND ACCOUNTS

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|-----------------------|--|--|
| Recommendation 27 (Page 248) | | | |
| <p>The Department of Treasury and Finance should revise its Model Financial Report in relation to the reporting requirements for trust accounts, so as to:</p> <p>(a) include the legislative references and basis that establishes each trust account;</p> <p>(b) disclose the balances for each individual trust account. Where disclosure of a trust account is omitted, that the name of the trust account and an explanation is provided;</p> <p>(c) provide explanations where there are deficits in the trust accounts' balances; and</p> <p>(d) specify whether the trust account balances are reported using cash or accrual accounting.</p> | <p>Accept in Part</p> | <p>Note 38 of the 2007-08 Model Financial Report and Budget and Financial Management Guidance-18 (BFMG-18) provide guidance and examples of the administration and reporting requirements pertaining to trust accounts.</p> <p>The guidance offered in the Model Financial Report and BFMG-18 are reviewed on a regular basis.</p> <p>Note 38(a) illustrates the requirement to list the titles and balances of all trust accounts.</p> <p>It is considered inappropriate for any trust account to have a negative balance. The existing guidance on liquidity in BFMG-18 <i>Trust Accounts</i>, provides a process intended to prevent negative balances from occurring.</p> <p>As stated in the existing BFMG-18, trust accounts are now managed under accrual output management principles.</p> | <p>The appropriateness of extending disclosure requirements will be considered as part of the review of future model reports.</p> <p>No further action planned.</p> <p>The review, of BFMG-18 will reconsider the existing guidance intended to prevent negative balances.</p> <p>No further action planned.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 9: TRUST FUND ACCOUNTS

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|-----------------------|--|--|
| Recommendation 28 (Page 248) | | | |
| <p>Departments, with the assistance of the Department of Treasury and Finance, agree on a schedule for the review of their trust accounts with a view to closing these accounts. Priority should be given to those trust accounts that appear to have served their usefulness and those that have large balances above a prescribed level. On completion of the reviews, departments should:</p> <p>(a) disclose the number and a summary of the outcomes of the reviews in their annual reports; and</p> <p>(b) return surplus funds, where appropriate, to the Consolidated Fund.</p> | <p>Accept in Part</p> | <p>The Department of Treasury and Finance regularly encourages departments through CFO forums to review the appropriateness of their trust accounts using the guidance in BFMG-18 <i>Trust Accounts</i>.</p> <p>Note 38(b) of the 2007-08 Model Financial Report illustrates the requirement to list the title and purpose of each trust account closed during the year.</p> <p>The existing BFMG-18 states that money standing to the credit of a trust account which is closed may, on direction of the minister, be credited to another trust account or to the consolidated fund</p> | <p>The Department of Treasury and Finance will continue to regularly encourage departments to review their trust accounts to ensure that they meet the requirements outlined in BFMG-18.</p> <p>BFMG-18 will be further reviewed prior to the 2009-10 Budget.</p> <p>This review will include reconsideration of the existing section on "Closure" for additional guidance on a deadline for when trust accounts should be closed once the purpose for which they were created no longer exists.</p> |
| Recommendation 29 (Page 248) | | | |
| <p>The Auditor-General conduct a performance audit of trust funds, including guidelines for their operation and management on a regular basis.</p> | <p>Not Applicable</p> | <p>The Government has reviewed the recommendations the Committee has made for the Victorian Auditor-General's Office (VAGO) and considers these matters to be operational. Therefore, it is appropriate that VAGO address these recommendations independently.</p> | <p>Not applicable.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 10: DROUGHT RELIEF

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|----------------|---|--|
| Recommendation 30 (Page 254) | | | |
| All funding allocations for major cross agency initiatives such as drought relief should be clearly identified in the budget papers. The Department of Treasury and Finance should take a lead role in ensuring that all projects under the initiative are explicitly identified by all departments and reported in the relevant. | Accept | Previous budget papers, including the 2007-08 Budget Update and the 2008-09 Budget, have separately identified the whole of government initiatives. | The format of budget papers, and the presentation of whole of government initiatives, is reviewed each year. |
| Recommendation 31 (Page 254) | | | |
| Either the Department of Treasury and Finance or the lead department for major whole of Victorian Government initiatives should gather, assess and publicly report expenditure and progress against targets established. | Accept in Part | Where appropriate, each department receiving material funding for a whole of government initiative has performance measures associated with their elements of the initiative and these are reflected in performance targets (Budget Paper No. 3). | The Department of Treasury and Finance will give this further consideration. However it is mindful of placing additional reporting burdens on departments. |
| Recommendation 32 (Page 257) | | | |
| Where the government requires departments to make savings from within existing appropriations, the Department of Treasury and Finance should monitor the impact of achieving these savings at a whole of government level. | Accept | Information on whole of government performance against a range of initiatives, including the implementation of savings, is provided to Ministers and Cabinet Committees when necessary. | No further actions are planned. |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 10: DROUGHT RELIEF

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|-----------------|---|--|
| <i>Recommendation 33 (Page 257)</i> | | | |
| Where departments are required to make savings from within existing appropriations, this should be clearly reported within the Report of Operations in annual reports. They should also include an assessment of the impacts of achieving the savings on program and service delivery. | Reject | <p>Agency annual reports represent strategic accountability documents that facilitate user assessments of agencies' performance relative to their operational and financial objectives. These documents provide summary level information.</p> <p>The financial management and accountability framework for government departments focuses on the delivery of outputs and outcomes rather than management of inputs. The day to day management of departmental inputs (e.g. staff, external resources, application of savings targets) within agreed output prices, is the responsibility of internal agency management and is not central to external accountability. This is in line with contemporary thinking and practice across the Australian public sector and based on international experience.</p> | The Department of Treasury and Finance considers that current annual reporting guidelines which focus on performance against operational and financial objectives remain appropriate and therefore do not propose introducing additional annual reporting requirements focused on tracking internal management of input costs. |
| <i>Recommendation 34 (Page 258)</i> | | | |
| That the Department of Primary Industries act to implement the intended evaluation of the government's drought relief initiatives and make the findings of the evaluation available for public examination. | Under Review | The review of the Government's drought relief initiatives has been undertaken by the Department of Treasury and Finance on behalf of Cabinet. | The findings from the review are currently being considered by government, after which government will decide as to the extent to which the findings will be publicly reported. |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 11: PERFORMANCE BONUSES

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|----------------------------|---|---|
| Recommendation 35 (Page 273) | | | |
| <p>The Government Sector Executive Remuneration Panel develop a policy guideline that sets out:</p> <p>(a) the circumstances in which public sector entities may exceed the 20 per cent threshold of total remuneration in making performance incentive payments to their executives;</p> <p>(b) the process for obtaining approval for such payments; and</p> <p>(c) reporting requirements for disclosing these payments.</p> | <p>Accept in Principle</p> | <p>The State Services Authority publishes the current policy on executive remuneration in the public sector. The policy sets out rules for determining executive remuneration in the public sector, and includes mandatory requirements for accountability and probity.</p> <p>The policy states that the maximum bonus opportunity available to executives in the public sector is 20 per cent. Organisations which consider they are in a remuneration market requiring increased bonus opportunity would be required to write to the Government Sector Executive Remuneration Panel (GSERP) seeking approval to exceed the policy position.</p> <p>The GSERP routinely consults portfolio departments on any submission received. In cases where an organisation is seeking to put in place an arrangement that is outside policy parameters the matter would be submitted to the Premier, with the support of the responsible Minister.</p> <p>Public sector agencies report annually to the State Services Authority details of contract Total Remuneration Package and bonus outcomes. It would not be proposed to change this reporting arrangement.</p> | <p>No further actions are planned given the Government executive remuneration policy is clear and any variation from that policy requires an appropriate level of approval.</p> |
| Recommendation 36 (Page 279) | | | |
| <p>The Department of Parliamentary Services consider introducing a system for awarding performance related incentive payments to its executives in line with the practices that apply to executives in government agencies.</p> | <p>Accept</p> | <p>The Department of Parliamentary Services will apply practices for awarding performance related incentive payments to its executives in line with the practices that apply to executives across all Parliamentary Departments.</p> | <p>Continue all actions described.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 12: EMPLOYMENT WITHIN THE VICTORIAN PUBLIC SECTOR

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|---------------|--|--|
| <i>Recommendation 38 (Page 292)</i> | | | |
| <p>The Department of Treasury and Finance establish a framework, incorporating sector-wide percentage benchmarks and cost definitions, for the monitoring and annual reporting by departments of salary costs incurred in the direct delivery of services and administrative functions supporting those services.</p> | <p>Reject</p> | <p>Since the mid 1990s, the financial management and accountability framework for government departments has focused on the delivery, monitoring and reporting of outputs and outcomes rather than the management of inputs such as salaries. The day to day management of departmental inputs (e.g. staff, external resources, application of savings targets) is reflected within the agreed output prices for service deliverables. These are presented in the Total Output Costs shown against each service deliverable in the publication, Service Delivery - Budget Paper No. 3.</p> <p>The shift to output pricing continues to be in line with contemporary thinking and practice across the Australian public sector and based on international experience.</p> | <p>No further action planned.</p> |
| <i>Recommendation 39 (Page 294)</i> | | | |
| <p>The Department of Treasury and Finance conduct a strategic analysis of salary cost allocations between direct service delivery and administration within statutory agencies, with a view to determining the benefit of implementing standardised recording and reporting requirements across the public sector.</p> | <p>Reject</p> | <p>The financial management and accountability framework for government departments focuses on the delivery of outputs and outcomes rather than management of inputs. The day to day management of departmental inputs (e.g. staff, external resources, application of savings targets) within agreed output prices, is the responsibility of internal agency management and is not central to external accountability. This is in line with contemporary thinking and practice across the Australian public sector and based on international experience.</p> | <p>No further actions are planned.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 12: EMPLOYMENT WITHIN THE VICTORIAN PUBLIC SECTOR

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|---------------|--|---|
| <i>Recommendation 40 (Page 297)</i> | | | |
| <p>The Department of Treasury and Finance assess the strategic benefits of having in place across the public sector a management and reporting framework, incorporating percentage benchmarks, for comparing the apportionment of time consumed in meeting accountability obligations and delivering core services.</p> | <p>Reject</p> | <p>All areas of departments contribute resources to meet accountability obligations, along with delivering core services. While most departments have a planning and reporting unit dedicated to activities that support accountability responsibilities, these units also contribute to the delivery of core services. Further, resources for these purposes are also often utilised from across department business areas. As such, it is difficult to establish a framework that can accurately proportion the resources applied to meeting accountability obligations to other activities undertaken by departments, including the provision of policy advice.</p> | <p>No further actions planned based on the difficulties in developing an appropriate framework.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 14: PERFORMANCE TARGETS

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|---------------|--|--|
| Recommendation 41 (Page 371) | | | |
| <p>To ensure the integrity of data presented, the Department of Human Services should review the Disability Services output performance targets and associated data collection processes to minimise the need to use estimates when reporting performance.</p> | <p>Accept</p> | <p>The Department of Human Services reviews all output performance targets annually in the context of budget paper preparation, to reflect changes in service delivery, funding levels and priorities for performance measurement, having regard to the practical restriction on the volume of performance indicators which can be incorporated in budget papers, and on the capacity of individual performance indicators to account for the full range of output activities.</p> <p>Data collection in respect of Disability Services involves a combination of data extraction from the records of direct service delivery by government services, as well as the records of services provided by funded non-government agencies. Government service data is extracted from the new Client Relationship Information System (CRIS), which replaced the ageing Disability Client Information System (DISCIS) in 2007.</p> <p>The CRIS system is currently being enhanced to facilitate data extraction for reporting purposes. Data collection from funded agencies is also being enhanced through the development and rollout of a client management information system (the Client Relationship Information System for Service Providers - CRISSP) which is specifically designed to meet the needs of community service organisations.</p> | <p>The CRISSP system will enable many smaller agencies to replace their current manual systems of data collection and reporting with computer-based record keeping and reporting.</p> <p>Both the CRIS enhancements and the CRISSP system rollout will assist in minimising the necessity for the department to report estimates of output performance due timing issues in data collection and provision by funded agencies, or where non-standard reporting is required.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 14: PERFORMANCE TARGETS

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|---------------------|---|--|
| <i>Recommendation 42 (Page 374)</i> | | | |
| The Department of Human Services annual report should include details of the progress made against the milestones and targets of its major strategies and programs and should provide commentary on the success of these strategies and programs in achieving their stated objectives. | Accept | <p>The Department of Human Services produces an annual report in accordance with the Financial Management Act 1994.</p> <p>The Department of Human Services provides detailed commentary in its annual report against stated goals and objectives of the Departmental Plan.</p> | To continue to publish an annual report in accordance with the Financial Management Act 1994 and to provide detailed commentary against stated goals and objectives of the Departmental Plan. |
| <i>Recommendation 43 (Page 375)</i> | | | |
| The Department of Innovation, Industry and Regional Development should report the total output costs for all major outputs and provide detailed, comprehensive explanations for all variations from target in future annual reports, as required by the Standing Directions of the Minister for Finance. | Accept in Principle | The output costs reported in the Annual report for the Department of Innovation, Industry and Regional Development represents only a component of the output costs as published in the State Budget Papers. The other Budget Sector Agencies incorporated under the Department of Innovation, Industry and Regional Development in the budget papers produce their own Annual Reports. These agencies are Tourism Victoria, Victorian Skills Commission, Film Victoria, and the TAFE Sector. Currently the Department of Innovation, Industry and Regional Development's annual report includes a table of costs by Output Group. Additionally a detailed explanation of output variances is provided as part of the PAEC Budget Estimates Questionnaire. | For future Annual Reports, the Department of Innovation, Industry and Regional Development will include an attachment that provides total output costs and explanations for all variations from targets. This table will not be subject to audit, as it will include information from Entities other than the Department of Innovation, Industry and Regional Development. |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 14: PERFORMANCE TARGETS

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|----------|---|---|
| Recommendation 44 (Page 375) | | | |
| The Department of Treasury and Finance should include in future Model Annual Reports and guidance, clear instruction to departments that they should include in their annual reports, the total costs for all major outputs and detailed, comprehensive explanations for all significant variations from target. | Accept | The 2007-08 Model Financial Report provides examples on reporting requirements on the total output costs for all departmental outputs. Further, detailed guidance is provided on "Output Performance Reporting in the Report of Operations", which elaborates on the requirement under <i>Standing Directions of the Minister for Finance section 4.2(k)</i> for departments to include a comparison of the output targets specified in the State Budget with actual performance against those targets. | The Department of Treasury and Finance will continue to review the Model Financial Report, and will revise reporting requirements to reflect compliance with current accounting standards and legislation. |
| Recommendation 45 (Page 377) | | | |
| The Department of Innovation, Industry and Regional Development should strengthen its approach to reporting performance by undertaking an annual review of the output performance measures it has identified in the Service Delivery Budget Paper to ensure that all measures are relevant and targets are meaningful. | Accept | The Department of Innovation, Industry and Regional Development already undertakes reviews of Service Delivery Budget Paper outputs, performance measures and targets on an annual basis to ensure better alignment with the overall objectives of the department and government outcomes. The review of the output structure for 2008-09 included modifications to outputs, performance measures and targets to reflect these aspects as well as the integration of machinery of government changes. | The Department of Innovation, Industry and Regional Development will continue to undertake annual reviews of outputs, performance measures and targets to ensure they reflect the overall objectives of the department and government outcomes and are in accordance with the reporting requirements of the Department of Treasury and Finance. |
| Recommendation 46 (Page 386) | | | |
| DEECD should report the total output costs for all major outputs. | Accept | The 2007-08 Annual Report will include this disclosure, with the appropriate allocation of space within the report set aside to include this information. | Detail to be disclosed in the 2007-08 Annual Report. |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 14: PERFORMANCE TARGETS

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|----------|---|---|
| <i>Recommendation 47 (Page 386)</i> | | | |
| DEECD should provide detailed, comprehensive explanations for material variations from target in future annual reports (eg. greater than \$10 million or greater than 10 per cent). | Accept | The 2007-08 Annual Report will include this disclosure, with the appropriate allocation of space within the report set aside to include this analysis. | Detail to be disclosed in the 2007-08 Annual Report. |
| <i>Recommendation 48 (Page 401)</i> | | | |
| The Department of Justice should strengthen its approach to reporting performance by undertaking an annual review of the output performance measures it has identified in the Service Delivery Budget Paper to ensure that all measures are relevant and targets are meaningful. | Accept | Each year the Department of Justice reviews its departmental output structure, associated performance measures and targets in accordance with guidance provided by the Department of Treasury and Finance in the relevant Budget and Financial Management Information Request and Budget and Financial Management Guidance. | The Department of Justice has commenced this process for 2009-10 and will focus on ensuring relevance and appropriateness of output measures to fairly and comprehensively reflect actual departmental performance in the delivery of services. Targets will be reviewed to ensure a balance between realistic and challenging, taking into account available funding and customer expectations of service delivery. |
| <i>Recommendation 49 (Page 407)</i> | | | |
| The Department of Premier and Cabinet should report performance against all output performance targets in future annual reports. | Accept | The Department of Premier and Cabinet has reviewed its disclosure against the requirements set out in the FRD and will ensure that it meets all the relevant standards in the future. | The Department of Premier and Cabinet will include in its Annual Report: <ul style="list-style-type: none"> • the DPC performance targets and indicators; • the actual results achieved for that financial year against the performance targets; and • an explanation of any significant variance between the actual results and performance targets and indicators. |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 14: PERFORMANCE TARGETS

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|-----------------|--|-------------------------------|
| <i>Recommendation 50 (Page 413)</i> | | | |
| The Department of Sustainability and Environment include in its annual report, explanations for material differences between budgeted and actual output costs. | Accept | This will be included in the Appendix to the Annual Report summarising the Budget Portfolio Outcomes Report. Variance analysis by way of footnote to those statements will achieve the intent of the recommendation. | No further action is planned. |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 15: ENVIRONMENTAL OUTCOMES

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|----------|--|---|
| <i>Recommendation 51 (Page 424)</i> | | | |
| In future, less reliance could be placed on general, across the board targets applying equally to all departments. Targets should wherever possible, be tailored to suit individual circumstances and encourage improved performance. | Accept | <p>Since 2003-04, Victorian government departments have been required to establish their own environmental performance objectives and targets as part of formal environmental management systems.</p> <p>The ResourceSmart Government program, assisting Victorian government statutory agencies to reduce their operational environmental impacts, requires participants to identify their own key environmental impacts and set targets as appropriate to reduce these.</p> <p>The Government has established WoVG targets to cut energy use by a further 5% and increase use of Green Power to 25% of electricity purchased by 2010. Savings of individual entities are monitored to ensure WoVG targets are met.</p> | Public sector entities will continue to integrate environmental sustainability into their operations, including setting their own objectives and targets, and establishing their own action plans to achieve these. WoVG targets may be set if deemed appropriate to most effectively and efficiently reduce environmental impacts. |
| <i>Recommendation 52 (Page 424)</i> | | | |
| The Department of Treasury and Finance and the Department of Premier and Cabinet take significant actions to address greenhouse gas emissions related to their passenger fleet, with a targeted plan on how this can be achieved. | Accept | <p>The Government is committed to addressing greenhouse gas emissions for its fleet. VicFleet is continually looking to increase the proportion of low emission cars within the Government's fleet, such as purchasing Hybrid Camry sedans, when available.</p> <p>The VicFleet website has been updated to include details of the fuel consumption and associated greenhouse gas emissions of approved vehicles for executive salary packages, to enable staff to make a more informed decision when selecting an executive vehicle.</p> <p>A greater focus on improving environmental performance has resulted in an increase in the number of Prius hybrid vehicles in the fleet, now totalling 359 vehicles.</p> | <p>The Department of Premier and Cabinet will develop a list of lower emission vehicles suitable to be included within the Ministerial Chauffeur fleet.</p> <p>The Government will purchase Hybrid Camry sedans when available.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 15: ENVIRONMENTAL OUTCOMES

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|-----------------------|---|--|
| Recommendation 53 (Page 428) | | | |
| <p>The Department of Treasury and Finance, in association with the other departments and led by the Department of Sustainability and Environment's Government Leadership Team, review and develop FRD 24B to include set criteria and guidance regarding appropriate inputs to collect and standardise calculations. This would enable departments to report the costs and savings associated with their office based environmental activities.</p> | <p>Accept in Part</p> | <p>FRD24B was updated in April 2008 to FRD24C. The development of FRD24 and guidance materials was undertaken by the Department of Sustainability and Environment in consultation with the Commissioner for Environmental Sustainability, the Department of Treasury and Finance and other departments and agencies implementing an office-based EMS.</p> <p>These changes enable financial reporting to more comprehensively, accurately and comparably report the environmental performance of departmental office-based operations. New reporting requirements include: greenhouse emissions of various operational activities, trend and target reporting for environmental impacts, quantifying waste separations into various streams, recycled content of paper, fuel consumption and emissions of vehicle types, air travel distances and greenhouse emissions, and provision of additional explanatory context for environmental indicators. Comprehensive associated guidance materials for data collection, analysis and reporting have also been updated.</p> <p>These changes enable more detailed information on environmental performance to be provided to the public, and enhance public understanding of the reported data.</p> | <p>FRD24 will continue to be updated on an as needs basis. This will facilitate Government continuing to accurately and comparably report the environmental impacts of its operations. Supporting guidance materials will likewise be updated.</p> <p>Departments will continue to report environmental savings, but not monetary costs and savings. The only cost required to be reported is the total cost of Green Power purchased.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 16: REGIONAL AND RURAL OUTCOMES

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|-----------------------|---|---|
| Recommendation 54 (Page 457) | | | |
| <p>Regional Development Victoria should include in its annual report, a detailed breakdown of expenditure on each of the initiatives and more detailed analysis of performance against the actions in the <i>Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest</i> plan.</p> | <p>Accept in Part</p> | <p>The Regional Development Victoria Annual Report has previously included lists of expenditure under each Regional Development Victoria grant initiative. A list of announced Regional Infrastructure Development Fund and Small Towns Development Fund Project has also been provided in previous Annual Reports.</p> <p>Highlights, including those associated with <i>Moving Forward Statement</i> initiatives were included in the 2006/07 Regional Development Victoria Annual Report</p> | <p>Regional Development Victoria will improve clarity around information in future Annual Reports that relates to <i>Moving Forward Statement</i> initiatives.</p> <p>It is noted that the Annual Report is only one source of information on the operations of Regional Development Victoria. Additional information is provided through the Regional Development Victoria website, the Regional Development Victoria Newsletter (<i>Moving Forward</i>) and other publications that are released from time to time.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 16: REGIONAL AND RURAL OUTCOMES

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|----------------------------|--|--|
| Recommendation 55 (Page 463) | | | |
| <p>The Victorian Government should ensure more detailed reporting by Water for Rivers and Snowy Hydro regarding the implementation of water saving projects and the achievement of environmental savings and releases associated with the implementation of the findings of the Snowy Water Inquiry.</p> | <p>Accept in Principle</p> | <p>The Victorian, NSW and Commonwealth Governments established Water for Rivers in recognition of the need to achieve improvements in environmental flows into the Snowy River and the River Murray. The Governments also committed significant funding of \$375 million to meet this objective.</p> <p>As part of the Agreement and Funding Deed, Water For Rivers is required to develop an annual business plan for approval by the three Governments, with Victorian approval given by the Treasurer. These annual business plans provide details on planned water saving projects and expected water savings, as well as the achievements of the prior year.</p> <p>Snowy Hydro's operations are controlled under a Licence granted by the NSW Ministerial Water Corporation.</p> <p>Snowy Hydro's sole role is to release water allocated to environmental flows in accordance with its licence.</p> | <p>As Water for Rivers is jointly owned by the Victorian, NSW and Commonwealth Governments, Victoria cannot mandate Water for Rivers to provide more detailed reporting without the consent or approval of the other two Governments. However, Victoria will raise the possibility of additional or more detailed reporting of water saving projects and environmental savings, to be published on the Water for Rivers website, at the next Water Advisory Panel meeting, scheduled for early 2009.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 16: REGIONAL AND RURAL OUTCOMES

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|----------------------------|---|---|
| Recommendation 56 (Page 467) | | | |
| <p>The Victorian Government should provide in a centralised form (e.g. the annual capital expenditure report), comprehensive details of capital expenditure by water authorities.</p> | <p>Accept in Principle</p> | <p>Budget Information Paper 1 has been compiled with reference to the annual budget papers to inform Parliament and the community about Victoria's capital asset program since 1984-85. It delivers on the Government's commitment to transparent reporting by providing details of projects that are within both the general government and public non-financial corporation (PNFC) sectors.</p> <p>It provides detailed reporting of regional water corporations and the Office of Housing.</p> <p>The 2008-09 publication will include improved consistency of data for the PNFC sector, including total estimated infrastructure spending for the metropolitan water corporations and other major PNFCs such as the Port of Melbourne both in 2008-09 and the remainder of the forward estimates period. These data are based on information supplied for the 2008-09 Budget.</p> | <p>The Department of Treasury and Finance is investigating how to further improve reporting on the capital expenditure by water authorities.</p> <p>Further refinements to the PNFC data are planned for 2009-10, to improve alignment of data across the PNFC sector, and also alignment with the general government sector.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 17: ADVERTISING AND PROMOTION

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|-----------------------|--|--|
| Recommendation 57 (Page 475) | | | |
| <p>The Department of Treasury and Finance expand the external reporting obligations of government bodies for public sector advertising programs to incorporate information on the cost of programs and their effectiveness in achieving expected outcomes.</p> | <p>Accept in Part</p> | <p>Under the Government's output-based management framework, departments are accountable for the use of public funds and for the delivery of outputs. Output budgets specifically focus on what departments need to do in order to deliver the outputs for which Parliament has appropriated public funds.</p> <p>Every department would be expected to develop an internal budget outlining all the necessary activities required to deliver its outputs. Advertising and communication activities may be undertaken as part of the delivery of a specific output. Sound internal management principles require that sufficient information and internal processes should be maintained to effectively manage the delivery of outputs within overall budgeted costs, including advertising and communication activities.</p> <p>As a minimum, FRD 22B <i>Standard Disclosures in the Report of Operations</i> requires the retention of 'details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services'. This information must be made available on request to relevant ministers, members of parliament and the public, subject to the provisions of the <i>Freedom of Information Act 1982</i>. Guidance relating to FRD 22B is currently under review with a view towards clarifying the reporting requirements in this area.</p> | <p>To provide additional clarity and guidance, the Department of Treasury and Finance will amend the <u>guidelines</u> "<i>Additional Departmental Information Available on Request</i>" which supports FRD 22B, as it relates to promotional and advertising expenditure.</p> <p>The amendments to the guidelines which accompany FRD22B will be made available to all departments and public bodies to which the Financial Management Act applies.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 18: THRIVING ECONOMY

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|---------------------|---|--|
| Recommendation 58 (Page 499) | | | |
| Government Business Enterprises and State Owned Enterprises consider adopting a similar volunteering program to that which is in operation at South East Water Ltd. | Accept in Principle | <p>The Department of Treasury and Finance monitors the performance of South East Water and other government business enterprises/Standard Operating Environments (GBEs/SOEs) from a shareholder perspective on behalf of the Treasurer. From this perspective, it is noted that the Department of Treasury and Finance does not have guidelines for GBEs/SOEs on volunteering.</p> <p>The Department of Treasury and Finance notes that initiatives that address corporate social responsibility, including employee volunteering initiatives, are already being implemented across a number of GBEs/SOEs.</p> <p>The Department of Treasury and Finance notes the positive elements of South East Water's program that were highlighted in the report.</p> <p>The Government supports actions taken by departments and agencies to be good corporate citizens.</p> | <p>The Department of Treasury and Finance would support in principle the implementation of a volunteering program similar to South East Water's program being a matter for consideration of the Board of the relevant government business enterprises/Standard Operating Environments.</p> <p>Through future correspondence with departments and agencies, the Department of Treasury and Finance will reiterate its support of community participation programs and use South East Water's volunteer program as an example.</p> |
| Recommendation 59 (Page 501) | | | |
| An authoritative review should be undertaken of Victoria's manufacturing industry and its prospects by the Victorian Competition and Efficiency Commission, the Department of Treasury and Finance or a parliamentary committee. | Accept in Principle | <p>A review of the manufacturing industry could be undertaken by any of the three bodies noted. However, an advantage of referring the review to the Victorian Competition and Efficiency Commission is that it is already resourced and has established processes to undertake inquiries as one of its core functions.</p> <p>Victorian Competition and Efficiency Commission conducts reviews as directed by Government. It is important that the Government assesses a review of the Victorian manufacturing industry alongside other potential review topics to ensure that Victorian Competition and Efficiency Commission resources are used responsibly and efficiently, and prioritised in an appropriate manner.</p> | A potential review of Victoria's manufacturing industry will be considered for a future Victorian Competition and Efficiency Commission inquiry. |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 18: THRIVING ECONOMY

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|---------------|--|---|
| Recommendation 60 (Page 503) | | | |
| <p>The Department of Infrastructure report on a progressive basis the outcomes delivered from the options being implemented to address transport congestion in urban areas.</p> | <p>Accept</p> | <p>The Government supported, or supported in-principle 52 of the 58 options put forward by the VCEC to manage congestion. Four options were completed in 2006-07. Considerable progress has also been made by the Victorian Government in delivering its remaining commitments.</p> <p>The Government has recently announced a number of initiatives in the 2008-09 Budget which will contribute to addressing congestion on the road and public transport system. These include, but are not limited to, the announcement of the \$112.7 million <i>Keeping Melbourne Moving</i> plan, new investments in tram and train rolling stock, as well as other road and public transport improvements. Many of these initiatives were options identified in the VCEC inquiry.</p> <p>A range of publicly available indicators of congestion on the road and public transport networks are currently provided by the Department of Transport and VicRoads. VicRoads publishes actual travel speeds in its annual <i>Traffic System Performance Monitoring Report</i>, contributes to national performance indicators of road network performance (Austroads National Performance Indicators) and provides real time travel information of the freeway and arterial networks on its website. The Department of Transport provides indicators of public transport congestion by reporting punctuality and reliability data in its <i>Track Record</i> report on its website.</p> | <p>The Government is finalising a progress report on its commitments arising from the VCEC inquiry. When completed this will be forwarded by the Department of Treasury and Finance to the VCEC for publishing on its website.</p> <p>The outcomes of the measures identified in the VCEC report and other measures implemented to address transport congestion will be reported using existing publicly available congestion indicators and other mediums.</p> <p>The Department of Transport and VicRoads are continually working to improve congestion indicators and their reporting.</p> <p>Work is also continuing into researching, developing and implementing congestion improvements to complement the congestion measures already announced.</p> <p>In addition, the Government is developing a comprehensive transport plan for Victoria, which will be released by the end of 2008.</p> <p>The Victorian Transport Plan will take a state-wide view of our transport system and provide a framework for the delivery of transport projects. In addition, it will respond to proposals for Melbourne's east-west corridor outlined in Sir Rod Eddington's report <i>Investing in Transport</i>.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 19: QUALITY HEALTH AND EDUCATION

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|---------------|---|--|
| Recommendation 61 (Page 509) | | | |
| <p>The Department of Human Services allocate any future targets set in its annual departmental plan for the treatment of additional elective patients according to its regions so that there are appropriate linkages to regional plans for the purpose of enhancing accountability.</p> | <p>Reject</p> | <p>Planning for elective surgery is undertaken on a statewide basis in consultation with service agencies. Many health services provide both statewide and cross-regional services to promote accessibility and efficient resource usage. This includes services provided by the Royal Children's Hospital, Royal Victorian Eye and Ear Hospital, Royal Women's Hospital and statewide elective surgery centres at The Alfred Hospital and St Vincent's Hospital, as well as the use of the private sector on a targeted basis, and use of the Elective Surgery Access Service for particular specialties.</p> <p>The Department of Human Services' departmental plan provides information on Government's policy and priorities in human services. Output target performance is reported in Budget Papers and the department's Annual Report in accordance with the Financial Management Act 1994.</p> | <p>No further action planned.</p> |
| Recommendation 62 (Page 514) | | | |
| <p>Further analysis be undertaken by the Department of Human Services on the composition of the cohorts attending emergency departments for alcohol and drug related issues with a view to contributing to further policy development and action to reduce the incidence of such attendances.</p> | <p>Accept</p> | <p>In 2007-08, the Department of Human Services commissioned research on hospital admissions and other data collections to identify trends in alcohol related harms among young people. The department currently monitors the cohort composition of alcohol and other drug-related attendances of emergency departments on a quarterly basis.</p> | <p>The Government has stated in <i>Restoring the Balance</i> that it will establish a working group to examine ways of improving how patients who present to emergency departments for intoxication are managed and to identify opportunities for follow-up and advice (<i>Restoring the Balance</i> p 22). Further analysis of the cohort composition of alcohol and other drug-related attendances of emergency departments will contribute to policy development and action arising from this work.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 19: QUALITY HEALTH AND EDUCATION

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|-----------------------|--|--|
| Recommendation 64 (Page 523) | | | |
| <p>The Department of Human Services consider the development of a set of explicit targets as part of the Victorian Child and Adolescent Monitoring System.</p> | <p>Accept in Part</p> | <p>Where the Victorian Government has adopted an explicit target, or there is a well-recognised benchmark for any Victorian Child and Adolescent Monitoring System indicator (for example, around immunisation levels) this is being noted in its supporting documentation, which presents the evidence base underlying the use of the indicator and the collection of data.</p> | <p>As indicated in the response, the adoption of explicit targets is a matter for the responsible Minister(s). While Victorian Child and Adolescent Monitoring System can inform policy in this regard, it is not appropriate for Department of Education and Early Childhood Development (succeeding Department of Human Services in this matter) to develop targets independently.</p> <p>Where Government has agreed on a target, the Department of Education and Early Childhood Development will capture this information in VCAMS so that progress against the target can be reported.</p> |
| Recommendation 65 (Page 527) | | | |
| <p>The Department of Human Services commission a research project to ascertain whether the incidence of client complexity is increasing across the alcohol and other drug sector to ensure that the government response, including funding decisions, are soundly based into the future.</p> | <p>Accept</p> | <p>In 2007-08, the Department of Human Services funded the Turning Point Alcohol and Drug Centre to undertake the research project "High prevalence mental health disorders in AOD treatment services: How can care be better provided?"</p> <p>This research project aims to provide the department and service providers with information on service enhancement for the target group, and to complement the work of Victorian Dual Diagnosis Initiative on assessing and improving services' dual diagnosis capability. The research project is currently in progress, and the anticipated completion is December 2008.</p> | <p>Upon the completion of the research project in December 2008, the Department of Human Services will make an assessment of the project report, with a focus on specific client complexity issues to inform service responses in future.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 20: HEALTHLY ENVIRONMENT

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|-----------------|---|--|
| <i>Recommendation 66 (Page 550)</i> | | | |
| <p>City West Water should require Myer Pty Ltd (NB Lonsdale Pty Ltd) to finalise and implement its waterMAP by 30 June 2008.</p> | <p>Accept</p> | <p>Myer have submitted a waterMAP to City West Water by the due date required by the regulation.</p> <p>As a result, all of the 104 City West Water customers under the Top 200 non-residential water users program have completed waterMAPs.</p> <p>In total, 1845 customers across Victoria have now completed a waterMap, with the aim of achieving a water saving of 8 billion litres.</p> <p>Significant water savings have already been delivered through this, and other water conservation programs. In 2006-07, Melbourne's non-residential sector (including those in the Top 200 program) reduced its water usage by 9 billion litres.</p> <p>Further information on Victoria's non-residential water use and water savings is available at www.ourwater.vic.gov.au</p> | <p>City West Water will continue working with Myer to further develop the waterMAP and implement efficient water saving actions.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 22: VIBRANT DEMOCRACY

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|--------------|---|--|
| Recommendation 67 (Page 608) | | | |
| The Department of Premier and Cabinet develop a set of criteria to govern the handling of reports by the State Services Authority including their publication. | Reject | The <i>Public Administration Act</i> 2004 stipulates that the Chairperson of the State Services Authority has the role of approving reports to be submitted by the State Services Authority with the exception of review reports. Other State Services Authority reports are generally made available on the State Services Authority website. | It is not appropriate for the Department of Premier and Cabinet to develop a set of criteria governing the publication of reports. |
| Recommendation 68 (Page 611) | | | |
| The Department of Treasury and Finance incorporate into the 2007-08 Model Financial Report guidance to departments about how to disclose in annual reports an assessment of the way in which output performance has contributed to the achievement of objectives and outcomes. | Under Review | <p>The Model Financial Report serves as a basis for operational and financial reporting by departments and provides guidance on the nature and extent of information that is required for disclosure, including service delivery performance.</p> <p>The 2007-08 Model Financial Report enhanced the linkages between output performance and government outcomes by specifying which outcomes each output contributes to. More comprehensive examples regarding output performance measures have also been included and these are presented in a format consistent with Budget Paper No. 3.</p> | <p>The Department of Treasury and Finance is currently reviewing Victoria's public finance practices and legislation.</p> <p>This issue is currently being considered as part of the review.</p> |
| Recommendation 69 (Page 615) | | | |
| The government needs to implement initiatives across various vulnerable elements of the public hospital system, especially in rural areas, to assist in addressing certain short-term solvency issues experienced by a number of hospitals and some longer-term financial sustainability challenges. | Accept | The short-term solvency and financial sustainability of health services across Victoria is a key priority of Government. In 2005-06 the Department of Human Services implemented a Performance Management Framework covering financial and service delivery performance in metropolitan health services and the five regional health services. The framework allows for active monitoring of health services' financial sustainability on three levels ranging from standard to intensive monitoring, with obligations on the health services and the Department of Human Services at each level. The department operates a separate financial monitoring system for health services in rural areas, and works with those services to address specific financial viability and sustainability issues. | The Department of Human Services will continue to refine the performance management system applying to public health services. For other services, the Government supports the continued use and refinement (where necessary) of the financial monitoring system for rural public health services. |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 23: REVIEW OF ANNUAL REPORTS OF DEPARTMENTS AND AGENCIES

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|--------------|---|--|
| <i>Recommendation 70 (Page 664)</i> | | | |
| All government agencies that are required to report performance against output targets specified in the state budget should report performance against all measures including output cost, and provide a minimum of three years of performance data for comparison. | Under Review | <p>The 2008-09 Budget Paper No. 3 already reports actual, target and expected outcome against all performance measures including output costs.</p> <p>In addition, performance data on outputs is provided in departmental annual reports. Departmental secretaries are responsible for the content over and above minimum standards stipulated by the Department of Treasury and Finance.</p> | <p>The Department of Treasury and Finance is currently reviewing Victoria's public finance practices and legislation.</p> <p>This issue is currently being considered as part of the review.</p> |
| <i>Recommendation 71 (Page 664)</i> | | | |
| All government agencies that are required to report performance against output targets specified in the state budget should provide detailed explanations for any variations of 10 per cent or more from target. | Accept | <p>The Department of Treasury and Finance already ensures that variations from performance targets are reported and explained. For example, a detailed explanation of any variation of 5 per cent or more from target is required to be provided in the form of a footnote (Budget Paper No. 3, Chapter 3). The footnote guidance provided to departments has been enhanced in the past few years to clarify the requirement.</p> <p>Further, the 2007-08 Model Financial Report provides detailed guidance on output performance reporting for departmental annual reports (see pages 15-21 of the Model). This guidance provides criteria to assist in providing qualitative analysis on significant or material variances against targets for output performance measures. The Model is distributed widely to all departments and other material government entities. Other governmental entities have always been encouraged to use the applicable sections of the Model where they do not conflict with the reporting requirements applicable to those entities.</p> | No further actions are planned. |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 23: REVIEW OF ANNUAL REPORTS OF DEPARTMENTS AND AGENCIES

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|---------------|--|--|
| Recommendation 72 (Page 664) | | | |
| <p>That departments develop controls to ensure that all portfolio agencies adequately report performance against relevant output targets specified in the state budget.</p> | <p>Accept</p> | <p>Under the Departmental Funding Model, Government purchases services from departments and its agencies. Departments have a devolved responsibility to manage its agencies and if the Department of Treasury and Finance has concerns regarding performance targets it will raise these issue directly with the relevant department.</p> <p>Standing Direction 4.2(k) of the Financial Management Act requires <u>departments</u> to disclose in the report of operations section of their annual reports a comparison of output targets published in the Budget with actual performance achieved by departments. While the Standing Direction does not extend to portfolio agencies, the overall department's actual performance will include the contribution of portfolio agencies. Further, FRD 8A <i>Consistency of Budget and Departmental Reporting</i> supplements Standing Direction 4.2(l) by requiring more detailed disclosures on budget portfolio outcomes.</p> | <p>The Department of Treasury and Finance will continue to ensure that departments continue to provide to the Minister and Government explanations for significant variations from budget.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 23: REVIEW OF ANNUAL REPORTS OF DEPARTMENTS AND AGENCIES

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|----------------------------|--|--|
| Recommendation 73 (Page 666) | | | |
| <p>That all government agencies annually review their reporting responsibilities in relation to the Financial Management Act and the Standing Directives and Financial Reporting Directive of the Minister for Finance, and put in place controls to ensure that all relevant requirements are addressed.</p> | <p>Accept in Principle</p> | <p>The Financial Management Compliance Framework (the Framework) is an assurance mechanism that sets the Government's expectations for financial management compliance and risk management across the Victorian Public Sector (VPS).</p> <p>The Framework requires agencies to certify, on an annual basis, that they have complied with the Standing Directions of the Minister for Finance (the Directions). The Directions prescribe best practice modern financial management policies and procedures, and are designed to supplement the <i>Financial Management Act 1994</i> by prescribing compulsory requirements that must be complied with by agencies. They specify high level requirements for financial management, while allowing agencies the opportunity to develop specific systems, procedures and practices which can be tailored to their own environment, and monitored within their own governance climate.</p> <p>The Government has further reinforced its commitment towards leadership in public sector governance with the recent introduction of a specific requirement on risk management. The new Direction requires agencies to implement and maintain risk management governance, systems and reporting requirements, as well as provide an attestation in their Annual Report, that their risk identification and management plans are consistent with relevant national standards.</p> | <p>The Department of Treasury and Finance will continue to encourage improvements in compliance levels with the standing directions, and provide the necessary support and advice to achieve this.</p> |
| Recommendation 74 (Page 666) | | | |
| <p>That all government agencies identify and report against the full range of performance indicators adopted to monitor Occupational Health and Safety matters, in future annual reports.</p> | <p>Accept</p> | <p>FRD 22B prescribes that "an entity's statement on occupational health and safety matters should identify the performance indicators adopted to monitor such matters and outline the entity's performance against those indicators."</p> <p>This must be disclosed in an entities report of operations in its annual report. Accordingly, the <i>2008 Model Report for Victorian Government Departments</i> contains a sample disclosure.</p> | <p>Current and future Model Reports for Victorian Government Departments will require that departments disclose Occupational Health and Safety information in their annual reports.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 23: REVIEW OF ANNUAL REPORTS OF DEPARTMENTS AND AGENCIES

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|---------------------|---|--|
| Recommendation 75 (Page 666) | | | |
| <p>Where specific Financial Reporting Directives do not apply to agencies, this should be clearly indicated in their annual report, including an explanation as to why they do not apply.</p> | <p>Reject</p> | <p>The Department of Treasury and Finance does not accept this recommendation on the basis that declarations made by the accountable officer and the chief executive officer in an agency's annual report make explicit reference to the basis upon which such financial statements are prepared.</p> <p>An example of such a statement is 'that the financial statements have been prepared in accordance with Standing Direction 4.2 of the <i>Financial Management Act</i> 1994, applicable financial reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements'. A similar reference is made to the financial reporting frameworks and directions in the independent audit report.</p> | <p>No further actions planned.</p> |
| Recommendation 76 (Page 667) | | | |
| <p>Government departments and agencies include, where possible, in their annual reports, details of their targets and objectives for the following three years and opportunities to improve performance.</p> | <p>Under Review</p> | <p>The purpose of tabling annual reports in the public sector environment is to report operational and financial performance. They are key documents of accountability and are documents used by entities to report to their stakeholders (that is, the community and the Parliament).</p> <p>The Financial Management Act (specifically Part 7) prescribes and requires departments and public sector entities prepare annual reports after the end of each financial year. These documents present a retrospective account of an annual period just completed.</p> <p>Accordingly, annual reports present a snapshot of each retrospective financial year to fully inform the community and Parliament about their past year's performance.</p> | <p>The Department of Treasury and Finance is currently reviewing Victoria's public finance practices and legislation.</p> <p>This issue is currently being considered as part of the review.</p> |

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CHAPTER 23: REVIEW OF ANNUAL REPORTS OF DEPARTMENTS AND AGENCIES

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|----------------------------|--|--|
| Recommendation 77 (Page 668) | | | |
| <p>The Department of Treasury and Finance should include in their Model financial report and Annual report preparation guide, more detailed principles and guidance on preparing and presenting high quality performance information including the use of historical and benchmarking data.</p> | <p>Accept in Principle</p> | <p>The Department of Treasury and Finance provides a range of advice to departments and agencies on their reporting obligations. The department continually reviews this advice, and this recommendation will be considered in that context.</p> | <p>The Department of Treasury and Finance will review guidance material for the 2008-09 reporting period to incorporate this recommendation.</p> |
| Recommendation 78 (Page 668) | | | |
| <p>The Department of Treasury and Finance implement an education program across all government agencies to clarify the purpose and recommended structure of annual reports, with an emphasis on reporting performance relation to agency and government objectives, in accordance with best practice.</p> | <p>Accept in Principle</p> | <p>The Department of Treasury and Finance, in consultation with departments and other key stakeholders, takes a pro-active role in providing preparers of annual reports with practical guidance and support, where appropriate and necessary. This guidance includes a highly comprehensive and detailed model financial report for Victorian government departments (which is revised annually to reflect changes in financial reporting requirements as well as detailed and referenced information on the nature and extent of information that is required for disclosure in the report of operations), reinforced with tailored training sessions and regular meetings with departmental CFOs and officers to promote awareness of reporting requirements and best practice initiatives.</p> <p>While the Model Financial Report illustrates disclosures that are representative of the types of transactions and events that commonly occur in departments, preparers of financial statements are required to use their professional judgment to make appropriate disclosures relating to unusual events or transactions that are not illustrated within this Model Financial Report, or that are unique to their industry sector.</p> <p>It should also be noted that the Model Financial Report also makes reference to other authoritative source material, which is deemed to be best practice.</p> | <p>The Department of Treasury and Finance acknowledges that on-going support is required to assist preparers of annual reports, and will continue to work with departments to ensure the Model Financial Report provides appropriate guidance and references; and to provide assistance as required to continue to deliver a quality product</p> |

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| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|---------------------|--|--|
| Recommendation 79 (Page 669) | | | |
| The Committee is willing to work with the IPA and DTF/DPC on an Annual Reports Awards Program that provides recognition for excellence in reporting and accountability. | Accept in Principle | <p>The Department of Treasury and Finance provides guidance to departments on preparation of annual reports through various means, including Financial Reporting Directions.</p> <p>Further, the Australian Reporting Award (a not-for-profit organisation) already provides an opportunity for departments to benchmark their reports for best practice in reporting.</p> | <p>The Department of Treasury and Finance will continue to provide guidance to departments on the preparation of annual reports.</p> <p>The Department of Treasury and Finance is willing to provide input into criteria for best practice annual report content and format.</p> |
| Recommendation 80 (Page 670) | | | |
| That agencies should provide information on the cost of preparing their annual reports (including use of all resources, contractors, specialist advisers, designers and printing costs) and indicate steps taken to reduce environmental wastage in preparing their annual reports. | Reject | <p>The Department of Treasury and Finance considers that current annual reporting guidelines which focus on performance against operational and financial objectives remain appropriate and do not propose introducing additional annual reporting requirements focused on tracking internal management of input costs.</p> <p>The <i>Financial Management Act</i> requires hard copy annual reports to be tabled in Parliament. Therefore, departments and entities are required to produce a minimum number of hard copy annual reports for this purpose. However, some government departments have issued internal environmental guidelines for printing of publications, including annual reports. These guidelines cover areas such as reducing number of pages printed, printing only the minimum number of hard copies required for tabling purposes, using CDs to distribute the annual report to users, publishing the annual report online to allow for electronic access, using recycled content paper, vegetable inks and printers with environment management programs.</p> | No further actions are planned. |

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| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|---------------|--|---|
| Recommendation 81 (Page 670) | | | |
| <p>That all government agencies use the Department of Treasury and Finance Model Financial Report to ensure that their reports are well structured and address the core requirements of annual reporting.</p> | <p>Accept</p> | <p>The Model Financial Report (MFR) is a composite best practice guide for financial reporting by Victorian government departments, providing scope for consistency in application of reporting requirements and improving the quality of departmental reporting of both the financial report and those disclosures directed to be made in the report of operations.</p> <p>All Victorian government departments are required under Standing Direction 4.2 – <i>Reporting Requirements in terms of Part 7 of the Financial Management Act 1994</i> to comply with the MFR when preparing and presenting their annual report.</p> <p>Whilst the MFR is not mandatory for other public sector agencies, such agencies are encouraged to consider the relevance of such reporting requirements that will adequately reflect the business of the entity.</p> <p>The MFR is distributed widely to all departments and material entities. Other governmental entities have always been encouraged to use the applicable sections of the MFR where they do not conflict with the reporting requirements applicable to those entities.</p> | <p>The Department of Treasury and Finance will continue to work with departments to ensure on-going application of best practice reporting requirements, as prescribed by the Model Financial Report.</p> |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 24: VICTORIAN AUDITOR-GENERAL'S OFFICE

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|--|----------------|---|------------------------|
| Recommendation 82 (Page 704) | | | |
| The Victorian Auditor-General's Office devote sufficient time and resources to performance audit planning to ensure that budgets are realistic and achievable. | Not Applicable | The Government has reviewed the recommendations the Committee has made for the Victorian Auditor-General's Office (VAGO) and considers these matters to be operational. Therefore, it is appropriate that VAGO address these recommendations independently. | Not applicable. |
| Recommendation 83 (Page 712) | | | |
| <p>For reporting actual performance against quantity targets relating to reports tabled in Parliament in future:</p> <p>(a) the annual report of the Victorian Auditor-General's Office disclose:</p> <p>(i) a clear link between the number of specific reports earmarked for tabling in a given year compared with how the Office performed in terms of tabling these particular reports;</p> <p>(ii) any factors that impeded the Office from meeting planned tabling timelines for particular reports; and</p> | Not Applicable | The Government has reviewed the recommendations the Committee has made for the Victorian Auditor-General's Office (VAGO) and considers these matters to be operational. Therefore, it is appropriate that VAGO address these recommendations independently. | Not applicable. |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 24: VICTORIAN AUDITOR-GENERAL'S OFFICE

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|----------------|---|------------------------|
| (b) the Victorian Auditor-General's Office follow the practice of reporting on the number of reports actually tabled in each financial year. | | | |
| Recommendation 84 (Page 714) | | | |
| With a view to ensuring that performance audit findings are conveyed to the Parliament and the community in a timely manner and delays are minimised, the Victorian Auditor-General's Office: (a) explore avenues for reducing the extent of protracted discussions occurring in the clearance process involved in finalising report material; and (b) establish practical timelines for particular audits that may involve a lengthy report clearance process. | Not Applicable | The Government has reviewed the recommendations the Committee has made for the Victorian Auditor-General's Office (VAGO) and considers these matters to be operational. Therefore, it is appropriate that VAGO address these recommendations independently. | Not applicable. |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 24: VICTORIAN AUDITOR-GENERAL'S OFFICE

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|--------------|--|--|
| <i>Recommendation 85 (Page 717)</i> | | | |
| The Committee urges the Premier to seek an earlier tabling timeframe for annual reports of public sector agencies. | Under Review | <p>Subject to some exceptions, the Financial Management Act currently requires a department or public body to have the report of operations and audited financial statements for a financial year to be laid before each house of the Parliament after the end of that financial year and before the end of the next following fourth month of the year or on the first sitting day of the house after the end of that month.</p> <p>The Government is constantly looking into ways to implement best practice and more timely reporting. As such, the tabling timeframe of annual reports is one of the issues currently being considered as part of the public finance bill project.</p> | <p>The Department of Treasury and Finance is currently reviewing Victoria's public finance practices and legislation.</p> <p>This issue is currently being considered as part of the review.</p> |
| <i>Recommendation 86 (Page 717)</i> | | | |
| The Department of Treasury and Finance examine whether scope exists for streamlining the Appropriation Certification process at year end. | Under Review | The 2007-08 revenue certification process has been completed. Upon the completion of the annual financial report, the Department of Treasury and Finance is planning to undertake a review of the current revenue certification process that will to inform the 2008-09 mid year revenue certification process. | The Department of Treasury and Finance will implement any changes to the revenue certification process for 2008-09, if identified as appropriate. |

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 79, 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

CHAPTER 24: VICTORIAN AUDITOR-GENERAL'S OFFICE

| PAEC Recommendation | Response | Action Taken to Date | Further Action Planned |
|---|----------------|--|------------------------|
| <i>Recommendation 87 (Page 721)</i> | | | |
| Quantified impacts emanating in full or in part from the work of the Victorian Auditor-General's Office be disclosed in the Office's annual report. | Not Applicable | The Department of Treasury and Finance has reviewed the recommendations the Committee has made to Victorian Auditor-General's Office and in our opinion these matters are operational, so it is appropriate that Victorian Auditor-General's Office address these independently. | Not applicable. |
| <i>Recommendation 88 (Page 723)</i> | | | |
| With an aim of improving staff retention rates, the Victorian Auditor-General's Office ensure that it has progressive policies in place to deal with all issues surrounding the career development of its staff for the purpose of retaining, in particular, those employees who have developed valuable experience and skills in the Office. | Not Applicable | The Department of Treasury and Finance has reviewed the recommendations the Committee has made to Victorian Auditor-General's Office and in our opinion these matters are operational, so it is appropriate that Victorian Auditor-General's Office address these independently. | Not applicable. |