



# Legislative Assembly of Victoria

Parliament House  
East Melbourne Victoria 3002 Australia  
Telephone 61 3 9651 8911  
Facsimile 61 3 9650 4279  
Website [www.parliament.vic.gov.au](http://www.parliament.vic.gov.au)

6 May 2009

Ms Valerie Cheong  
Executive Officer  
Public Accounts and Estimates Committee  
Parliament of Victoria

Dear Valerie

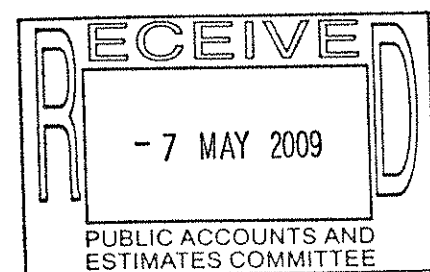
## **Government response tabled**

I write to advise that the Government response to the Committee's *Report on the Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 to February 2007* was tabled in the House today.

A copy is enclosed.

Yours sincerely

**R W Purdey**  
Clerk of the Legislative Assembly



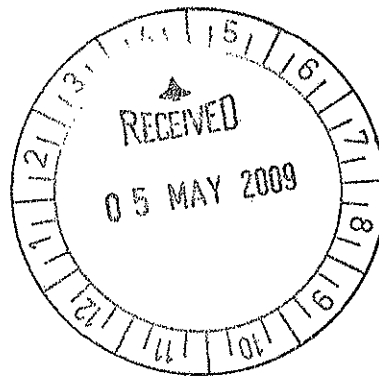


## Minister for Finance

Level 26, 121 Exhibition Street  
Melbourne Victoria 3000  
GPO Box 4509  
Melbourne Victoria 3001  
Australia  
Telephone: (+61 3) 8684 8000  
Facsimile: (+61 3) 8684 8014

5 MAY 2009

Mr Ray Purdey  
Clerk of the Legislative Assembly  
Parliament House  
Spring Street  
MELBOURNE VIC 3002



Dear Mr Purdey

**RESPONSE TO THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE  
REPORT ON THE REVIEW OF THE FINDINGS AND  
RECOMMENDATIONS OF THE AUDITOR-GENERAL'S REPORTS  
TABLED JULY 2006 – FEBRUARY 2007**

In accordance with Section 36(1) of the *Parliamentary Committees Act* 2003, I hereby request that the attached Government response to the Public Accounts and Estimates Committee's 82<sup>nd</sup> *Report on the Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007* be tabled.

I have made a similar request to the Clerk of the Legislative Council.

Yours sincerely

**TIM HOLDING MP**  
Minister for Finance, Work Cover  
and the Transport Accident Commission

# Government Responses to the Recommendations of PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE'S 82<sup>nd</sup> Report on the Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007

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) 82<sup>nd</sup> 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 82<sup>nd</sup> Report.

Column 2: Indicates the government's response to each recommendation (**Accept, Accept in part/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.

**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART A – GOVERNMENT ADVERTISING**

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
---------------------	----------	----------------------	------------------------

**• Recommendation 1 (Page 26 of Part A: Government Advertising)**

Audits of government advertising and communications should be conducted as formal benchmarking reviews, examining a wide cross-section of government communication activities and campaigns, in conformity with relevant audit standards.	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. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART A – GOVERNMENT ADVERTISING**

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
---------------------	----------	----------------------	------------------------

• **Recommendation 2 (Page 36 of Part A: Government Advertising)**

<p>The Department of Treasury and Finance expand the annual reporting requirements of public sector agencies to include:</p> <ul style="list-style-type: none"> <li>a) detailed reporting of expenditure under the Master Agency Media Services (MAMS) contract; and</li> <li>b) reporting of expenditure under specific advertising and communications campaigns, including:             <ul style="list-style-type: none"> <li>i. outcome of campaign against its objectives;</li> <li>ii. details of original budget;</li> <li>iii. any budgetary revisions;</li> <li>iv. actual expenditure; and</li> <li>v. explanations of significant variations between actual expenditure and budgeted expenditure.</li> </ul> </li> </ul>	<p>Accept in principle.</p>	<p>Further information regarding the reporting of expenditure is available upon request under Financial Reporting Direction (FRD) 22B. As a minimum, FRD 22B Standard Disclosures in the Report of Operations 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>.</p> <p>To provide additional clarity in this area, the Department of Treasury and Finance (DTF) has amended the guidelines which support FRD 22B for the 2008-09 financial year and onwards, to include further guidance on the maintenance of relevant costs and other information on public sector advertising and communication activities. It is intended that the revision to the guidelines will improve the quality of such information retained by public sector agencies.</p> <p>As relevant FRDs, applicable accounting standards and other mandatory professional standards are already applied in the presentation of annual reports, DTF is of the view that current reporting arrangements for advertising and communications through the annual reports are adequate.</p> <p>While DTF supports the clear and accurate identification of the communication cost of any program or activity, this should take place in the context of the output-based management, budgeting and reporting framework.</p>	<p>Not applicable.</p>
---	-----------------------------	--	------------------------

**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART A – GOVERNMENT ADVERTISING**

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
<p>• <b>Recommendation 3 (Page 43 of Part A: Government Advertising)</b></p>			
<p>The Department of Premier and Cabinet finalise as soon as possible its proposal for Government reporting of advertising and communications expenditure by Victorian government entities under the MAMS contracts including any expenditure under the trust fund.</p>	<p>Accept.</p>	<p>The Department of Premier and Cabinet (DPC) has already published the MAMS Expenditure figures for the 2007/2008 financial year on its website: <a href="http://www.dpc.vic.gov.au/communications">www.dpc.vic.gov.au/communications</a>.</p>	<p>DPC intends to publish MAMS Expenditure on its website on an annual basis.</p> <p>The MAMS Trust Fund balance will be reported in DPC's 2008/2009 Annual Report.</p>
<p>• <b>Recommendation 4 (Page 51 of Part A: Government Advertising)</b></p>			
<p>The Department of Premier and Cabinet should conclude its comprehensive review of the <i>Guidelines for Victorian Government Advertising and Communications</i> as a priority, with the aim of seeking the support of all political parties represented in Parliament.</p>	<p>Accept in part.</p>	<p>An extensive review has been undertaken.</p>	<p>The final revised document will be published online.</p>
<p>• <b>Recommendation 5 (Page 51 of Part A: Government Advertising)</b></p>			
<p>The Department of Premier and Cabinet undertake a review of their Communications website to ensure that the revised Guidelines for Victorian Government Advertising and Communications are given a prominent point of reference and links to the Guidelines appear adequately throughout the site.</p>	<p>Accept.</p>	<p>A review of the DPC communications website is currently being undertaken and upgraded where necessary.</p>	<p>Not applicable.</p>

**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART A – GOVERNMENT ADVERTISING**

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
---------------------	----------	----------------------	------------------------

• **Recommendation 6 (Page 58 of Part A: Government Advertising)**

The Auditor-General consider including in its audit program a regular review (e.g. every 4 years) of government advertising and communications campaigns in excess of \$500,000, for compliance with all relevant public sector advertising policies and guidelines and to assess their effectiveness.

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 7 (Page 60 of Part A: Government Advertising)**

The Department of Premier and Cabinet consider development of an advertising and communications policy for the State of Victoria which details the core values and principles underpinning public sector advertising and communications activities and outlines the roles and responsibilities of the various participants involved in the governance and decision making process.

Accept in principle.

The revised guidelines will provide adequate direction for all government and public entity advertisers.

Not applicable.

**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART A – GOVERNMENT ADVERTISING**

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
<p>• <b>Recommendation 8 (Page 65 of Part A: Government Advertising)</b></p>			
<p>The Department of Premier and Cabinet and all accredited purchasing units maintain their diligence over procurement practices to ensure that all relevant government procurement policies and guidelines are complied with to maintain due transparency, probity and value-for-money in the purchase of public sector advertising and marketing services.</p>	<p>Accept in principle.</p>	<p>All aspects of this recommendation are currently being met under the current advertising approvals and procurement guidelines.</p>	<p>Not applicable.</p>
<p>• <b>Recommendation 9 (Page 70 of Part A: Government Advertising)</b></p>			
<p>The Department of Treasury and Finance expand the external reporting obligations of government bodies for public sector advertising campaigns to incorporate an analysis of the effectiveness of advertising campaigns in achieving expected outcomes.</p>	<p>Accept in principle.</p>	<p>As a minimum, FRD 22B Standard Disclosures in the Report of Operations 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>.</p> <p>To provide additional clarity in this area, DTF has amended the guidelines which support FRD 22B for the 2008-09 financial year and onwards, to include further guidance on the maintenance of relevant costs and other information on public sector advertising and communication activities. It is intended that the revision to the guidelines will improve the quality of such information retained by public sector agencies.</p> <p>As relevant FRDs, applicable accounting standards and other mandatory professional standards are already applied in the presentation of annual reports, DTF is of the view that current reporting arrangements for advertising and communications through the annual reports are adequate.</p>	<p>Not applicable.</p>



**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART A – GOVERNMENT ADVERTISING**

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
---------------------	----------	----------------------	------------------------

• **Recommendation 10 (Page 70 of Part A: Government Advertising)**

<p>While encouraging post-campaign evaluations for all advertising and communications projects, the Department of Premier and Cabinet consider revising the <i>Victorian Government Communication Evaluation Guidelines</i> to:</p> <p>a) specify a mandatory level at which post campaign evaluations must be undertaken; and</p> <p>b) include a section on evaluating the efficiency and effectiveness of the media strategy or creative concepts chosen for the particular advertising or communication campaign.</p>	<p>Accept in principle.</p>	<p>The 'Victorian Government Communication Evaluation Guidelines' recommend that 10% of the campaign budget be used for evaluation purposes. In seeking approval to proceed with a proposed advertising campaign applicants are required to identify the proposed evaluation methodology.</p>	<p>DPC proposes to undertake a review of the existing Evaluation Guidelines.</p>
---	-----------------------------	---	--

**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART B – NEW TICKETING SYSTEM TENDER**

<b>PAEC Recommendation</b>	<b>Response</b>	<b>Action Taken to Date</b>	<b>Further Action Planned</b>
<p>• <b>Recommendation 1 (Page 76 of Part B: New Ticketing System Tender)</b></p>			
<p>The Department of Treasury and Finance ensure that the normative guidance on tender management incorporated in the Auditor-General's report and the supporting good practice guide be mandatory reference sources for tendering bodies planning major tender projects.</p>	<p>Accept in part.</p>	<p>Relevant Victorian Government Purchasing Board (VGPB) policies and supporting guidelines have been reviewed on a regular basis and referenced against best practice advice from external sources as it becomes available.</p>	<p>The VGPB will consider the applicability of guidance provided from the Auditor-General's report in the review of VGPB policies and guidelines. It is not appropriate to use the Auditor-General's guide as a mandatory reference in parallel to the mandated VGPB policies. Such action may lead to confusion for entities in conducting government procurement.</p>
<p>• <b>Recommendation 2 (Page 79 of Part B: New Ticketing System Tender)</b></p>			
<p>The Auditor-General consider including information on the impetus for investigatory work in reports to Parliament, especially where the outcome of such work is a performance audit.</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>
<p>• <b>Recommendation 3 (Page 83 of Part B: New Ticketing System Tender)</b></p>			
<p>The Treasurer write to all Boards of public entities recommending that their membership be at least half of the statutory limit at all times and be representative of a wide range of skills and perspectives, particularly when the entity is undertaking a major tender.</p>	<p>Reject.</p>	<p>Responsibility for the provision of such advice to public entities resides with DPC, in particular the State Services Authority. It should also be noted that responsibility for board composition and membership for public entities rest with individual portfolio ministers rather than individual board members.</p>	<p>This matter will be forwarded to DPC for its consideration.</p>

**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART B – NEW TICKETING SYSTEM TENDER**

<b>PAEC Recommendation</b>	<b>Response</b>	<b>Action Taken to Date</b>	<b>Further Action Planned</b>
<p>• <b>Recommendation 4 (Page 85 of Part B: New Ticketing System Tender)</b></p>			
The Department of Treasury and Finance amend procurement and tendering guidelines to preclude the combining of probity advisor and probity auditor roles in all major projects in the public sector.	Accept.	The application of probity standards as defined in the <i>Good Practice Guidelines for the Conduct of Commercial Engagement in Government</i> is a key consideration in the management of major projects.	DTF will review the <i>Good Practice Guidelines for the Conduct of Commercial Engagement in Government</i> to separate the role of probity advisor and probity auditor for major projects.
<p>• <b>Recommendation 5 (Page 86 of Part B: New Ticketing System Tender)</b></p>			
The Department of Treasury and Finance take action that makes use of the probity services panel mandatory for all public sector entities, and undertake regular reviews of the panel's membership.	Accept in part.	DTF supports all public sector entities considering the use of the probity service panel arrangements when seeking probity services for major projects.	The Probity Practitioner Service Panel contract expires in November 2009 with the option of a one year extension. Panel member performance can be reported back to the contract manager by users to ensure service standards are maintained.
<p>• <b>Recommendation 6 (Page 87 of Part B: New Ticketing System Tender)</b></p>			
The Department of Treasury and Finance widen application of procurement and tendering guidelines to encompass all major tenders managed by non departmental public bodies.	Under review.	VGPB supply policies (including tendering) only have applicability to departments under the <i>Financial Management Act 1994</i> (the FMA).  DTF supports the Premier's Policy Statement titled <i>Openness and Probity in Victorian Government Contracts</i> whereby outer budget entities are to benchmark their procurement practices against VGPB policies.	DTF has released a discussion paper on 'Public Finance in Victoria' leading to the replacement of the FMA which will consider the breadth of entities covered by legislation.
<p>• <b>Recommendation 7 (Page 88 of Part B: New Ticketing System Tender)</b></p>			
The Department of Treasury and Finance establish and adhere to biennial review dates for all guidance material pertaining to the management of major tenders.	Accept in Principle.	Relevant VGPB policies and supporting guidelines are reviewed on a regular basis having regard to broader government policy initiatives and emerging issues in the supplier market. In 2008, a better practice guide was released on project tendering.	VGPB policies will continue to be subject to regular review to maintain currency with best practice.

**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART B – NEW TICKETING SYSTEM TENDER**

<b>PAEC Recommendation</b>	<b>Response</b>	<b>Action Taken to Date</b>	<b>Further Action Planned</b>
<p>• <b>Recommendation 8 (Page 97 of Part B: New Ticketing System Tender)</b></p>			
<p>The Department of Treasury and Finance ensure that lessons learnt from management experiences in major tenders in the public sector are adequately captured in its ongoing reviews of applicable guidelines.</p>	<p>Accept in Principle.</p>	<p>The Gateway Review Process captures lessons from reviewing high and medium risk projects, and these lessons form the basis of new guidance material. In 2008 the complete suite of Investment Lifecycle Guidelines was released. This included a specific guide on project tendering.</p>	<p>DTF will continue to conduct regular reviews of major projects to support continuous improvement in the delivery of procurement outcomes. DTF also intends to develop further documentation relating to project risk management and governance.</p>
<p>• <b>Recommendation 9 (Page 99 of Part B: New Ticketing System Tender)</b></p>			
<p>The Department of Treasury and Finance ensure that updated risk allocation guidance for major projects adequately supports key decision making through articulation of potential risk levels to be borne by government, including their financial and non financial implications.</p>	<p>Accept in Principle.</p>	<p>DTF released the Investment Lifecycle Guidelines in 2008, with a specific guide on business cases for projects above \$5m, and has recently released the <i>Good Practice Guidelines for the Development of a State Purchase Contract Business Case</i>. The guidelines establish a step by step methodology to develop business cases. The guidelines note applicability across other major procurement and include a detailed framework for the identification and analysis of risk.</p>	<p>DTF will monitor the application of the <i>Good Practice Guidelines for the Development of a State Purchase Contract Business Case</i> to ensure processes effectively identify risks and implications.</p>
<p>• <b>Recommendation 10 (Page 100 of Part B: New Ticketing System Tender)</b></p>			
<p>The Department of Treasury and Finance implement changes to tendering guidelines that alert tendering organisations to the benefit of publicly issuing a value for money statement on key aspects of the tender approach.</p>	<p>Reject.</p>	<p>Value for money underpins all VGPB procurement policies and policy reviews. The current VGPB definition of Value for Money is considered appropriate.</p>	<p>Not applicable.</p>

**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART B – NEW TICKETING SYSTEM TENDER**

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
<p>• <b>Recommendation 11 (Page 108 of Part B: New Ticketing System Tender)</b></p>			
<p>The Department of Treasury and Finance ensure its updating of tendering guidelines incorporates the specific probity matters cited by the Auditor-General as necessary to strengthen guidance for maintaining the probity and integrity of major innovative tenders.</p>	<p>Accept in Principle.</p>	<p>DTF recommends the establishment of a probity plan and the independent oversight of probity for all major projects (exceeding \$10 million, complex or involving high risk). This need is specifically identified in the Investment Lifecycle Guidelines (in particular project tendering). The VGPB Code of Conduct for Commercial Engagements and the <i>Partnerships Victoria Practitioners' Guide</i> (Chapter 22) detail probity requirements for projects.</p>	<p>Not required.</p>
<p>• <b>Recommendation 12 (Page 109 of Part B: New Ticketing System Tender)</b></p>			
<p>The Department of Treasury and Finance include a provision within <i>guidelines for major and complex tenders</i> that requires physical separation of a project team from the location of negotiation and clarification meetings with tenderers.</p>	<p>Accept.</p>	<p>DTF believes that the <i>Good Practice Guidelines for the Development of a State Purchase Contract Business Case</i> has included advice on organisation structures to effectively manage complex projects. The Investment Lifecycle Guidance suggests that the tender evaluation should be conducted properly for a good outcome and to avoid process problems. It suggests that tenders are evaluated according to the evaluation criteria and the evaluation plan. The guide also provides a list of common tender evaluation lessons learnt and contract negotiation and execution steps.</p>	<p>The risk of physical separation should be considered on a case by case basis. This issue of physical separation of the project team from supplier negotiations will be addressed in future guidance material.</p>

**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART C – CONDITION OF PUBLIC SECTOR RESIDENTIAL AGED CARE FACILITIES**

<b>PAEC Recommendation</b>	<b>Response</b>	<b>Action Taken to Date</b>	<b>Further Action Planned</b>
<p>• <b>Recommendation 1 (Page 129 of Part C: Condition of Public Sector Residential Aged Care Facilities)</b></p>			
<p>The Department of Human Services continue to undertake planning on future capital works needs of public sector aged care facilities in order to strategically invest in meeting the needs of the Victorian community.</p>	<p>Accept.</p>	<p>The Department of Human Services (DHS) continues to review the capital works needs on an annual basis through the multi year strategy and to target investment for capital works to highest priority needs. The plan includes the capital works needs of public sector residential aged care services in Victoria.</p>	<p>DHS will continue its capital works planning.</p>
<p>• <b>Recommendation 2 (Page 142 of Part C: Condition of Public Sector Residential Aged Care Facilities)</b></p>			
<p>The Department of Human Services review the scope of fire safety audits required under the <i>Fire Risk Management Guidelines</i>, as highlighted by the Auditor-General, to ensure that they constitute a comprehensive review including operational testing of a facility's fire safety systems.</p>	<p>Accept.</p>	<p>The <i>Fire Risk Management Guidelines</i> were updated in 2008.</p> <p>Fire safety audits have been reviewed and updated to improve linkages to the Building Regulations/Building Code of Australia.</p> <p>Annual fire safety certificates now report on:</p> <ul style="list-style-type: none"> <li>• compliance of auditing with departmental guidelines;</li> <li>• outstanding works and risk mitigation action planning;</li> <li>• essential safety measures maintenance statutory compliance including reporting on operational testing; and</li> <li>• emergency evacuation and response training of staff and clients.</li> </ul>	<p>DHS will continue to monitor the pertinence of its <i>Fire Risk Management Guidelines</i>.</p>

**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART C – CONDITION OF PUBLIC SECTOR RESIDENTIAL AGED CARE FACILITIES**

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
---------------------	----------	----------------------	------------------------

• **Recommendation 3 (Page 151 of Part C: Condition of Public Sector Residential Aged Care Facilities)**

<p>The Department of Human Services review the Service Agreement Information Kit to ensure that it includes reference to current public sector asset management policies and principles aimed at maximising the service delivery potential of a facility and managing the related risks and costs over the life of the facility. In particular Agreements need to specify:</p> <ul style="list-style-type: none"> <li>a) the requirement for providers to develop asset management strategies;</li> <li>b) the minimum performance standards expected from providers in managing and maintaining the facilities in an effective manner; and</li> <li>c) the monitoring arrangements and accountability mechanisms in place for demonstrating compliance with public sector asset management principles.</li> </ul>	<p>Accept in Principle.</p>	<p>DHS specifies requirements and procures delivery of services to the community by funded organisations through a three year service agreement cycle.</p> <p>The current three year service agreement cycle commenced on 1 July 2006 and ceases on 30 June 2009.</p> <p>In preparation for the transition to the new 2009-12 three year service agreement cycle, the Service Agreement terms and conditions and the associated Service Agreement Information Kit are being reviewed and updated and will include information and requirements in relation to asset management.</p>	<p>As part of the transition to new 2009-12 service agreement cycle, the inclusion of advice relating to appropriate asset management policies and principles, minimum performance standards, and monitoring arrangements is being considered.</p>
--	-----------------------------	---	--

**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART C – CONDITION OF PUBLIC SECTOR RESIDENTIAL AGED CARE FACILITIES**

<b>PAEC Recommendation</b>	<b>Response</b>	<b>Action Taken to Date</b>	<b>Further Action Planned</b>
<p>• <b>Recommendation 4 (Page 155 of Part C: Condition of Public Sector Residential Aged Care Facilities)</b></p>			
<p>The Department of Human Services review the methodology for calculating maintenance budget and consider using current replacement value for determining funding.</p>	<p>Accept in principle.</p>	<p>Funding for maintenance is provided by the Commonwealth through its aged care funding to residential aged care providers.</p> <p>State funding is provided on a recurrent basis in addition to that provided by the Commonwealth.</p> <p>A desktop review of the process for the distribution and allocation of the state funding has been completed. Based on the review the recurrent allocation will be indexed annually and separately identified in agency budgets.</p>	<p>Processes will continue to be monitored.</p>
<p>• <b>Recommendation 5 (Page 155 of Part C: Condition of Public Sector Residential Aged Care Facilities)</b></p>			
<p>The Department of Human Services examine if a current maintenance shortfall exists and use this information to support a submission to the Commonwealth for increased funding.</p>	<p>Reject.</p>	<p>Funding for maintenance is provided by the Commonwealth through its aged care funding to residential aged care providers.</p> <p>State funding is provided on a recurrent basis in addition to that provided by the Commonwealth.</p> <p>In addition to this recurrent maintenance contribution, the State Government also provides access to bid-based funding through the Annual Provisions Program. The current policy for distribution of the Annual provisions program balances the need to distribute funds to high regional priorities against the need to manage urgent and essential works on a state-wide basis.</p> <p>The State does not intend to make a submission to the Commonwealth.</p>	<p>Not applicable.</p>
<p>• <b>Recommendation 6 (Page 158 of Part C: Condition of Public Sector Residential Aged Care Facilities)</b></p>			
<p>The Department of Human Services consider providing guidance so service providers can better manage their accommodation bonds to ensure they are maximising the benefit from these funds for capital works.</p>	<p>Accept in principle.</p>	<p>A draft better practice tool (as part of the Business Performance Improvement initiative) on Managing Capital Purpose Income (including bonds), has been developed and its implementation is currently being finalised.</p>	<p>Promote improved knowledge/skills and better practices through access to training for sector.</p> <p>Distribute better practice tool to sector.</p>



**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART C – CONDITION OF PUBLIC SECTOR RESIDENTIAL AGED CARE FACILITIES**

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
---------------------	----------	----------------------	------------------------

**• Recommendation 7 (Page 165 of Part C: Condition of Public Sector Residential Aged Care Facilities)**

<p>The Department of Human Services ensure that in regards to the current Building Code of Australia requirements as they relate to public aged care facilities:</p> <p>a) facilities are maintained in accordance with this standard to ensure quality and safety; and</p> <p>b) health service providers are encouraged to maintain their knowledge of the requirements and develop strategies to meet these standards.</p>	<p>Accept in principle.</p>	<p>All new and/or redeveloped facilities are built to meet the current Building Code requirements. Existing facilities are required to meet any new building code requirements that are introduced and are retrospective.</p> <p>Existing processes include local management and maintenance of facilities, regular fire audits, periodic fabric surveys and compliance with building code changes where appropriate.</p> <p>In addition, DHS's certification kit for agencies has been updated, and will be updated as required to incorporate any relevant changes to the building code and/or any changes made by the Commonwealth to the certification requirements.</p>	<p>DHS's certification kit for agencies will be updated as necessary.</p>
---	-----------------------------	--	---

**• Recommendation 8 (Page 166 of Part C: Condition of Public Sector Residential Aged Care Facilities)**

<p>In the light of any future changes to the certification program by the Commonwealth Department of Health and Ageing, the Department of Human Services undertake a review of its processes and procedures to ensure that service providers continue to adequately maintain and improve the physical standards of public sector residential aged care facilities.</p>	<p>Accept in principle.</p>	<p>All new and/or redeveloped facilities are built to meet the current Building Code requirements. Existing facilities are required to meet any new building code requirements that are introduced and are retrospective.</p> <p>Existing processes include local management and maintenance of facilities, regular fire audits, periodic fabric surveys and compliance with building code changes where appropriate.</p> <p>In addition, DHS's certification kit for agencies has been updated, and will be updated as required to incorporate any relevant changes to the building code and/or any changes made by the Commonwealth to the certification requirements.</p>	<p>The department's certification kit for agencies will be updated as necessary.</p>
--	-----------------------------	--	--

**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART C – CONDITION OF PUBLIC SECTOR RESIDENTIAL AGED CARE FACILITIES**

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
---------------------	----------	----------------------	------------------------

**• Recommendation 9 (Page 169 of Part C: Condition of Public Sector Residential Aged Care Facilities)**

<p>The Department of Human Services, as a priority:</p> <ul style="list-style-type: none"> <li>a) undertake fabric surveys in a more timely manner in future;</li> <li>b) consistent with the Auditor-General's recommendation, put in place a process to undertake assessments of public sector aged care facilities between fabric surveys;</li> <li>c) undertake future fabric surveys every 5 years to provide the Department with current information to inform asset-management decision making; and</li> <li>d) finalise the current fabric survey and prepare a strategy to address infrastructure needs highlighted.</li> </ul>	<p>Accept in principle.</p>	<p>Consistent with this recommendation, DHS:</p> <ul style="list-style-type: none"> <li>• agrees that fabric surveys be undertaken in a more timely manner to inform asset-management decision making; and</li> <li>• is revising its processes to undertake an ongoing cycle of critical asset assessment of public sector aged care facilities.</li> </ul>	<p>DHS notes that planning is proceeding for completion in 2009.</p>
--	-----------------------------	--	--

**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART D – PRIORITY TWO FOLLOW-UPS**

<b>PAEC Recommendation</b>	<b>Response</b>	<b>Action Taken to Date</b>	<b>Further Action Planned</b>
<p>• <b>Recommendation 1 (Page 176 of Part D: Priority Two Follow-ups, Chapter 2: Rail Gauge Standardisation Project)</b></p>			
The Auditor-General place on his audit plan, a review of Department of Transport's project management framework and the supporting governance arrangements to ensure they are sufficiently robust.	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.
<p>• <b>Recommendation 2 (Page 180 of Part D: Priority Two Follow-ups, Chapter 3: Docklands Film and Television Studios)</b></p>			
That Department of Innovation, Industry and Regional Development engage commercial advisers or source relevant expertise to undertake regular financial assessments of the Docklands film and television studios.	Accept.	<p>In mid 2008 Melbourne Central City Studios Pty Ltd (MCCS) shareholders withdrew their support and involvement in the management and development of the Docklands Studio complex. On 19 November 2008, the Government reached a commercial settlement with the shareholders of MCCS and subsequently became the sole shareholder of the company.</p> <p>Since gaining control of MCCS, the Government has appointed the Victorian Auditor General as Auditor of the company. The Victorian Auditor General is currently undertaking an opening balance audit of MCCS.</p> <p>Prior to the Government's purchase of MCCS, the Department of Innovation, Industry and Regional Development (DIIRD) had engaged the services of KPMG to review MCCS's quarterly reports, business plans and audited financial statements.</p>	While the Government remains the sole shareholder, MCCS will continue to utilise the services of the Victorian Auditor General as the company's auditor.
<p>• <b>Recommendation 3 (Page 180 of Part D: Priority Two Follow-ups, Chapter 3: Docklands Film and Television Studios)</b></p>			
That, as a matter of priority, the Auditor-General undertakes a follow up audit of the State's investment in the Docklands film and television studio.	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. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART D – PRIORITY TWO FOLLOW-UPS**

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
---------------------	----------	----------------------	------------------------

**• Recommendation 4 (Page 186 of Part D: Priority Two Follow-ups, Chapter 4: Vocational Education and Training – Meeting the skill needs of the manufacturing industry)**

<p>That Department of Innovation, Industry and Regional Development undertake a review of the validation process for Change Drivers after two years of operation.</p>	<p>Accept.</p>	<p>A two phase review process has been undertaken and recommendations implemented.</p> <ul style="list-style-type: none"> <li>• Phase 1 involved the development of a methodology to systematise assessment (by Skills Victoria) of qualitative evidence provided in Change Driver Reports.</li> <li>• Phase 2 involved an independent validation of Change Driver Reports (accuracy, validity of claims/evidence etc) and the development of a streamlined process to guide preparation of subsequent Change Driver Reports.</li> </ul> <p>The outputs of both phases of the project were utilised for the first time during the 2008 planning cycle to determine priorities for industry training in 2009. Skills Victoria used the methodology developed in Phase 1 to assess qualitative evidence provided in Change Driver Reports in 2008. All Change Driver reports prepared by Industry Training Advisory Bodies (ITABs) were independently validated during 2008 and any gaps in evidence rectified. A new pro-forma for preparation of subsequent Change Driver reports was also developed.</p>	<p>No further action is planned at this stage. Implementation of the Skills Reform agenda means that the previous planning framework no longer applies. The use of the Change Driver reports will be reviewed within the context of Skills Reform.</p> <p>However, ITABs will continue to provide advice on a regular basis to Skills Victoria on industry skills/training needs. This advice will be used as an input to a consolidated information service for VET audiences. It is envisaged that Skills Victoria will establish a mechanism for the independent consolidation of this advice from ITABs prior to its publication by the Government.</p>
---	----------------	---	---

**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART D – PRIORITY TWO FOLLOW-UPS**

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
---------------------	----------	----------------------	------------------------

**• Recommendation 5 (Page 187 of Part D: Priority Two Follow-ups, Chapter 4: Vocational Education and Training – Meeting the skill needs of the manufacturing industry)**

<p>That the Victorian Skills Commission review its planning process to be a forward, incremental and benchmarked rolling three year plan.</p>	<p>Accept.</p>	<p>The Victorian Government has released its skills reform policy <i>Securing Jobs for Your Future – Skills for Victoria</i> which changes the basis on which the Victorian Skills Commission (VSC) will operate. It recognises the need for structural changes in the way the training system is funded and managed. Specifically, the shift to an entitlement approach to funding is founded on an understanding that individual choice is a critical driver of growth. The VSC's role is to provide advice and monitor the success of reforms designed to get more people into training. Actions to date include:</p> <ul style="list-style-type: none"> <li>• consultant appointed to advise on design of information service for the public;</li> <li>• framework developed for project funding for ITABs to bid competitively for project-based work aimed at increasing the take up of training within industries critical to the Victorian economy;</li> <li>• decision to run an industry forum to identify engagement strategies to stimulate demand for training by enterprises;</li> <li>• an implementation plan for the <i>Victorian Skills Pledge</i> Initiative, which will encourage businesses to develop the skills of their employees through training, in return for public acknowledgement of their commitment; and</li> <li>• a tender for the Skills for Growth initiative has been let and a revised monitoring framework has been approved by VSC.</li> </ul>	<ul style="list-style-type: none"> <li>• Finalise architecture and content for the online information service in April with a view to implementation in June 2009.</li> <li>• Implement the <i>Victorian Skills Pledge</i> Initiative from 1 July 2009.</li> <li>• Implement revised monitoring framework.</li> <li>• Revise contractual arrangements with ITABs to reflect new requirements under <i>Securing Jobs for Your Future – Skills for Victoria</i>.</li> <li>• Run industry forum and follow-up proposed engagement strategies to stimulate demand for training by enterprises.</li> </ul>
---	----------------	---	---

**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 82, Review of the findings and recommendations of the Auditor-General's reports tabled July 2006 – February 2007**

**PART D – PRIORITY TWO FOLLOW-UPS**

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
<p>• <b>Recommendation 6 (Page 188 of Part D: Priority Two Follow-ups, Chapter 4: Vocational Education and Training – Meeting the skill needs of the manufacturing industry)</b></p>			
<p>That Department of Innovation, Industry and Regional Development continue to implement the Auditor-General's recommendation and provide TAFE institutions with guidance in developing strategic plans which link into the business plans of both Skills Victoria and TAFE institutions as well as general Government policy.</p>	<p>Accept.</p>	<p>Skills Victoria will continue to work in partnership with TAFE institutions in the area of enhanced strategic planning. A measure of their ability to plan and operate in a strategic way is the success of Victorian TAFE institutions in the attraction of fee for service income. Victoria's fee for service revenue in 2007 comprised 47.5% of national fee for service operations of all TAFEs, the growth rate in 2007 was 17.1%, well above the national average of 12.8%.</p>	<p>As announced in <i>Securing Jobs for Your Future – Skills for Victoria</i>, DIIRD is also working with TAFE institutions on changes to governance to ensure that they have the flexibility they need to operate in the new contestable environment. Any changes will take into account the standards of accountability applied to Victorian public entities.</p>
<p>• <b>Recommendation 7 (Page 189 of Part D: Priority Two Follow-ups, Chapter 4: Vocational Education and Training – Meeting the skill needs of the manufacturing industry)</b></p>			
<p>That Department of Innovation, Industry and Regional Development ensure that through its TAFE Selected Measures Report or other such document, outcomes of Vocational Education and Training are tracked and measured in meaningful and reliable ways.</p>	<p>Accept.</p>	<p>The TAFE Selected Measures document, including KPIs, was significantly restructured in 2007. The changes were based on a series of consultations with TAFE institutes, who now regard the report as relevant, user friendly and informative. TAFEs use the document for their strategic planning purposes. Small changes were made in 2008 based on customer feedback to further improve the document.</p>	<p>As part of the skills reform agenda, Skills Victoria is currently reviewing and realigning its outcomes and performance monitoring framework to ensure that the impact of skills reform is properly monitored.</p>