

PARLIAMENT



OF VICTORIA

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

# REVIEW OF THE FINDINGS AND RECOMMENDATIONS OF THE AUDITOR-GENERAL'S REPORTS 2008

MAY 2010  
93<sup>rd</sup> REPORT TO PARLIAMENT





# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

**93<sup>rd</sup> REPORT TO THE PARLIAMENT**

---

## **Review of the Findings and Recommendations of the Auditor-General's Reports 2008**

---

**May 2010**

---

Ordered to be  
printed

---

By Authority  
Government Printer for the State of Victoria

No. 285  
Session 2006–10

# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

Address: Parliament of Victoria  
Spring Street  
East Melbourne  
Victoria 3002

Telephone: (03) 8682 2867

Facsimile: (03) 8682 2898

Email: [paec@parliament.vic.gov.au](mailto:paec@parliament.vic.gov.au)

Web: [www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)

**Parliament of Victoria  
Public Accounts and Estimates Committee**

*Review of the Findings and Recommendations of the  
Auditor-General's Reports 2008*

ISBN 978 0 9806614 5 3

# CONTENTS

---

|   |              |
|---|--------------|
| <b>PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE<br/>MEMBERSHIP – 56TH PARLIAMENT .....</b>                                   | <b>xiii</b>  |
| <b>DUTIES OF THE COMMITTEE .....</b>  | <b>xv</b>    |
| <b>CHAIR’S FOREWORD .....</b>   | <b>xvii</b>  |
| <b>RECOMMENDATIONS FOR PLANNING FOR WATER INFRASTRUCTURE<br/>IN VICTORIA .....</b>                                      | <b>xix</b>   |
| <b>RECOMMENDATIONS FOR PATIENT SAFETY IN PUBLIC HOSPITALS .....</b>   | <b>xxi</b>   |
| <b>RECOMMENDATIONS FOR PRIORITY TWO REPORTS.....</b>  | <b>xxiii</b> |
| <b>PART A: PLANNING FOR WATER INFRASTRUCTURE IN VICTORIA.....</b>   | <b>1</b>     |
| <b>CHAPTER 1: BACKGROUND TO THE REVIEW .....</b>  | <b>3</b>     |
| 1.1. Objective and scope of the report of the Auditor-General on<br>Planning for Water Infrastructure in Victoria ..... | 3            |
| 1.2. Conclusions and recommendations of the Auditor-General .....   | 3            |
| 1.3. Response by the Department of Sustainability and Environment.....  | 4            |
| 1.4. Response by the Auditor-General to the Committee .....   | 4            |
| 1.5. Scope of the review undertaken by the Committee .....  | 5            |
| <b>CHAPTER 2: MANAGING VICTORIA’S WATER SUPPLY SYSTEM .....</b>   | <b>7</b>     |
| 2.1. Introduction .....   | 7            |
| 2.1.1 Water management organisational framework .....   | 8            |
| 2.1.2 State water legislation.....  | 9            |
| 2.1.3 Ministerial and departmental responsibilities .....   | 10           |
| 2.1.4 Public water authorities.....   | 10           |
| 2.1.5 Statement of Obligations.....   | 11           |
| 2.1.6 Water industry regulators.....  | 11           |
| 2.2. Policy and planning.....   | 12           |
| 2.2.1 Securing our Water Future Together, The White Paper .....   | 12           |
| 2.2.2 Sustainable Water Strategies .....  | 13           |
| 2.2.3 Water Supply-Demand Strategies .....  | 14           |
| 2.2.4 Water Plans .....   | 14           |

|                   |   |           |
|-------------------|---|-----------|
| 2.2.5             | Our Water Our Future – The Next Stage of the Government’s Water Plan .....                      | 15        |
| 2.2.6             | Other management plans .....  | 16        |
| 2.2.7             | Commonwealth Government and inter-governmental arrangements.....                                | 17        |
| <b>CHAPTER 3:</b> | <b>VICTORIA’S WATER AVAILABILITY AND CONSUMPTION .....</b>                                      | <b>21</b> |
| 3.1.              | Water availability and consumption in Victoria.....   | 21        |
| 3.2.              | Melbourne’s water supply .....  | 23        |
| 3.3.              | The demand for water.....   | 24        |
| 3.4.              | Regional water supplies.....  | 25        |
| 3.5.              | The State Water Grid .....  | 26        |
| 3.5.1             | Sugarloaf Pipeline.....   | 27        |
| 3.5.2             | Melbourne-Geelong Pipeline .....  | 27        |
| 3.5.3             | Hamilton-Grampians Pipeline .....   | 27        |
| 3.5.4             | Wimmera-Mallee Pipeline.....  | 28        |
| <b>CHAPTER 4:</b> | <b>SELECTING AND PRIORITISING WATER SUPPLY STRATEGIES .....</b>                                 | <b>29</b> |
| 4.1.              | Introduction .....  | 29        |
| 4.2.              | Securing Our Water Future Together – The White Paper .....                                      | 29        |
| 4.2.1             | Auditor-General’s findings.....   | 30        |
| 4.3.              | Central Region Sustainable Water Strategy and other Regional Sustainable Water Strategies ..... | 30        |
| 4.3.1             | Auditor-General’s findings and recommendation.....  | 30        |
| 4.3.2             | Response by the Department of Sustainability and Environment....                                | 31        |
| 4.3.3             | Subsequent developments noted by the Committee .....  | 31        |
| 4.3.4             | Review and conclusion .....   | 34        |
| 4.4.              | The Victorian Water Plan .....  | 36        |
| 4.4.1             | Auditor-General’s findings and recommendations .....  | 36        |
| 4.4.2             | Response by the Department of Sustainability and Environment....                                | 38        |
| 4.4.3             | Further comments by the Auditor-General.....  | 38        |
| 4.4.4             | Further departmental comment.....   | 38        |
| 4.4.5             | Conclusion .....  | 41        |

|  |           |
|--|-----------|
| <b>CHAPTER 5: MONITORING AND REPORTING ON STRATEGIES .....</b>                       | <b>43</b> |
| 5.1. Introduction .....  | 43        |
| 5.2. Departmental monitoring and reporting .....                                     | 43        |
| 5.3. Monitoring and reporting on the Government’s White Paper.....                   | 43        |
| 5.3.1 Auditor-General’s findings and recommendation.....                             | 43        |
| 5.3.2 Response by the Department .....   | 44        |
| 5.3.3 Subsequent developments noted by the Committee .....                           | 44        |
| 5.3.4 Review and conclusion .....  | 44        |
| 5.4. Monitoring and reporting on the Central Region Sustainable Water Strategy ..... | 45        |
| 5.4.1 Introduction .....   | 45        |
| 5.4.2 Auditor-General’s findings and recommendation.....                             | 45        |
| 5.4.3 Response by the Department .....   | 46        |
| 5.4.4 Subsequent developments noted by the Committee .....                           | 46        |
| 5.4.5 Review and conclusion .....  | 46        |
| 5.5. Monitoring and reporting on the Victorian Water Trust.....                      | 47        |
| 5.5.1 Introduction .....   | 47        |
| 5.5.2 Auditor-General’s findings and recommendation.....                             | 47        |
| 5.5.3 Response by the Department .....   | 48        |
| 5.5.4 Subsequent developments noted by the Committee .....                           | 48        |
| 5.5.5 Review and conclusion .....  | 49        |
| 5.6. Monitoring environmental flows .....  | 49        |
| 5.6.1 Introduction .....   | 49        |
| 5.6.2 Auditor-General’s findings and recommendations .....                           | 49        |
| 5.6.3 Response by the Department of Sustainability and Environment....               | 49        |
| 5.6.4 Subsequent developments noted by the Committee .....                           | 50        |
| 5.6.5 Conclusion .....   | 54        |
| <b>CHAPTER 6: GOVERNANCE .....</b>   | <b>57</b> |
| 6.1. Transparency and openness .....   | 57        |
| 6.1.1 Auditor-General’s findings.....  | 57        |
| 6.1.2 Subsequent developments noted by the Committee .....                           | 57        |

|                   |   |           |
|-------------------|---|-----------|
| 6.1.3             | Conclusion .....  | 57        |
| 6.2.              | Accountability .....  | 58        |
| 6.2.1             | Auditor-General's findings.....   | 58        |
| 6.2.2             | Subsequent developments noted by the Committee .....  | 58        |
| 6.2.3             | Conclusion .....  | 59        |
| 6.3.              | Stewardship .....   | 60        |
| 6.3.1             | Auditor-General's findings and recommendation.....  | 60        |
| 6.3.2             | Response by the Department of Sustainability and Environment.....                               | 60        |
| 6.3.3             | Subsequent developments noted by the Committee .....  | 61        |
| 6.3.4             | Review and conclusion .....   | 61        |
| 6.4.              | VCEC Inquiry – Looking forward.....   | 61        |
| 6.4.1             | Subsequent developments noted by the Committee .....  | 62        |
| 6.4.2             | Review and conclusion .....   | 64        |
| <b>PART B:</b>    | <b>PATIENT SAFETY IN PUBLIC HOSPITALS.....</b>  | <b>67</b> |
| <b>CHAPTER 1:</b> | <b>BACKGROUND TO THE REVIEW .....</b>   | <b>69</b> |
| 1.1.              | Objective and scope of the Auditor-General's report on Patient Safety in Public Hospitals ..... | 69        |
| 1.2.              | Findings of the audit.....  | 69        |
| 1.3.              | Response by the Department of Health.....   | 70        |
| 1.4.              | Response by the Victorian Managed Insurance Authority .....                                     | 70        |
| 1.5.              | Scope of the review undertaken by the Committee .....   | 71        |
| <b>CHAPTER 2:</b> | <b>BACKGROUND TO PATIENT SAFETY IN PUBLIC HOSPITALS .....</b>                                   | <b>73</b> |
| 2.1.              | Introduction .....  | 73        |
| 2.2.              | Patient safety .....  | 73        |
| 2.2.1             | Victoria's patient safety system.....   | 73        |
| 2.3.              | Roles and responsibilities of agencies involved in patient safety .....                         | 74        |
| 2.3.1             | Department of Health.....   | 75        |
| 2.3.2             | Subsidiarity approach .....   | 75        |
| 2.3.3             | Health Services.....  | 75        |

|                   |   |           |
|-------------------|---|-----------|
| 2.3.4             | Victorian Quality Council.....                                | 75        |
| 2.3.5             | Victorian Managed Insurance Authority .....                   | 76        |
| 2.4.              | Clinical risk management.....                                 | 76        |
| 2.4.1             | Clinical risk management in Victoria .....                    | 76        |
| 2.5.              | Clinical incidents .....                                      | 77        |
| 2.5.1             | Number and cost of clinical incidents in Victoria.....        | 78        |
| <b>CHAPTER 3:</b> | <b>GOVERNANCE IN THE PATIENT SAFETY SYSTEM.....</b>           | <b>79</b> |
| 3.1.              | Introduction .....  | 79        |
| 3.2.              | Clinical risk management.....                                 | 79        |
| 3.2.1             | Clinical risk management strategy .....                       | 80        |
| 3.2.2             | Service level agreement .....                                 | 80        |
| 3.2.3             | Insurance premiums for health services .....                  | 80        |
| 3.3.              | Subsidiarity in Victoria’s hospitals.....                     | 81        |
| 3.4.              | Governance arrangements .....                                 | 82        |
| 3.4.1             | Roles and responsibilities .....                              | 82        |
| 3.4.2             | Overlap and duplication .....                                 | 82        |
| 3.4.3             | Independent reviews.....                                      | 83        |
| 3.4.4             | Auditor-General’s findings and recommendation.....            | 83        |
| 3.4.5             | Response by the Department of Health.....                     | 84        |
| 3.4.6             | Subsequent developments noted by the Committee .....          | 84        |
| 3.5.              | Previous work undertaken by the Auditor-General .....         | 85        |
| 3.5.1             | 2005 audit – Managing patient safety in public hospitals..... | 85        |
| 3.5.2             | Audit findings from 2005 .....                                | 85        |
| 3.5.3             | Auditor-General’s findings and recommendation from 2008.....  | 86        |
| 3.5.4             | Response by the Department of Health.....                     | 87        |
| 3.5.5             | Subsequent developments noted by the Committee .....          | 87        |
| <b>CHAPTER 4:</b> | <b>MONITORING PERFORMANCE IN PATIENT SAFETY.....</b>          | <b>91</b> |
| 4.1.              | Introduction .....  | 91        |
| 4.2.              | Performance monitoring frameworks.....                        | 91        |
| 4.2.1             | Health service performance monitoring .....                   | 91        |

|                   |  |            |
|-------------------|--|------------|
| 4.2.2             | Statewide performance monitoring .....   | 91         |
| 4.2.3             | Auditor-General's findings and recommendation .....  | 92         |
| 4.2.4             | Response by the Department of Health .....   | 92         |
| 4.2.5             | Subsequent developments noted by the Committee .....   | 93         |
| 4.3.              | Monitoring the cost and number of clinical incidents .....   | 95         |
| 4.4.              | Accountability mechanisms.....   | 95         |
| 4.4.1             | Internal accountability .....  | 95         |
| 4.4.2             | External accountability .....  | 96         |
| 4.4.3             | Auditor-General's findings and recommendation .....  | 96         |
| 4.4.4             | Subsequent developments noted by the Committee .....   | 96         |
| <b>PART C:</b>    | <b>PRIORITY TWO REPORTS .....</b>  | <b>99</b>  |
| <b>CHAPTER 1:</b> | <b>RECORDS MANAGEMENT IN THE VICTORIAN PUBLIC SECTOR.....</b>  | <b>101</b> |
| 1.1.              | Introduction .....   | 101        |
| 1.2.              | Audit findings .....   | 102        |
| 1.3.              | Regulatory framework for managing records.....   | 103        |
| 1.3.1             | Recommendation 3.1 – Reviewing the Public Records Act 1973 .....   | 103        |
| 1.4.              | PROV's performance in facilitating sound records management in the public sector.....                                    | 104        |
| 1.4.1             | Recommendation 4.1 – Regular reviews of records management standards.....  | 104        |
| 1.4.2             | Recommendation 4.2 – Communication approach of PROV.....   | 106        |
| 1.4.3             | Recommendation 4.3 – Monitoring of project progress and guidance on strategic records management.....                    | 106        |
| 1.4.4             | Recommendation 4.4 – Gathering comprehensive information from agencies and a strategic approach to service delivery..... | 107        |
| 1.4.5             | Recommendation 4.5 and 4.6 – Training provided by PROV and its effectiveness .....                                       | 108        |
| 1.4.6             | Recommendation 4.7 – Victorian Electronic Records Strategy implementation .....  | 109        |
| 1.4.7             | Recommendation 4.8 – Strategy to assist agencies in introducing compliant systems .....                                  | 111        |
| 1.4.8             | Recommendation 4.9 – Improved communication with agencies..  | 112        |

|   |  |            |
|---|--|------------|
| 1.4.9   | Recommendation 4.10 – Promotion of records management .....                              | 112        |
| 1.4.10  | Recommendation 4.11 – Efficiency of services provided.....                               | 113        |
| 1.4.11  | Recommendation 4.12 – Strategic framework for relationship management.....               | 114        |
| 1.5.  | Records management in the public sector.....   | 115        |
| 1.5.1   | Recommendation 5.1 – Setting records management objectives and policies.....             | 115        |
| 1.5.2   | Recommendation 5.2 – Records management champions.....                                   | 116        |
| 1.5.3   | Recommendation 5.3 and 5.4 – A strategic approach to records management.....             | 117        |
| 1.5.4   | Recommendation 5.5 – Reviewing agency procedures.....                                    | 118        |
| 1.5.5   | Recommendation 5.6 and 5.7 – Staffing associated with records management.....            | 119        |
| 1.5.6   | Recommendation 5.8 and 5.9 – Communication of records management.....                    | 120        |
| 1.5.7   | Recommendation 5.9 – Regular monitoring and evaluation of recordkeeping activities ..... | 121        |
| 1.6.  | PROV’s management of specific record keeping activities.....                             | 122        |
| 1.6.1   | Recommendation 6.1 – Retention and disposal of records .....                             | 123        |
| 1.6.2   | Recommendations 6.2 and 6.3 – Transfer of records to PROV.....                           | 125        |
| 1.6.3   | Recommendation 6.4 – Records provided to agencies .....                                  | 127        |
| 1.7.  | PROV performance measurement and reporting .....   | 127        |
| 1.7.1   | Recommendation 7.1 – Performance information and reporting ...                           | 128        |
| <b>CHAPTER 2: DELIVERING HEALTHSMART.....</b> |  | <b>129</b> |
| 2.1.  | Introduction .....   | 129        |
| 2.1.1   | Audit findings .....   | 130        |
| 2.2.  | Review findings.....   | 130        |
| 2.2.1   | Project status .....   | 130        |
| 2.2.2   | Clinical Systems.....  | 131        |
| 2.2.3   | Planning for the remaining components .....  | 132        |
| 2.2.4   | Measuring benefits.....  | 132        |
| 2.2.5   | Authorisation for changes .....  | 134        |
| 2.2.6   | Whole-of-life asset management .....   | 134        |

|       |                                     |     |
|-------|-------------------------------------|-----|
| 2.2.7 | Program monitoring and review ..... | 135 |
|-------|-------------------------------------|-----|

**CHAPTER 3: VICTORIA'S PLANNING FRAMEWORK FOR LAND USE AND DEVELOPMENT ..... 139**

|       |   |     |
|-------|---|-----|
| 3.1.  | Introduction .....  | 139 |
| 3.1.1 | Audit of Victoria's Planning Framework for Land Use and Development.....  | 141 |
| 3.1.2 | Scope of the Committee's review .....   | 142 |
| 3.2.  | Measuring the performance of the State's planning framework.....  | 143 |
| 3.2.1 | Recommendation 4.1 – Measuring the performance of the State's planning system.....  | 143 |
| 3.2.2 | Recommendation 4.2 – Stakeholder feedback.....  | 145 |
| 3.2.3 | Recommendation 4.3 – Progressing the performance measurement framework.....   | 146 |
| 3.2.4 | Recommendation 4.4 – Performance targets for the planning scheme amendment process.....   | 146 |
| 3.3.  | Council management of the planning scheme amendment process .....   | 147 |
| 3.3.1 | Recommendation 5.1 – Planning scheme amendment processes: timeframes, practices, indicators, reporting and corrective action..... | 147 |
| 3.3.2 | Recommendation 5.4 – Defining 'materially affected' and guidelines for facilitating consistency across councils.....              | 148 |
| 3.3.3 | Recommendation 5.6 – Developing a standard report template for council officers.....  | 149 |
| 3.3.4 | Recommendation 5.7 –Introducing peer reviews.....   | 149 |
| 3.3.5 | Recommendations 5.2, 5.3, 5.5, 5.8, 5.9, 5.10 – Actions for Councils .....  | 149 |
| 3.4.  | Council management of the planning permit process.....  | 150 |
| 3.4.1 | Recommendation 6.5 - Assessing the concept of 'material detriment' .....  | 150 |
| 3.4.2 | Recommendations: 6.1, 6.2, 6.3, 6.4, 6.6, 6.7, 6.8, 6.9, 6.10 – Actions for Councils .....  | 150 |
| 3.5.  | Statewide approach to improve statutory planning in councils .....  | 152 |
| 3.5.1 | Recommendation 7.1 – Implementing a multi-pronged strategy .....  | 152 |

|                    |  |            |
|--------------------|--|------------|
| <b>CHAPTER 4:</b>  | <b>COORDINATING SERVICES AND INITIATIVES FOR ABORIGINAL PEOPLE.....</b>                    | <b>155</b> |
| 4.1.               | Introduction .....   | 155        |
| 4.2.               | Governance arrangements in indigenous affairs .....  | 156        |
| 4.2.1              | Roles and responsibilities within the governance and administrative framework.....         | 156        |
| 4.2.2              | Location of the Secretariat to the Ministerial Taskforce on Aboriginal Affairs .....       | 157        |
| 4.2.3              | Administrative placement of Aboriginal Affairs in Government .....                         | 157        |
| 4.2.4              | Managing the risks of ‘whole-of-government’ working arrangements.....                      | 159        |
| 4.2.5              | Current risk management arrangements within the administration of indigenous affairs ..... | 159        |
| 4.3.               | Indigenous affairs planning .....  | 160        |
| 4.3.1              | Strategic planning .....   | 160        |
| 4.3.2              | Recent policy developments .....   | 161        |
| 4.3.3              | Investment planning.....   | 162        |
| 4.3.4              | Conclusion .....   | 163        |
| 4.4.               | Monitoring performance in indigenous affairs .....   | 163        |
| 4.4.1              | Monitoring VIAF performance .....  | 163        |
| <b>CHAPTER 5:</b>  | <b>IMPLEMENTATION OF THE CRIMINAL JUSTICE ENHANCEMENT PROGRAM .....</b>                    | <b>167</b> |
| 5.1.               | Introduction .....   | 167        |
| 5.1.1              | Auditor-General’s findings.....  | 167        |
| 5.2.               | Review findings.....   | 168        |
| 5.2.1              | Completing the E*Brief project.....  | 168        |
| 5.2.2              | Monitoring CJEP’s performance and benefits.....  | 170        |
| 5.2.3              | Ongoing management and support of CJEP .....   | 172        |
| 5.2.4              | Information security connected with CJEP .....   | 174        |
| <b>APPENDIX 1:</b> | <b>LIST OF WITNESSES AT PUBLIC HEARINGS .....</b>  | <b>177</b> |
| <b>APPENDIX 2:</b> | <b>ACRONYMS AND ABBREVIATIONS .....</b>  | <b>179</b> |



# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE MEMBERSHIP – 56TH PARLIAMENT**

---

Bob Stensholt MP (Chair)

Kim Wells MP (Deputy Chair)

Richard Dalla-Riva MLC

Judith Graley MP\*

Jennifer Huppert MLC

Wade Noonan MP

Sue Pennicuik MLC

Gordon Rich-Phillips MLC

Robin Scott MP

Bill Sykes MP

\* Judith Graley MP was appointed to the Committee on 2 February 2010 by the Legislative Council following the resignation of Janice Munt MP on 2 February 2010.

For this inquiry, the Committee was supported by a secretariat comprising:

Executive Officer: Valerie Cheong

Senior Research Officers: Vicky Delgos

Leah Brohm

Christopher Gribbin (acting)

Research Officers: Ian Claessen

Julie Gould (temporary)

Business Support Officer: Melanie Hondros

Desktop Publisher: Mitch Marks



# DUTIES OF THE COMMITTEE

---

The Public Accounts and Estimates Committee is a joint parliamentary committee constituted under the *Parliamentary Committees Act 2003*.

The Committee comprises ten members of Parliament drawn from both Houses of Parliament.

The Committee carries out investigations and reports to Parliament on matters associated with the financial management of the state. Its functions under the Act are to inquire into, consider and report to the Parliament on:

- any proposal, matter or thing concerned with public administration or public sector finances;
- the annual estimates or receipts and payments and other Budget Papers and any supplementary estimates of receipts or payments presented to the Assembly and the Council; and
- any proposal, matter or thing that is relevant to its functions and has been referred to the Committee by resolution of the Council or the Assembly or by order of the Governor in Council published in the Government Gazette.

The Committee also has a number of statutory responsibilities in relation to the Office of the Auditor-General. The Committee is required to:

- recommend the appointment of the Auditor-General and the independent performance and financial auditors to review the Victorian Auditor-General's Office;
- consider the budget estimates for the Victorian Auditor-General's Office;
- review the Auditor-General's draft annual plan and, if necessary, provide comments on the plan to the Auditor-General prior to its finalisation and tabling in Parliament;
- have a consultative role in determining the objectives and scope of performance audits by the Auditor-General and identifying any other particular issues that need to be addressed;
- have a consultative role in determining performance audit priorities; and
- exempt, if ever deemed necessary, the Auditor-General from legislative requirements applicable to government agencies on staff employment conditions and financial reporting practices.



## CHAIR'S FOREWORD

---

Under its functions and powers set out in sections 14 and 33 of the *Parliamentary Committees Act 2003*, the Public Accounts and Estimates Committee has been following up audit reports tabled in Parliament by the Auditor-General every six months in tranches. Since 2008, the Committee has continued to prioritise these reports as either 'priority one' or 'priority two' based on various criteria such as the seriousness of audit findings, public interest, risk, social impact, materiality and opportunities to enhance accountability.

I am pleased to present the fourth tranche of follow up reports, termed 'round four'. The topics dealt with by the Committee in its priority one follow-up reports this round are two very critical issues in Victoria, water and hospitals. The two audits examined were Planning for Water Infrastructure in Victoria and Patient Safety in Public Hospitals.

With Victoria's drought conditions, the Government has had to act decisively to secure an assured supply of water for Victoria. In relation to hospitals, the Committee has been keen to ensure that there are strong systems in place to ensure patient safety in Victoria's hospitals.

The Committee found that the departments have undertaken a range of activities to implement the Auditor-General's recommendations. The Committee made a number of recommendations, suggesting better reporting and monitoring of outcomes and that further improvements to governance and operational arrangements could be made.

In addition, the Committee undertook five priority two reports, on diverse issues including, planning, records management, IT and coordination of services for indigenous people in Victoria.

I wish to thank my colleagues for their participation in public hearings and for the consideration of issues raised by these follow-up audits. I also wish to thank the Committee's secretariat staff for their high quality research for this report and the important administrative support provided for these reviews.

The Committee looks forward to Government implementation of the important recommendations made by the Committee in this report.

The total cost of round four audit reviews is \$43,426.



**Bob Stensholt MP**  
Chair



# RECOMMENDATIONS FOR PLANNING FOR WATER INFRASTRUCTURE IN VICTORIA

---

- Recommendation 1:** The Department of Sustainability and Environment ensure that annual reviews of Sustainable Water Strategies are undertaken in a timely manner to assess the success of the Strategies in meeting their targets and to ensure that Strategies can be revised so that they remain relevant and effective planning tools for sustainable water management in the State. .... 36
- Recommendation 2:** In undertaking its annual review of the Central Region Sustainable Water Strategy for 2009-10, the Department of Sustainability and Environment should take account of the water augmentation projects detailed in the Victorian Water Plan to ensure a more accurate and relevant reflection of water availability in the central region of Victoria, as recommended in the Auditor-General’s report..... 36
- Recommendation 3:** The Department of Sustainability and Environment should determine an appropriate timeframe for the public release of accurate and reliable information relating to major water infrastructure projects and activities to ensure that the Parliament and the public is informed in a more timely manner and to allow for meaningful input and feedback. .... 42
- Recommendation 4:** The Department of Sustainability and Environment should provide information in its Annual Report on Sustainable Water Strategies to meet its legislative requirements under Section 22J of the Water Act 1989..... 46
- Recommendation 5:** The Department of Sustainability and Environment should provide meaningful reporting on the outcomes and achievements of the Victorian Water Trust and its main component project against stated objectives. .... 49
- Recommendation 6:** The Department of Sustainability and Environment should provide, where feasible, links on its website to detailed information regarding the compliance of Catchment Management Authorities with environmental flow obligations stipulated under the Environmental Water Reserve or stated in other relevant environmental management plans. .... 55

|                           |   |           |
|---------------------------|---|-----------|
| <b>Recommendation 7:</b>  | <b>The Department of Sustainability and Environment should investigate ways to improve water data collection processes associated with the preparation of the Victorian Water Accounts. ....</b>  | <b>55</b> |
| <b>Recommendation 8:</b>  | <b>The Department of Sustainability and Environment should seek to improve the timeliness of its reporting on the overall monitoring of environmental flows. ....</b>   | <b>55</b> |
| <b>Recommendation 9:</b>  | <b>The Department of Sustainability and Environment investigate independent verification of flow compliance information provided by Catchment Management Authorities in line with the recommendation made by the Auditor-General.....</b>   | <b>55</b> |
| <b>Recommendation 10:</b> | <b>The Department of Sustainability and Environment should provide further information to the public on the status of Stream Flow Management Plans in Victoria’s priority unregulated rivers either on its website or in its Annual Report. ....</b>  | <b>55</b> |
| <b>Recommendation 11:</b> | <b>The Department of Sustainability and Environment ensure timely information to the Parliament and the public in relation to the detailed analysis underpinning decisions on the allocation of resources to major water infrastructure projects. ....</b>  | <b>58</b> |
| <b>Recommendation 12:</b> | <b>The Department of Sustainability and Environment finalise proposals for improvements to the governance and operational arrangements of water authorities, as recommended by the Victorian Competition and Efficiency Commission in February 2008, as a matter of urgency. ....</b>                           | <b>59</b> |
| <b>Recommendation 13:</b> | <b>The Department of Treasury and Finance prepare a progress report on the actions taken to implement the recommendations made in the Victorian Competition and Efficiency Commission’s inquiry into the reform of the metropolitan retail water sector including timelines for completion of actions. ....</b> | <b>65</b> |

# RECOMMENDATIONS FOR PATIENT SAFETY IN PUBLIC HOSPITALS

---

- Recommendation 14:** The Department of Health ensure health services provide appropriate benchmarked training on clinical risk management..... 89
- Recommendation 15:** The Department of Health should develop guidelines on the recommended content of training for staff in clinical risk management. .... 89
- Recommendation 16:** The Department of Health should use the data collected from the Victorian Health Incident Management System to identify better practice initiatives and ensure that health services are using the system..... 94
- Recommendation 17:** The Department of Health should work with the Victorian Managed Insurance Authority to engage health services on clinical incidents with a view to strengthening processes for better practice in health services..... 94
- Recommendation 18:** The Department of Health should, with the introduction of the Victorian Health Incident Management System, develop strong performance measures relating to patient safety..... 97



# RECOMMENDATIONS FOR PRIORITY TWO REPORTS

---

- Recommendation 19:** The Public Record Office Victoria ensure that standards are reviewed at least every five years to ensure they remain relevant. .... 105
- Recommendation 20:** The Public Record Office Victoria should undertake regular surveys of agencies following the introduction of the revised standards to guide its communication approach in future. .... 106
- Recommendation 21:** The Public Record Office Victoria should establish timelines for Stages Two and Three of the Victorian Electronic Records Strategy and report to Government, via the Department of Premier and Cabinet, achievement against these timelines..... 110
- Recommendation 22:** The Public Record Office Victoria should, as a matter of urgency, finalise a comprehensive strategy to support agencies to establish a Victorian Electronic Records Strategy compliant system and ensure adequate consultation is undertaken with public sector agencies and industry groups..... 111
- Recommendation 23:** The Public Record Office Victoria should establish dates for the commencement and completion of its client management system. .... 115
- Recommendation 24:** The Public Record Office Victoria should, in line with the recommendation of the Auditor-General, develop a program for senior staff of agencies to assist them in championing records management practices. ....117
- Recommendation 25:** The Public Record Office Victoria should structure its self-assessment framework, to be developed through its Recordkeeping Standards Project, in line with training it provides to ensure that there is appropriate support for agencies. ....121
- Recommendation 26:** The Public Record Office Victoria should work with agencies to ensure they have proper retention and disposal authorities in place..... 125

|                           |  |            |
|---------------------------|--|------------|
| <b>Recommendation 27:</b> | <b>The Department of Health work together with agencies to identify agencies’ actual true cost contributions in implementing HealthSMART. This information, including total costs, should be publicly reported. ....</b>   | <b>134</b> |
| <b>Recommendation 28:</b> | <b>The Department of Health undertake the remaining Gateway reviews at the appropriate points for the remaining components of the HealthSMART program, including Gate 6 (benefits evaluation) for the completed components. ....</b>   | <b>136</b> |
| <b>Recommendation 29:</b> | <b>The Department of Treasury and Finance put in place processes that strengthen requirements for agencies to conduct Gateway reviews.....</b>   | <b>136</b> |
| <b>Recommendation 30:</b> | <b>The Department of Health appoint its internal audit unit to monitor progress on the ongoing performance evaluation of the HealthSMART program, including ensuring that robust performance measures are in place.....</b>  | <b>136</b> |
| <b>Recommendation 31:</b> | <b>The Department of Health undertake all Gateway reviews and internal audits on all appropriate ICT projects in the future. ....</b>  | <b>137</b> |
| <b>Recommendation 32:</b> | <b>Within two years of the roll-out of all components of HealthSMART, the Auditor-General undertake an audit to assess the extent of benefits realised by the program, including the success of the integration of all system components comprising HealthSMART and the effectiveness of ongoing program monitoring.....</b> | <b>137</b> |
| <b>Recommendation 33:</b> | <b>The Department of Planning and Community Development commence the development of a comprehensive performance measurement framework for the state’s planning system as soon as possible to ensure its timely implementation following legislative amendments to the Planning and Environment Act 1987.....</b>             | <b>145</b> |
| <b>Recommendation 34:</b> | <b>As part of developing a comprehensive performance measurement framework, the Department of Planning and Community Development consult stakeholders through a program of round table forums, and consider a system for providing feedback to stakeholders.....</b>   | <b>145</b> |

|                           |   |            |
|---------------------------|---|------------|
| <b>Recommendation 35:</b> | <b>The Department of Planning and Community Development continue to develop the performance measurement capacity of its online system, and prepare detailed timelines for the further development and implementation of the performance measurement framework. ....</b>   | <b>146</b> |
| <b>Recommendation 36:</b> | <b>The Department of Planning and Community Development commence development of key performance indicators and a system of reporting against those indicators to help improve council performance in processing planning scheme amendments. ....</b>  | <b>148</b> |
| <b>Recommendation 37:</b> | <b>In addition to councils undergoing a self assessment process, the Department of Planning and Community Development should identify individual councils to be the subject of an independent external review to ascertain whether the Auditor-General’s recommendations have been adequately applied to their planning processes. ....</b>                         | <b>153</b> |
| <b>Recommendation 38:</b> | <b>The Department of Planning and Community Development considers developing a risk management strategy and a plan to mitigate identified risks, which covers the whole-of-government approach being taken to implement indigenous programs and initiatives across Victorian government agencies. ....</b>  | <b>160</b> |
| <b>Recommendation 39:</b> | <b>The Department of Planning and Community Development should develop a work plan and investment framework to support and coordinate the effective implementation of the Government’s forthcoming Victorian Indigenous Affairs Strategic Plan. ....</b>  | <b>163</b> |
| <b>Recommendation 40:</b> | <b>The Department of Planning and Community Development should include details in its 2009-10 Annual Report on the success of actions taken under the Victorian Indigenous Affairs Framework, including the outcomes achieved to date. ....</b>   | <b>165</b> |
| <b>Recommendation 41:</b> | <b>The Department of Planning and Community Development should oversee and coordinate the data collection requirements of those agencies providing indigenous programs and services to ensure that the appropriate data is available to measure and report on the performance of the Government’s forthcoming Victorian Indigenous Affairs Strategic Plan. ....</b> | <b>165</b> |

|                           |  |            |
|---------------------------|--|------------|
| <b>Recommendation 42:</b> | <b>The Department of Planning and Community Development should investigate and communicate to other relevant government agencies any currently available data which can assist in measuring progress made towards reducing indigenous disadvantage in Victoria. ....</b>   | <b>165</b> |
| <b>Recommendation 43:</b> | <b>Victoria Police commit to a schedule and budget for the completion of the Brief Integration Project by mid-2010. The Criminal Justice Enhancement Program Governance Board should monitor the project’s progress on this schedule and ensure that Victoria Police complete the project in a timely manner. ....</b> | <b>169</b> |
| <b>Recommendation 44:</b> | <b>The Department of Justice consider revising its performance measures for the Criminal Justice Enhancement Program in line with the Auditor-General’s recommendations. ....</b>  | <b>171</b> |
| <b>Recommendation 45:</b> | <b>The Department of Justice provide details of the progress of the Criminal Justice Enhancement Program and its success against performance measures in future annual reports. ....</b>   | <b>172</b> |
| <b>Recommendation 46:</b> | <b>The Department of Justice undertake a formal comparison through an independent pricing review by appropriate experts at regular intervals, comparing the costs of the internal unit to the costs of outsourcing to ensure that the Department is getting value for money. ....</b>                                  | <b>173</b> |
| <b>Recommendation 47:</b> | <b>The Department of Justice report on the ongoing support costs of the Criminal Justice Enhancement Program in future annual reports. ....</b>  | <b>173</b> |
| <b>Recommendation 48:</b> | <b>The Department of Justice develop a risk management strategy, risk register and risk plans specifically for the Criminal Justice Enhancement Program, to be monitored and periodically reviewed by the Criminal Justice Enhancement Program Governance Board.....</b>   | <b>173</b> |
| <b>Recommendation 49:</b> | <b>The Department of Justice expand the performance indicators for information security in the Criminal Justice Enhancement Program to also cover matters such as those suggested by the Auditor-General.....</b>  | <b>175</b> |

**PART A: PLANNING FOR WATER  
INFRASTRUCTURE IN VICTORIA**



# CHAPTER 1: BACKGROUND TO THE REVIEW

## 1.1. Objective and scope of the report of the Auditor-General on Planning for Water Infrastructure in Victoria

In April 2008, the Auditor-General released his report: *Planning for Water Infrastructure in Victoria*. The objective of the audit was to assess how well the Department of Sustainability and Environment (the Department) selects, prioritises and monitors the implementation of statewide and regional strategies to achieve the Government's water policy goals. The audit included an examination of the adequacy of:<sup>1</sup>

- processes used to select and prioritise water supply strategies;
- processes used to monitor the progress and impacts of strategies;
- institutional and governance arrangements supporting the selection of water infrastructure projects and the development of water strategies; and
- water infrastructure funding arrangements.

## 1.2. Conclusions and recommendations of the Auditor-General

The Auditor-General concluded that the Government's 2004 water policy, *Securing Our Water Future Together* (referred to as the White Paper), established a sound framework for the sustainable management of water resources across the State and that this framework had been successfully applied to the development of the Central Region Sustainable Water Strategy, finalised in October 2006.<sup>2</sup>

The report notes that the extreme drop in recorded annual inflows to Melbourne's storages in 2006 prompted an immediate response by the Government in the form of the announcement in June 2007 of *Our Water Our Future – The Next Stage of the Government's Water Plan* (referred to in the report as the Victorian Water Plan), a \$4.9 billion infrastructure plan aimed at augmenting Victoria's water supplies.<sup>3</sup>

The Auditor-General notes that the announcement of the Victorian Water Plan was an emergency response to critical water shortages, and that the processes employed in developing the Plan were short of the standard used by the Department when developing the White Paper and the Central Region Sustainable Water Strategy.<sup>4</sup>

The Auditor-General's report also flagged the need for solid governance arrangements to ensure the effective and efficient management of the metropolitan water supply and also the successful integration of new water supplies, being developed under the Victorian Water Plan.<sup>5</sup>

---

1 Victorian Auditor-General's Office, *Planning for Water Infrastructure*, April 2008, p.20

2 *ibid.*, p.v

3 *ibid.*

4 *ibid.*, p.2

5 *ibid.*, pp.v, 53

The report included a number of key findings and 10 recommendations across the following areas:

- selection and prioritisation of water supply strategies;
- monitoring and reporting on strategies; and
- governance arrangements.

### **1.3. Response by the Department of Sustainability and Environment**

The response of the Department, as detailed in the Auditor-General's report, indicated some differences in relation to the scope of the audit and some of the comments made and conclusions drawn in the report. However, the response detailed in the *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08* did not include these differences and indicated that the Department accepted the Auditor-General's recommendations and intended to take action to implement them.

At the Committee's public hearing in September 2009, the Department expressed a positive response to the Auditor-General's report and provided further comment in relation to the actions it has taken, and intends to take, in regard to the recommendations made in the report.

The specific Departmental responses to the Auditor-General's findings and recommendations as presented in the *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, together with advice provided to the Committee by the Department in relation to subsequent actions taken to date, are detailed in the following sections of this report.

### **1.4. Response by the Auditor-General to the Committee**

The Committee wrote to the Auditor-General in August 2009 requesting views and comments in relation to the actions proposed and/or taken by the Department on the recommendations contained in his audit report together with any other comments on specific matters raised in the report.

The Auditor-General advised the Committee that, in his view, the most critical recommendations related to the key issues identified in the report, namely:<sup>6</sup>

- the inadequate level of information provided to the community on water supply projects; and
- the inadequate levels of rigour applied to estimate the costs, benefits and risks of some of the projects within the Victorian Water Plan.

---

6 Mr D Pearson, Auditor-General, correspondence to the Committee, received 17 September 2009, p.1

The Department is requested to:<sup>7</sup>

- provide more information to the community on the costs and benefits of projects in the Victorian Water Plan;
- publish the detailed analysis underpinning the costs and water savings associated with the Northern Victoria Irrigation Project; and
- work with central agencies to improve the communication provided to the community on the costs and benefits of water projects.

Specific comments made by the Auditor-General in relation to the Department's responses via correspondence and at the public hearing are included in the following sections of this report.

### **1.5. Scope of the review undertaken by the Committee**

On 23 September 2009, a public hearing was held with Mr Des Pearson, Auditor-General, Mr Andrew Greaves, Assistant Auditor-General, Performance Audit and Mr Chris Sheard, Acting Director, Performance Audit from the Victorian Auditor-General's Office.

A separate hearing was held later on the same day with Mr Greg Wilson, Secretary, Mr David Downie, General Manager, Office of Water and Mr Graeme Turner, Director, Office of Water from the Department of Sustainability and Environment.

Comments were sought from the Department on actions taken to date in relation to the audit recommendations and from the Auditor-General in relation to the Department's response to the report findings and recommendations prior to the public hearing. Further information was requested in writing in relation to questions taken on notice at the hearings and any other material required by the Committee.

The Committee's comments and conclusions are based on transcripts of evidence taken at the public hearings together with the written advice provided by the Department and the Auditor-General. In addition, the Committee noted the findings and recommendations of the recent Environment and Natural Resources Committee's *Inquiry into Melbourne's Future Water Supply* published in June 2009.

---

7      *ibid.*



# CHAPTER 2: MANAGING VICTORIA'S WATER SUPPLY SYSTEM

## 2.1. Introduction

It is difficult to imagine anything more critical to human survival than water. A secure supply of water is absolutely vital to our existence. Water is critical not only for drinking and public hygiene but also for the maintenance of a healthy natural environment, agricultural production and other economic industry within the State.

Australia is the driest inhabited continent in the world and our variable water supplies are under increasing pressure from a range of factors such as climate change, population growth and changes in land use.<sup>8</sup>

In recent years, the Victorian Government has taken steps to promote the more conscious use and management of this precious resource over the long term. The release in June 2004 of the Government's White Paper, *Securing Our Water Future Together* followed three years later by *Our Water Our Future – The Next Stage of the Government's Water Plan*, are aimed at providing a comprehensive and strategic action plan to ensure the sustainable management of a secure water system across the State of Victoria over the next 50 years.

However, responsibility for the conservation and management of Victoria's resources falls not only on the Government but also to every Victorian living and working in the State. The success of the Government's policies stressing the importance of prudent water management by Victorians and elevating the profile of water conservation through encouraging water saving fixtures and fittings, water restrictions and leak detection and repair programs is evidenced by the water savings achieved by the community since the release of the White Paper in 2004.

Melbourne Water produces weekly water reports which provide information to the public about the current state of Melbourne's water storages and also the daily water usage. These figures show that in 2005 the per person water use was 333 litres per day compared to 277 litres in 2007<sup>9</sup> (i.e. a 17 per cent reduction in usage). These reductions are even more significant when compared with Melbourne's average daily water consumption during the 1990s of 423 litres per person. The average daily consumption per person calculated over the past six months (i.e. August 2009 to February 2010) is 155 litres which represents a decrease of 63 per cent on the average over the 1990s.<sup>10</sup>

Information presented in the Water-Supply Demand Strategy for Melbourne 2006-2055 indicates that residential water consumption makes up around 59 per cent of Melbourne's total water consumption, non-residential customers use around 30 per cent, around 7 per cent is lost as a result of leakage and the remaining 4 per cent is other 'non-revenue water' attributed to fire-fighting, stolen or unaccounted due to meter inaccuracies.<sup>11</sup> The Government has put in place a number of initiatives aimed at assisting industry and business to reduce their water consumption

---

8 National Water Commission, *Water Availability and Use*, <<http://www.nwc.gov.au/www/html/230-introduction-water-availability>>, accessed 29 October 2009

9 Melbourne Water, *Water Use*, <[http://www.melbwater.com.au/content/water\\_conservation/water\\_use](http://www.melbwater.com.au/content/water_conservation/water_use)>, accessed 11 February 2010

10 Melbourne Water, *Weekly Water Report Archives*, week ended 14 August 2009 to week ended 26 February 2010, <[http://www.melbwater.com.au/content/water\\_storages/water\\_report/weekly\\_water\\_report\\_archives](http://www.melbwater.com.au/content/water_storages/water_report/weekly_water_report_archives)>, accessed 4 March 2010

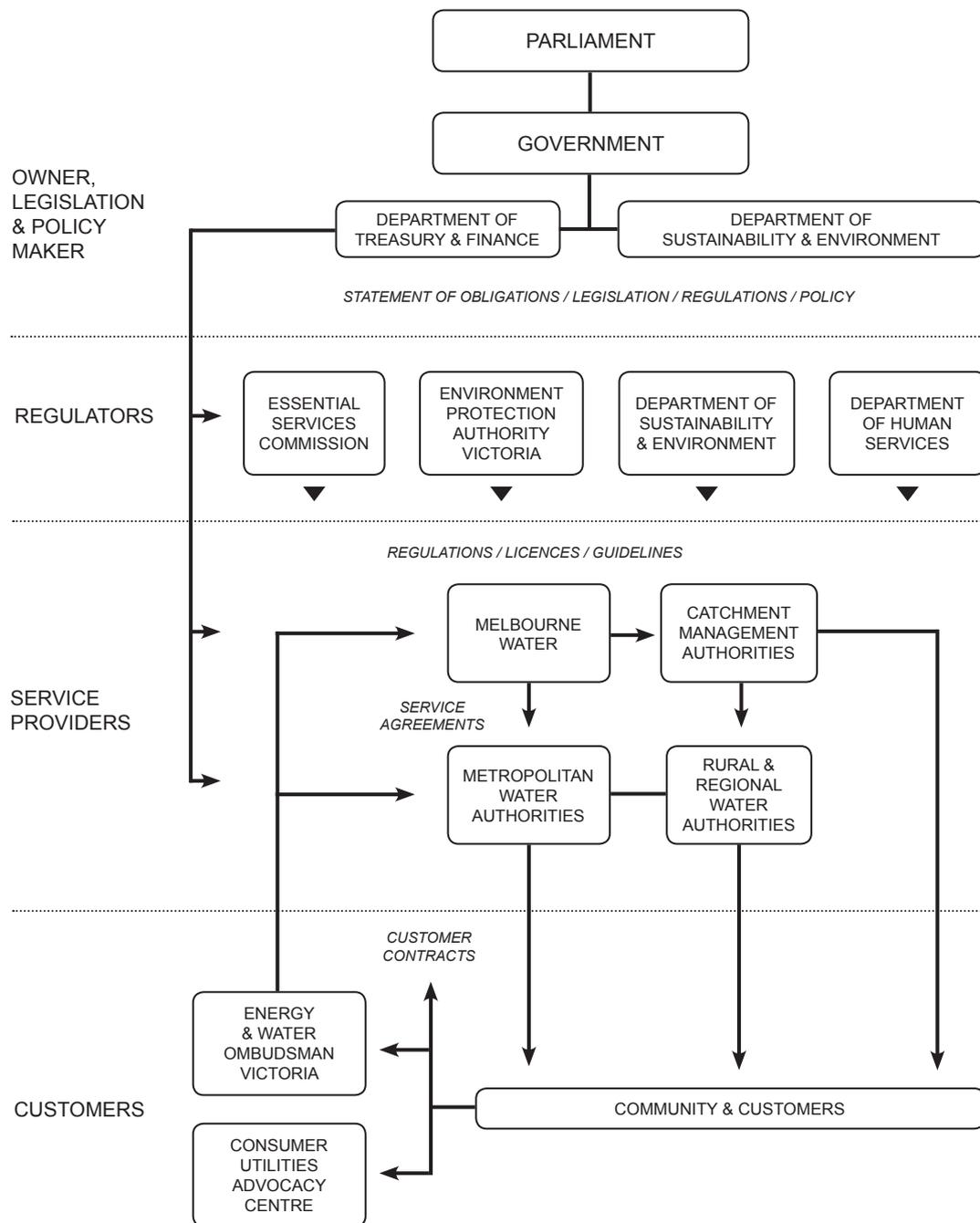
11 WaterSmart, *Water Supply-Demand Strategy for Melbourne 2006-2055*, Melbourne, 2006, p.14

such as water management plans, smart meters, and changes to water pricing. The Government states that industry has reduced its water use in Melbourne by 41 per cent since the 1990s.<sup>12</sup>

### 2.1.1 Water management organisational framework

Figure 2.1 provides a diagrammatic representation of the Victorian water industry structure and regulatory framework.

**Figure 2.1: Victorian water industry structure and regulatory framework**



Sources: Adapted from information prepared by Melbourne Water (2009) and the Department of Sustainability and Environment (2004)

12 Victorian Government, *Target 155*, <<http://www.target155.vic.gov.au/what-are-government-and-industry-doing>>, accessed 4 March 2010

### 2.1.2 State water legislation

The *Water Act 1989* is the main legislation governing the law relating to water in Victoria. The Act deals with:<sup>13</sup>

- the integrated management of all components of the terrestrial water cycle;
- the orderly, equitable and efficient use of water resources;
- the conservation, sustainable management and provision of water resources and waterways including in-stream uses;
- community participation in the development and implementation of arrangements surrounding the use, conservation and/or management of water resources;
- the treatment of surface and groundwater resources and waterways;
- the definition of private water entitlements and those of Authorities;
- recourse for persons affected by administrative decisions;
- the protection of water catchments;
- the general supervision of Authorities by the Minister by way of corporate plans and express directions; and
- public and private rights to water.

The *Water Industry Act 1994* was enacted to provide for reform of the water industry. The Act covers: regulation of the water industry; the licensing system; the functions, obligations and powers of water authorities; land management and rating; the water supply function of Melbourne Water Corporation; and the payment of environmental contributions by water supply authorities.<sup>14</sup>

Other legislation relating to the structure and management of the Victorian water industry includes the:<sup>15</sup>

- *Victorian Constitution Act 1975*;
- *State Owned Enterprises Act 1994*;
- *Catchment and Land Protection Act 1994*;
- *Essential Services Act 2001*;
- *Safe Drinking Water Act 2003*;
- *Environment Protection Act 1970*;
- *Water Legislation (Essential Services Commission and Other Amendments) Act 2003*;
- *Financial Management Act 1994*; and
- *Audit Act 1994*.

---

13 *Water Act 1989*, s. 1

14 *Water Industry Act 1994*, Part 2 – The Licensing System, s. 8: Statement of Obligations, pp.18–19

15 Victorian Water Industry Association, <<http://www.vicwater.org.au>>, accessed 9 November 2009

### **2.1.3 Ministerial and departmental responsibilities**

Under the relevant Acts, the Minister for Water, supported by the Department of Sustainability and Environment (the Department) is responsible for:<sup>16</sup>

- allocating water resources;
- collecting, analysing and publicising information on the status of water resources;
- statewide policy and strategic planning; and
- overseeing the performance of the water sector and catchment management authorities.

The Department is responsible for managing the State's water resources in partnership with water authorities and catchment management authorities. This involves the efficient management of water allocations and entitlements, water conservation programs, river health improvement works, the delivery of major infrastructure projects and other activities directed at improving the efficiency and effectiveness of water services for both consumers and the environment.<sup>17</sup>

The Treasurer, supported by the Department of Treasury and Finance, is responsible for ensuring the financial success and viability of water authorities. The Treasurer is jointly responsible with the Minister for Water for the oversight of corporate planning, performance monitoring and board appointments in the metropolitan water sector.<sup>18</sup>

### **2.1.4 Public water authorities**

There are 19 water businesses in Victoria responsible for the supply and management of water and sewerage services to customers within their service areas. Of these, 16 are water authorities established under the *Water Act 1989* and three are incorporated under the *Corporations Act 2001* and licensed under the *Water Industry Act 1994*.

The three water corporations established under the *Corporations Act 2001* (namely, City West Water, South East Water and Yarra Valley Water) provide water supply services to metropolitan Melbourne. Each retailer operates within an assigned area, under service agreements with Melbourne Water.

In addition to these water authorities, Melbourne Water is a government owned statutory corporation responsible for the management of Melbourne's water supply catchments, the treatment and supply of drinking and recycled water, the treatment of the majority of Melbourne's sewerage, and the management of waterways and major drainage systems in the Port Phillip and Westernport region.<sup>19</sup>

---

16 Victorian Government Department of Sustainability and Environment, *Securing our Water Future Together – Victorian Government White Paper*, Melbourne, June 2004, p.142

17 Department of Sustainability and Environment, *Annual Report 2009 – Report of Operations*, October 2009, p.34

18 Victorian Government Department of Sustainability and Environment, *Securing our Water Future Together – Victorian Government White Paper*, Melbourne, June 2004, p.142

19 Melbourne Water, *Sustainability Report – A Review of Melbourne Water's Performance in 2008-09*, September 2009, p.2

Melbourne Water provides bulk potable (i.e. suitable for drinking) water supply, bulk recycled water supply and bulk sewerage disposal services to each of the metropolitan water retailers.<sup>20</sup>

In addition, there are 10 Catchment Management Authorities (CMAs) established under the *Catchment and Land Protection Act 1994*. CMAs (together with Melbourne Water) are responsible for managing river health, strategic planning and priority setting for catchments and the delivery of waterway, regional drainage and floodplain management services.<sup>21</sup> CMAs have regional waterway, floodplain, drainage and Environmental Water Reserve powers conferred on them under the *Water Act 1989*.<sup>22</sup>

### **2.1.5 Statement of Obligations**

Under section 41 of the *Water Industry Act 1994*, the Minister for Water in consultation with the Treasurer and the Essential Services Commission, may issue a Statement of Obligations to a licensee. Statements of Obligations prescribe certain obligations of the water licensee in performing its functions and exercising its powers. Under the *Water Industry Act 1994*, a Statement of Obligation can include provisions relating to governance, quality and performance standards, community services obligations, customer and community consultation, specification of payments for sewerage services, and non-compliance with obligations.

Current Statements of Obligations were issued to all metropolitan and rural and regional water authorities on 1 July 2007. Additional provisions were issued to Melbourne Water, City West Water, South East Water and Yarra Valley Water on 1 July 2009 to clarify roles and responsibilities in managing the forthcoming augmented Melbourne water supply system.

In addition, the CMAs each have a Statement of Obligations issued under the *Catchment and Land Protection Act 1994*.

### **2.1.6 Water industry regulators**

The following bodies are currently responsible for overseeing the operations and activities of the water industry:

- **Essential Services Commission (ESC)** is Victoria's independent regulator of essential services supplied by the electricity, gas, water and sewerage, ports, grain handling and rail freight industries. From 1 January 2004, the ESC became the economic regulator of the Victorian water sector. The ESC regulates the prices and service standards of 19 businesses supplying the water and sewerage services to residential, industrial and commercial, and irrigation customers across the State.
- **Environment Protection Authority** is an independent statutory body established in 1971 that seeks to protect Victoria's water environments through environmental laws, policies and regulatory controls, working in conjunction with Victorian businesses, governments, individuals and groups.

---

20 Victorian Government Department of Sustainability and Environment, *Securing our Water Future Together – Victorian Government White Paper*, Melbourne, June 2004, p.148

21 *ibid.*, p.142

22 *ibid.*, p.1

- **Drinking Water Regulatory Unit** within the Department of Health has responsibility for the implementation and oversight of the *Safe Drinking Water Act 2003*. The Unit works with the Victorian water industry, key interest groups and other government departments to satisfy the regulatory objectives of the Act.
- **Energy and Water Ombudsman (Victoria)** has the power to investigate and resolve disputes between Victorian consumers and their electricity, gas and water companies.
- **Consumer Utilities Advocacy Centre** is an independent consumer advocacy group established to represent Victorian consumers (in particular, low income, disadvantaged, rural and indigenous consumers) on electricity, gas and water services.
- **Murray-Darling Basin Ministerial Council** – sets the regulatory framework for the Basin.

## 2.2. Policy and planning

There is a significant amount of policy and planning at both Commonwealth and State levels covering the sustainable and secure management of water resources both now and in the longer term.

### 2.2.1 *Securing our Water Future Together, The White Paper*

In June 2004, after an extensive period of public consultation, the Government released its 50 year water strategy, *Securing Our Water Future Together* (the White Paper). The White Paper details five fundamental principles for water management in Victoria:<sup>23</sup>

- Water management will be based on the understanding that a healthy economy and society depend on a healthy environment.
- The Government will maintain the overall stewardship of all water resources in the State on behalf of all Victorians regardless of the source.
- Water authorities will remain in public ownership.
- Wherever practical, users of services provided by the State's water systems should pay the full cost of the service, including infrastructure, delivery and environmental costs.
- The water sector will be capable, innovative and accountable to the Victorian community.

The White Paper established 110 actions aimed at securing Victoria's water supply over the proceeding 50 years. These actions are spread across the following areas:<sup>24</sup>

- water allocation;
- smarter use of urban water and irrigation water;
- the protection of rivers and aquifers;
- pricing for sustainability; and
- improvements to the water industry.

---

23      *ibid.*, p.7

24      *ibid.*

## 2.2.2 Sustainable Water Strategies

Action 2.11 of the 2004 White Paper, committed the Government to the development of regional Sustainable Water Strategies 'to plan for secure and affordable water supplies and healthy rivers and aquifers across the State.' The White Paper states that each of the Sustainable Water Strategies will establish priorities and directions for:<sup>25</sup>

- managing changes in the demand for water from urban, irrigation and other uses;
- investment in water supply systems across water authority boundaries;
- investment in major infrastructure for water recycling and re-use to utilise alternative water sources and replace potable water use;
- Stream Flow Management Plans for unregulated streams; and
- Groundwater Management Plans.

According to the White Paper, Sustainable Water Strategies have planning horizons of 15 years and beyond. The Department is responsible for developing the strategies in collaboration with Catchment Management Authorities, local government, water authorities, other stakeholders and the community.<sup>26</sup>

The four regions the strategies encompass are:<sup>27</sup>

- Central Region (comprising West Gippsland, Port Phillip, Westernport, Western, Central Highlands and Barwon regions);
- Gippsland Region (comprising South Gippsland, Latrobe, Thomson, Mitchell, Tambo, Snowy and East Gippsland basins);
- Northern Region (comprising the River Murray system and its tributaries – the Loddon, Goulburn, Broken, Campaspe, Kiewa and Ovens systems); and
- Western Region (comprising Wimmera, Mallee, Millicent, Portland, Otway, Glenelg, Hopkins and Avoca basins).

The geographic area of each of the regions is shown in Figure 2.2.

---

25     ibid., p.28

26     ibid., p.26

27     Victorian Government, *Our Water, Our Future*, <<http://www.ourwater.vic.gov.au/programs/sws>>, accessed 28 October 2009

**Figure 2.2: Victoria's water regions**



Source: Department of Sustainability and Environment, 'Sustainable Water Strategies', <<http://www.OurWater.vic.gov.au/programs/sws>>, accessed 22 February 2010

### **2.2.3 Water Supply-Demand Strategies**

Action 5.1 of the White Paper states that all urban water authorities will be required to prepare Water Supply-Demand Strategies which outline the best mix of demand measures and supply targets. Under the White Paper these strategies are also required to include water conservation targets aimed at reducing the demand for water.<sup>28</sup>

The *Water Supply-Demand Strategy for Melbourne 2006-2055* was released in 2006 and examines the supply and demand factors likely to impact Melbourne water availability over the proceeding 50 years. The Strategy was developed collaboratively by Melbourne Water, City West Water, South East Water and Yarra Valley Water corporations.

The planning period contained in the *Water Supply-Demand Strategy for Melbourne 2006-2055* corresponds with that of the *Central Region Sustainable Water Strategy* and outlines how Melbourne's water utilities will implement the policy directions and actions set out in that Strategy.<sup>29</sup>

### **2.2.4 Water Plans**

All water authorities must prepare Water Plans outlining how each corporation will deliver on service standards over the designated five year period, the revenue required and the prices proposed to generate the revenue required.

Water Plans are reviewed and agreed with the Essential Services Commission prior to finalisation of the proposed pricing schedules for the period. All water authorities' Water Plans must conform to their Statement of Obligations issued by the Minister for Water. Water Plans are currently in place for each of the water authorities for the period 2009-10 to 2012-13.

28 Victorian Government, Department of Sustainability and Environment, *Securing our Water Future Together – Victorian Government White Paper*, Melbourne, June 2004, p.94, 97

29 Environment and Natural Resources Committee, *Inquiry into Melbourne's Future Water Supply*, June 2009, p.29

### **2.2.5 Our Water Our Future – The Next Stage of the Government's Water Plan**

After recording unprecedented low inflows to Melbourne's catchments and the Murray and Goulburn Rivers in 2006 and with continuing drought and climate change impacting the State's water supplies, the Government announced *The Next Stage of the Government's Water Plan* (the Victorian Water Plan). The Government's Water Plan is based on a policy of no new dams for Melbourne over the next 50 years, seeks to reduce the State's reliance on rainfall, improve the efficiency and effectiveness of the State's irrigation systems, facilitate the movement of water around the State and achieve the Plan's key objective of removing Melbourne resident's severe water restrictions (i.e. Stages 3 and 4) and the eventual restoration of an unrestricted water supply on a secure and sustainable basis.<sup>30</sup>

The Plan, released in June 2007, commits the Government to four water supply construction projects aimed at providing long-term security over the State's water supplies. Specifically the Plan states that the new supply projects outlined in the Plan:<sup>31</sup>

*...will enable Melbourne households to move off the current restrictions regime to the more secure level of service they have historically received. If the scenario based on the past three years (outlined in section 3 of this plan) is taken as a guide, the new supply will enable Melbourne to move to Stage 2 water restrictions by 2010 and progressively move back to low level or no restrictions by 2013.*

These projects include:<sup>32</sup>

- Construction of a major desalination plant at Wonthaggi and an 85 kilometre pipeline linking Melbourne to the Plant. The Plant is expected to add up to 150 gegalitres (i.e. 150 billion litres) to Melbourne's water supply by the end of 2011.
- The upgrade of northern Victoria's irrigation infrastructure (up to \$2 billion), in partnership with the Commonwealth Government and local irrigators, known as the Northern Victoria Irrigation Renewal Project (NVIRP) or the Food Bowl Modernisation Project. This modernisation of the irrigation system is anticipated to reduce current losses from the system and thereby provide water savings which will be shared by irrigators, rivers and wetlands in the Goulburn-Murray regions and supplement Melbourne's water supply.
- Expansion of Victoria's Water Grid, at a cost of \$860 million, to improve the movement of water around the State. This plan comprises the construction of some 250 kilometres of new pipeline including: the Hamilton-Grampians Inter-connector; the Melbourne-Geelong Inter-connector; and the Sugarloaf Inter-connector (i.e. the North-South pipeline).
- The extension of water recycling programs. This includes the upgrade of the Eastern Treatment Plant, which will produce over 100 gegalitres (i.e. 100 billion litres) of high-grade recycled water, and broader consideration of the options available for the use of this recycled water.

---

30 Victorian Government, Department of Sustainability and Environment, *Our Water Our Future – The Next Stage of the Government's Water Plan*, June 2007, p.23

31 *ibid.*, p.17

32 *ibid.*, pp.4–5

In addition to these major infrastructure projects, the Plan includes continued support for new and existing household and industrial water conservation programs, as well as the reconnection of the Tarago reservoir to the Melbourne water supply system.

The Government estimates in the Victorian Water Plan, that the combined impact of these new water supply projects will increase Melbourne's water supply by 240 gigalitres (i.e. 240 billion litres) by the year 2011.<sup>33</sup>

## 2.2.6 Other management plans

There are also other management plans which are used to manage the economic, environmental and social values associated with the State's rivers, waterways and aquifers. These include:

- **Stream Flow Management Plans** which aim to enhance the health of priority, stressed, unregulated rivers (i.e. rivers that have no major upstream reservoirs). (Action 2.6 of the White Paper).
- **Groundwater Management Plans** which aim to protect groundwater resources in aquifers which are either highly allocated or stressed (Action 2.7 in the White Paper).<sup>34</sup> The White Paper states that 23 of Victoria's groundwater management areas are either stressed or highly allocated and that Groundwater Management Plans are either being developed in these areas or in the process of implementation.<sup>35</sup> In Victoria, groundwater is managed by the Minister for Water, the DSE and the rural water authorities: Southern Rural Water; Grampians Wimmera Mallee Water; and Goulburn Murray Water.<sup>36</sup>
- **Regional River Health Strategies** which are prepared by CMAs to provide an integrated approach to river health management and establish priorities for taking action to meet the long-term vision of protecting and enhancing the health of rivers, wetlands and estuaries.<sup>37</sup>
- **Drought Response Plans** which focus on providing an effective short-term response to drought conditions. These plans contain short-term supply and demand contingency options.<sup>38</sup>
- **Corporate Plans** which are prepared annually and have a five year planning horizon. These plans comprise a statement of corporate intent detailing business objectives and activities, performance targets, major initiatives and capital projects and financial forecasts. Corporate Plans are reviewed by the Minister for Water, to ensure their alignment with Government policy objectives, and the Treasurer, to assess any financial risk implications for the State.<sup>39</sup>
- **Annual Reports** of water authorities are prepared in accordance with reporting requirements set out by the Department of Treasury and Finance and are tabled in Parliament. The Committee reviews these along with all other reports in its annual Financial and Performance Outcomes Report.

---

33 *ibid.*, p.5

34 *ibid.*, p.24

35 *ibid.*, p.46

36 *ibid.*, p.13

37 *ibid.*, p.9

38 *ibid.*

39 *ibid.*, p.10

According to the White Paper, regional Sustainable Water Strategies will set the priorities and directions for Groundwater Management Plans and Stream Flow Management Plans.<sup>40</sup> Action 3.5 of the White Paper states that the Government will require the development of a Stream Flow or Groundwater Management Plan in 'priority' unregulated rivers and aquifers to provide water sufficient to 'sustain agreed ecological objectives within 10 years.'<sup>41</sup>

## **2.2.7 Commonwealth Government and inter-governmental arrangements**

Increasing demands for water right across Australia, together with unprecedented drought and changes in climate have seen the Commonwealth Government, through the Council of Australian Governments (COAG), take an increasing role in the area of water management.

As part of the 2008 Federal Budget, the Commonwealth announced *Water for the Future*, a \$12.9 billion plan over 10 years to provide a national framework integrating rural and urban water issues and including a strategy for securing a long-term national water supply.<sup>42</sup>

The *Water for the Future* program is directed at providing national leadership in water reform and has four priorities:<sup>43</sup>

- tackling climate change;
- using water wisely;
- securing our water supplies; and
- supporting healthy rivers.

The Commonwealth's 10 year funding program includes: one billion in tax credits and grants to attract eligible investment in desalination, water recycling and major stormwater catchment projects; \$400 million for water efficiency measures and to purchase water entitlements from Murray-Darling Basin sellers; \$255 million for water savings projects in towns and cities; \$250 million for installation of rainwater tanks and other water savings measures; and \$50 million for two recycling projects in Adelaide and Geelong.<sup>44</sup>

In addition to this funding, the NVIRP reports that the Commonwealth Government has agreed in principle to contribute up to 90 per cent of the Stage 2 project costs up to \$1 billion, subject to due diligence processes.<sup>45</sup>

Commonwealth water legislation and policy have an impact on water management planning within the State of Victoria. Recent Commonwealth water legislation and policy initiatives are presented in the following paragraphs.

---

40 *ibid.*, p.28

41 *ibid.*, p.47

42 TressCox Lawyers, *Water For The Future: Government Announces Initiatives For Stormwater Capturing Projects*, <<http://www.tresscox.com.au/resources/resource.asap?id=457>>, accessed 12 February 2010

43 Australian Government, Department of the Environment, Water, Heritage and the Arts, <<http://www.environment.gov.au/water/australia/index.html>>, accessed 10 November 2009

44 TressCox Lawyers, *Water For The Future: Government Announces Initiatives For Stormwater Capturing Projects*, <<http://www.tresscox.com.au/resources/resource.asap?id=457>>, accessed 12 February 2010

45 State of Victoria, Northern Victoria Irrigation Renewal Project, *Stage 1 and 2*, <[http://www.nvirp.com.au/the\\_project/stage\\_1\\_and\\_2.aspx](http://www.nvirp.com.au/the_project/stage_1_and_2.aspx)>, accessed 4 March 2010

## **The Commonwealth Water Act 2007 and the Water Amendment Act 2008**

The *Water Act 2007* (Cwlth) commenced in March 2008 and implemented the Commonwealth's reforms for water management in Australia. Under the Act: the Murray-Darling Basin Authority is required to prepare a Basin Plan; a Commonwealth Environmental Water Holder is established to manage the Commonwealth's environmental assets of the Murray-Darling Basin; the Australian Competition and Consumer Commission (ACCC) has a role in developing and enforcing water charge and water market rules in line with the National Water Initiative; and the Bureau of Meteorology undertakes additional water functions.<sup>46</sup>

The *Water Amendment Act 2008* amends the *Water Act 2007* and is based on a combination of constitutional powers together with a referral of certain powers from the 'Basin states' to the Commonwealth. In the main, the Act transfers the functions of the Murray-Darling Basin Commission to the Murray-Darling Authority; strengthens the role of the ACCC in applying water charge and water market rules to all water service providers and transactions and determination arrangements for all regulated non-urban water charges; and allows for the Basin Plan (covering the strategic management of water resources in the Murray-Darling Basin) to provide for critical human water needs.<sup>47</sup>

The Victorian Government's White Paper, *Securing Our Water Future Together*, details a number of actions directed at Victoria's commitment to the Living Murray Initiative which aims to improve environmental water flows at six icon sites along the River Murray and involves a cooperative effort between the Commonwealth and state governments of Victoria, New South Wales, South Australia and the ACT. The White Paper notes the involvement of the Murray-Darling Basin Ministerial Council in coordinating activities and refining operating strategies in relation to the sustainable management of the River Murray.<sup>48</sup>

### **The Murray-Darling Basin Agreement**

The Murray-Darling Basin Agreement was first effected in 1987 and revised in 1992 and was initially signed by the governments of the Commonwealth, New South Wales, Victoria and South Australia. Queensland became signatory in 1996 and the Australian Capital Territory in 1998. The purpose of the Agreement is:<sup>49</sup>

*...to promote and co-ordinate, effective planning and management for the equitable, efficient and sustainable use of the water, land and other environmental resources of the Murray-Darling Basin.*

The Agreement was given full legal status by the *Murray-Darling Basin Act 1993* passed by all the contracting governments.

The Murray-Darling Basin Authority, established under the *Water Act 2007* (Cwlth), implements the decisions of the Murray-Darling Basin Ministerial Council which comprises the federal Minister for Climate Change and Water and one Minister from each of the Basin states. The Authority is responsible for planning integrated management of the water resources of the

---

46 Australian Government, Department of the Environment, Water, Heritage and the Arts, <<http://www.environment.gov.au/water/australia/water-act/index.html>>, accessed 10 November 2009

47 *ibid.*

48 Victorian Government, Department of Sustainability and Environment, *Securing our Water Future Together – Victorian Government White Paper*, Melbourne, June 2004, p.53

49 Murray-Darling Basin Commission, <[http://www2.mdbc.gov.au/about/murraydarling\\_basin\\_initiative](http://www2.mdbc.gov.au/about/murraydarling_basin_initiative)>, accessed 9 November 2009

Murray-Darling Basin including development of a Basin Plan which will play a significant role in identifying responsibilities for managing the risks surrounding reduced water availability and changes in supply reliability in the Murray-Darling Basin. The first plan is expected to commence in 2011. It is intended that the Basin Plan will be complemented by water resource plans prepared by 'Basin states' (i.e. New South Wales, Victoria, South Australia, Queensland and the ACT) and accredited by the federal Minister.<sup>50</sup>

### ***The National Water Initiative and the National Water Commission***

In recognition of the need for a more integrated and coordinated national approach to water management, all Australian governments signed an intergovernmental agreement at the June 2004 COAG meeting (Tasmania signed in June 2005 and Western Australia in April 2006). The agreement, known as the National Water Initiative, aims to:<sup>51</sup>

*...achieve a nationally compatible market, regulatory and planning based system of managing surface and groundwater resources for rural and urban use that optimises economic, social and environmental outcomes.*

Under the National Water Initiative, Australian governments have agreed on actions aimed at achieving a more cohesive approach to the way Australia manages, measures, plans for, prices, and trades water. Specifically, governments have made commitments to:<sup>52</sup>

- prepare water plans containing environmental provisions;
- tackle over-allocated or stressed water systems;
- introduce registers of water rights and standards for water accounting;
- expand water trading;
- improve pricing for water storage and delivery; and
- manage urban water demands.

The National Water Initiative also led to the establishment of the National Water Commission under the *National Water Commission Act 2004* to promote the sustainable management and use of Australia's water resources and provide advice to COAG on national water issues.<sup>53</sup> The Commission is also required to undertake biennial assessments to report on progress made in implementation of the National Water Initiative.

The policies detailed in the Victorian Government's White Paper water policy document support many of the objectives contained in the National Water Initiative.

---

50 Australian Government, Murray-Darling Basin Authority, <[http://www.mdba.gov.au/basin\\_plan](http://www.mdba.gov.au/basin_plan)> accessed 9 November 2009

51 Australian Government, National Water Commission, <<http://www.nwc.gov.au/www/html/117-national-water-initiative.asp>> accessed 29 October 2009

52 *ibid.*

53 Australian Government, National Water Commission, <<http://www.nwc.gov.au/www/html/93-roles-and-functions>>, accessed 29 October 2009



# CHAPTER 3: VICTORIA'S WATER AVAILABILITY AND CONSUMPTION

## 3.1. Water availability and consumption in Victoria

Water for consumptive use is taken from reservoirs, streams and aquifers under entitlements issued by the Government as authorised under the *Water Act 1989*. These entitlements are provided in the following forms:<sup>54</sup>

- **Bulk entitlements** – a bulk entitlement is a right granted to urban and rural water businesses and other selected bodies, such as electricity generators, to use and supply water. Currently, bulk entitlements for environmental purposes are held by the Minister for Environment but it is expected that over time these will be converted to environmental entitlements.
- **Water rights and water shares** – a water right is a right granted to a person to use water in an irrigation district as declared in the Water Act and set out in the district register. From 1 July 2007 in northern Victoria regulated systems, water rights were transferred into water shares and the details recorded in the Victorian Water Register.
- **Water licences** – a water licence can be held by an individual, business or corporation and allows water to be taken from a range of surface and groundwater sources.
- **Domestic and stock rights** – The Water Act also provides for individuals to take water for domestic and stock purposes from surface and groundwater supplies without a licence.

The following information on water availability and usage in the State is drawn from the *Victorian Water Accounts 2007-2008* which were published in January 2010.<sup>55</sup>

**Table 3.1: Victoria's water availability and water taken for consumptive use in 2007-08 (megalitres)**

|                        | Surface water (ML)        | Groundwater (ML)         | Recycled water (ML) |
|------------------------|---------------------------|--------------------------|---------------------|
| Total resource         | 11,070,600 <sup>(a)</sup> | 1,041,990 <sup>(b)</sup> | 389,770             |
| Entitlement/allocation | 6,890,470                 | 950,620 <sup>(c)</sup>   | n/a                 |
| Water used             | 2,984,660                 | 464,420                  | 113,350             |

Notes:

- Catchment inflow as reported in each of the 29 river basins in the 2007-08 water accounts, excluding inter-basin transfers, irrigation return flows and recycled water.*
- The actual groundwater resource (i.e. the total volume of water in aquifers) is unknown and therefore the total resource is taken to be the total volume entitled under licences.*
- The total volume of groundwater allocated in any one year may be less than the total volume entitled under licences due to certain restrictions placed on those entitlements.*
- n/a – not available.*

Source: Department of Sustainability and Environment, *Victorian Water Accounts 2007-08*

54 Victorian Government, Department of Sustainability and Environment, *Victorian Water Accounts 2006-07: A Statement of Victorian Water Resources*, October 2008, p.33

55 Victorian Government, Department of Sustainability and Environment, *Victorian Water Accounts 2007-08: A Statement of Victorian Water Resources*, January 2010, p.36

Consumptive entitlements are used for a range of purposes however the Department of Sustainability broadly groups them into:

- Irrigation;
- Urban and commercial;
- Domestic and stock; and
- Power generation.

In the 2006-07 Victorian Water Accounts, irrigation accounted for 74 per cent of all water diversions. This was followed by 19 per cent for urban and commercial purposes, 4 per cent for domestic and stock purposes and 3 per cent for power generation. Table 3.2 shows the volume of water diverted for consumptive purpose in each of the four groups in 2007-08. The table also shows the total volume recorded in the previous year, 2006-07.<sup>56</sup>

**Table 3.2: Surface water diversions made under consumptive entitlements in 2007-08 (megalitres)**

| Consumptive end use                  | Volume of water diverted (ML) |
|--------------------------------------|-------------------------------|
| Irrigation                           | 2,230,140                     |
| Urban and commercial                 | 504,320                       |
| Domestic and stock                   | 163,860                       |
| Power generation <sup>(a)</sup>      | 86,340                        |
| Total consumptive diversions 2007-08 | 2,984,660                     |
| Total consumptive diversions 2006-07 | 3,456,440                     |

Notes:

- (a) Represents diversions to power generators with their own bulk entitlements and not the amount used in total for power generation in the State.

Source: Victorian Water Accounts 2007-08

As indicated in the Table, the volume of water diverted for consumptive purposes fell between 2006-07 and 2007-08. This reduction was mainly the result of more stringent urban water restrictions and reductions in allocations for irrigators and commercial users. In terms of water usage, the Victorian Water Accounts 2007-08 report that irrigation remains the highest category of water use in the State (75 per cent of all diversions), followed by urban and commercial use (17 per cent), domestic and stock consumption (5 per cent) and power generation (3 per cent).<sup>57</sup>

In 2007-08, the composition of metered urban and commercial water consumption was reported as follows:<sup>58</sup>

- Melbourne residential – 38.7 per cent;
- Melbourne non-residential – 17 per cent;
- regional residential – 16.2 per cent;

56 *ibid.*, p.37

57 *ibid.*

58 *ibid.*, p.38

- regional - non-residential – 9.7 per cent;
- power generators – 14.6 per cent; and
- other major Latrobe Valley users – 3.8 per cent.

The 2007-08 Accounts note that total urban water consumption by residential and non-residential users fell by 9 per cent in 2007-08 compared with the figure reported in 2006-07. The largest decreases were noted in regional Victoria where residential customers reduced their consumption by 13 per cent and power generators' usage fell by 10 per cent. These figures are further evidence of the success of water restrictions and increased community awareness of the need for the sustainable use of our water resources.<sup>59</sup>

### 3.2. Melbourne's water supply

Rivers and dams account for around 80 per cent of Melbourne's water supply which is heavily dependent on rainfall. The remaining 20 per cent of Melbourne's water is sourced from recycled water, groundwater and stormwater/rainwater.

The majority of Melbourne's water supply is currently sourced from the Thomson River catchment and native Mountain Ash forests in the Yarra Ranges, east of Melbourne. In June 2009, the Tarago Reservoir was reconnected to the Melbourne water supply system. As such, there are now 10 major reservoirs servicing Melbourne. These reservoirs have a combined capacity of 1,810 gegalitres and fall mainly into two categories: harvesting storages; and transfer storages. The following table shows Melbourne's reservoir capacities and recent storage levels.<sup>60</sup>

**Table 3.3: Melbourne's reservoir capacities and storage levels as at 12 February 2010**

| Reservoir    | Capacity (ML)    | Current storage level (ML) | (%)         |
|--------------|------------------|----------------------------|-------------|
| Cardinia     | 287,000          | 106,523                    | 37.1        |
| Greenvale    | 27,000           | 19,215                     | 71.2        |
| Maroondah    | 22,000           | 19,686                     | 89.5        |
| O'Shannassy  | 3,000            | 2,179                      | 72.6        |
| Silvan       | 40,000           | 35,095                     | 87.7        |
| Sugarloaf    | 96,000           | 64,403                     | 67.1        |
| Tarago       | 37,500           | 22,773                     | 60.7        |
| Thomson      | 1,068,000        | 225,711                    | 21.1        |
| Upper Yarra  | 200,000          | 140,494                    | 70.2        |
| Yan Yean     | 30,000           | 8,034                      | 26.8        |
| <b>TOTAL</b> | <b>1,810,500</b> | <b>644,113</b>             | <b>35.6</b> |

Source: Melbourne Water

59 ibid.

60 Melbourne Water, <[http://www.melbournewater.com.au/content/water\\_storages/water\\_report](http://www.melbournewater.com.au/content/water_storages/water_report)>, accessed 12 February 2010

The general trend in Melbourne water storage levels indicate decreasing storage levels in the first half of a year with increasing or stabilising levels in the second half of the year when inflows are more frequent. Data collected on annual flows into Melbourne's four main reservoirs since 1913 indicate an average fall of almost 40 per cent over the past 12 years signifying the impact of the persistent drought conditions on Melbourne's water supply.<sup>61</sup>

Water flows by gravity or is pumped from the 10 main storage reservoirs to 55 service reservoirs throughout the metropolitan area which supply short-term storage (i.e. one to two days) to ensure a constant supply of drinking water. From these service reservoirs, water flows via gravity to the metropolitan retail water corporations which provide water to consumers.

### 3.3. The demand for water

At the same time that drought has persisted over Victoria and water supply levels have been falling, the State's population has been growing, especially in and around Melbourne. This has placed increasing demands on supply.

The Government introduced water restrictions for Melbourne residents in 2002 in an effort to reduce water usage. In March 2005, Permanent Water Savings Rules were put into effect and a range of campaigns have been implemented across the State to promote improved water efficiency and conservation of the resource. The Victorian Uniform Drought Water Restriction Guidelines specify four stages of restrictions of increasing severity triggered by specific water supply levels. Melbourne residential water users are currently on Stage 3 restrictions. In addition to these water restrictions, the Government and water authorities offer a range of rebates and other incentives for the adoption by consumers of more water efficient products.

Water restrictions together with water savings campaigns have proven to be very successful. Figures compiled by Melbourne Water show an average daily consumption of 1,320 million litres during the 1990's (based on an 8 year winter average July 1992 to June 1999) compared with 1,040 million litres between July 2007 and June 2008.<sup>62</sup> This represents a decrease in Melbourne's water consumption of around 21 per cent.

On 1 December 2008, the Government launched the Target 155 Campaign aimed at encouraging the voluntary reduction of household water use to an average daily consumption of less than 155 litres per person. The Our Water, Our Future website reports that Melburnians are currently using around 170 litres per day per person.<sup>63</sup>

With regard to daily per capita consumption in Melbourne, a recent report of the Environment and Natural Resources Committee notes:<sup>64</sup>

*Considerable water savings have been achieved in the residential and industrial sectors through conservation and efficiency measures. By 2007-08 daily per capita water consumption declined by 34 per cent in the residential sector and 38 per cent in the non-residential sector compared to the 1990's average, over a period when Melbourne's population has grown by over 20 per cent.*

---

61 *ibid.*

62 Melbourne Water, <[http://www.melbournewater.com.au/content/water\\_conservation/water\\_use/water/](http://www.melbournewater.com.au/content/water_conservation/water_use/water/)>, accessed 18 February 2010

63 Victorian Government, *Our Water, Our Future*, <<http://www.ourwater.vic.gov.au/>>, accessed 18 February 2010

64 Environment and Natural Resources Committee, *Inquiry into Melbourne's Future Water Supply*, June 2009, p.5

### 3.4. Regional water supplies

As mentioned earlier in this Chapter, water in Victoria is taken from reservoirs, rivers, streams and aquifers under entitlements issued by the Government in the form of bulk entitlements, water rights and shares, water licences, and domestic and stock rights.

Under the *Victorian Uniform Drought Water Restriction Guidelines*, all Victorian towns moved to a uniform scale of restrictions during the latter half of 2006. The trigger points for each stage of restriction are set out in the Drought Response Plan of each water business including contingency measures for temporary water supplies or savings beyond 'Stage 4' restrictions.

The Victorian Water Accounts for 2007-2008 reported that the number of towns on water restrictions reduced during 2007-08 from 457 towns at 1 July 2007 to 366 towns as at 30 June 2008. This included 97 towns on Stage 4 restrictions.<sup>65</sup>

The Accounts also reported that the driest river basins in the State during 2007-08, relative to their long term averages, were the Broken, Loddon, Wimmera, Avoca and Corangamite basins.<sup>66</sup> As a direct result, Grampians Wimmera Mallee Water have had to implement an extensive rural water carting program over the past few years to provide emergency water supplies to rural customers in the Wimmera Mallee system.<sup>67</sup>

In terms of recycled water, the proportion of water recycled from available waste water in 2007-08 was higher outside Melbourne (i.e. 29 per cent, or 29,022 megalitres) than that recycled by Melbourne metropolitan retailers over the same period. This is attributed to the more favourable weather conditions, the availability of land and a greater number of potential purchasers (i.e. agricultural producers) in regional Victoria.<sup>68</sup>

With respect to groundwater supplies, the Water Accounts reported that some 60 towns relied on groundwater as a primary or supplementary supply of water during 2007-08 and that the total volume of groundwater extracted for urban use increased over the year by 9 per cent to a total of 25,000 megalitres.<sup>69</sup> The effects of the drought and the increased reliance on groundwater to augment urban supplies, has contributed to reduced water levels in several Victorian aquifers.<sup>70</sup> Overall, the consumption of groundwater across the State fell by 11 per cent in 2007-08 to 464,420 megalitres due to the restrictions placed on groundwater extraction in a number of areas and a slightly wetter year.<sup>71</sup>

In response to the continuing water shortages, a number of regional and rural water businesses across the State have undertaken infrastructure upgrades to augment their water supply systems, (e.g. through bore construction, pipeline construction, pump installation, water treatment plants and lining works).<sup>72</sup>

---

65 Victorian Government, Department of Sustainability and Environment, *Victorian Water Accounts 2007-08: A Statement of Victorian Water Resources*, Melbourne, January 2010, p.26

66 *ibid.*, p.xi

67 *ibid.*, p.31

68 *ibid.*, p.47

69 *ibid.*, p.49

70 *ibid.*, p.43

71 *ibid.*, p.49

72 *ibid.*, pp.31-2

Monthly Water Report information presented on the OurWater website for January 2010 indicates that restrictions on urban water supplies have eased in a number of areas due to these infrastructure upgrades. In particular:<sup>73</sup>

- Central Highlands Water reduced restrictions for Ballarat and district to Stage 3, and restrictions for Clunes to Stage 1; and
- North East Water removed restrictions for towns supplied by the Murray system including Wodonga, and restrictions were removed for Beechworth later in the month.

The website report for January 2010 also states that the number of Victorian towns on water restrictions at the end of January 2010 (251 towns) is significantly less than the number at the end of January 2009 (334 towns).<sup>74</sup>

### 3.5. The State Water Grid

The State Water Grid comprises a network of rivers, channels and pipes linking Victoria's water systems. As mentioned earlier in this report, the Victorian Government's Water Plan includes the expansion of the State Water Grid. These projects include:<sup>75</sup>

- connecting the Goulburn River to Melbourne's water supplies via the Sugarloaf Pipeline;
- connection of Geelong to Melbourne's water supplies through the Melbourne-Geelong Pipeline;
- construction of the new Hamilton-Grampians pipeline which will connect Hamilton to the Grampians Wimmera Mallee system;
- connection of the Wonthaggi Desalination Plant to Melbourne's dams via an 85 kilometre pipeline; and
- connection of the Westernport and South Gippsland water systems to the desalination pipeline.

These projects are in addition to the Mallee Pipeline, which replaced open channel water delivery from the Murray River with a pipeline supply, in 2002<sup>76</sup> and the Goldfields Superpipe which connected the Goulburn River to Bendigo in 2007 and to Ballarat in May 2008 at a cost of \$278 million. The Victorian Government contributed \$101 million to the project and the Commonwealth contributed \$115 million. The remainder was financed by Central Highlands Water and Coliban Water customers.<sup>77</sup> The Goldfields Superpipe provides up to 38 billion litres of water to these two regional centres.<sup>78</sup>

---

73 Victorian Government, *Our Water; Our Future, Monthly Water Report January 2010*, <<http://www.ourwater.vic.gov.au>>, accessed 9 March 2010

74 *ibid.*

75 Victorian Government, *Our Water; Our Future, Expansion of the Water Grid*, <<http://www.ourwater.vic.gov.au/programs/water-grid>>, accessed 4 March 2010

76 *ibid.*

77 Victorian Government, *Our Water; Our Future*, <<http://www.ourwater.vic.gov.au/programs/water-grid/goldfields>>, accessed 18 February 2010

78 Victorian Government, *Our Water; Our Future, Expansion of the Water Grid*, <<http://www.ourwater.vic.gov.au/programs/water-grid>>, accessed 4 March 2010

Also, in 2005, the Victorian and Commonwealth governments launched the Wimmera-Mallee Pipeline Project which is one of the largest water infrastructure projects in Australia. Details in relation to these water grid expansion projects are presented in the following paragraphs.

### **3.5.1 Sugarloaf Pipeline**

Melbourne Water, with its alliance partners John Holland, Sinclair Knight Mertz and GHD, has recently completed construction of a 70 kilometre pipeline from the Goulburn River to the Sugarloaf Reservoir in the north-east of Melbourne.<sup>79</sup>

State and federal planning, environmental and heritage approvals for construction were obtained during 2008-09 and the preferred pipeline corridor was endorsed by the State Minister for Planning in August 2008. Construction commenced on 18 September 2008 and was completed in February 2010, five months ahead of schedule and within the project budget of \$750 million, which includes a \$125 million upgrade to Melbourne's water treatment and distribution network for the new water source. The cost of the project will be funded by Melbourne's water users through Melbourne Water.<sup>80</sup>

In 2010, the Pipeline is anticipated to deliver 75 gigalitres of water to Melbourne from several sources (i.e. water from the Eildon Water Quality Reserve and water savings from the Wimmera-Mallee Pipeline project, the Central Goulburn 1234 Modernisation Project, the Shepparton Irrigation Modernisation Project and from the initial works of the Northern Victorian Irrigation Renewal Project (NVIRP)). From 2011, Melbourne is to receive one third of the annual audited savings from Stage 1 of the NVIRP, pending the necessary approvals under the *Environment Protection and Biodiversity Conservation Act 1999* (Cwlth).<sup>81</sup>

### **3.5.2 Melbourne-Geelong Pipeline**

The Melbourne-Geelong Pipeline project involves the construction of 55 kilometres of pipeline, delivering 16 gigalitres of water annually to Geelong by 2011, at a cost of \$137.9 million. The pipeline will enable Geelong to access water savings generated through the Northern Victoria Irrigation Renewal Project and water manufactured by the Wonthaggi Desalination Plant, once the Plant becomes operational.<sup>82</sup>

The State Government is contributing \$20 million to the construction cost with Barwon Water customers providing the balance. The project is expected to commence during 2010 and be completed in 2011.<sup>83</sup>

### **3.5.3 Hamilton-Grampians Pipeline**

Construction of the 52 kilometre Hamilton-Grampians Pipeline commenced in April 2009. The Pipeline is expected to deliver up to 2,000 megalitres of water per annum as a result of water savings generated by the Wimmera-Mallee Pipeline project.<sup>84</sup>

---

79 Victorian Government Department of Sustainability and Environment, *2009 Annual Report*, October 2009, p.39

80 *ibid.*; Victorian Government, *Our Water, Our Future, Sugarloaf Pipeline*, <<http://www.ourwater.vic.gov.au/programs/water-grid/sugarloaf>> accessed 11 March 2010

81 *ibid.*; Sugarloaf Pipeline Project, *Water Supply to Melbourne in 2010*, <[http://www.sugarloafpipeline.com.au/content/news\\_and\\_information/latest\\_news.asp](http://www.sugarloafpipeline.com.au/content/news_and_information/latest_news.asp)>, accessed 11 March 2010

82 Victorian Government, *Our Water, Our Future, Melbourne-Geelong Pipeline*, <<http://www.ourwater.vic.gov.au/programs/water-grid/geelong-melbourne>>, accessed 18 February 2010

83 *ibid.*

84 Victorian Government, Department of Sustainability and Environment, *2009 Annual Report*, October 2009, p.37

The project is anticipated to cost \$21.3 million (which is less than the originally anticipated budget of \$30 million) and be completed in early 2010.<sup>85</sup>

### **3.5.4 Wimmera-Mallee Pipeline**

In June 2005, the State and Commonwealth governments jointly launched the Wimmera Mallee Pipeline Project after reaching agreement on the funding arrangements as part of the National Water Initiative.<sup>86</sup> The project is a joint partnership between the State and Commonwealth Governments and the Grampians Wimmera Mallee Water Corporation with the Victorian Government contributing \$266 million to the construction costs.<sup>87</sup>

The Project involves the replacement of 17,500 kilometres of open earthen channel with 8,800 kilometres of pressurised pipeline, storages and pumping stations at a total estimated cost of \$688 million. The system will reticulate water to an area of approximately two million hectares and service 36 towns throughout the Wimmera-Mallee district.<sup>88</sup>

Due to the persisting drought and severe water restrictions in the region, the project which was originally due to be completed in 2015, has been fast-tracked and is expected to be completed in the early part of 2010.<sup>89</sup>

The replacement of inefficient open channels with pipeline is expected to generate water savings of around 100 gigalitres annually.

The Wimmera-Mallee Pipeline Project comprises works on seven supply systems in the Wimmera Mallee region. Construction of the project commenced in November 2006 and as at October 2009, some 8,000 kilometres of pipe had been laid. As a result, water restrictions have been eased from Stage 4 to Stage 1 for towns and farms in the Supply System 1 (Yaapeet Line), Supply System 2 (Woomelang Line) and Supply System 5 (Culgoa Line) areas.<sup>90</sup> In addition, works on Supply System 7 (Lake Bellfield to Taylors Lake) have been completed and works have commenced on Supply Systems 3 (Birchip Line), 4 (Wycheproof Line) and 6 (Natimuk Line). The Grampians Wimmera Mallee Water, Pipingit website reports that as at February 2010, emergency supplies of water are available to rural customers in Supply Systems 3 and 4 and in Supply System 6 as meters are installed.

---

85 Victorian Government, *Our Water; Our Future*, <<http://www.ourwater.vic.gov.au/programs/water-grid/Hamilton-grampians>>, accessed 18 February 2010

86 Grampians Wimmera Mallee Water Corporation, *Pipingit, Milestones of the Wimmera Mallee Pipeline Project*, <<http://www.pipingit.com.au/milestones>>, accessed 11 March 2010

87 Victorian Government, *Our Water; Our Future, Wimmera-Mallee Pipeline*, <<http://www.ourwater.vic.gov.au/programs/water-grid/wimmera-mallee>>, accessed 11 March 2010

88 Victorian Government Department of Sustainability and Environment, *2009 Annual Report*, October 2009, p.38

89 *ibid.*

90 Grampians Wimmera Mallee Water Corporation, *Pipingit, Milestones of the Wimmera Mallee Pipeline Project*, <<http://www.pipingit.com.au/milestones>>, accessed 11 March 2010

## CHAPTER 4: SELECTING AND PRIORITISING WATER SUPPLY STRATEGIES

### 4.1. Introduction

The Auditor-General states in his report that in order for water supply strategies to be effective they must meet the following criteria:<sup>91</sup>

- contain clear and consistent goals;
- include a comprehensive understanding of the issues involved;
- consider a range of options for the achievement of goals; and
- include a reliable assessment of the associated costs, benefits and risks.

The Auditor-General examined the processes employed by the Department in the selection and prioritisation of components contained in the Government's White Paper, *Securing Our Water Future Together*, released in June 2004, the Central Region Sustainable Water Strategy issued in October 2006, and the Victorian Water Plan announced in June 2007.<sup>92</sup>

### 4.2. Securing Our Water Future Together – The White Paper

In April 2003, the then Minister for Water outlined to Parliament the Government's vision for improved management of the State's water resources. In August 2003, the Government released *Securing Our Water Future Green Paper for Discussion* which presented 80 proposals for improved water management. An Expert Advisory Task Force was established to analyse submissions on the Paper and provide advice to the Government. Following a lengthy process of consultation with community groups, organisations and individuals across the State, the White Paper was issued in June 2004.<sup>93</sup>

As noted earlier, the White Paper states five fundamental principles for water management in Victoria and details the Government's water reform policy together with 110 actions aimed at securing the State's water supplies over the next 50 years. Actions listed in the White Paper cover the following areas:

- an emphasis on the importance of the sustainable management of the resource;
- balancing the allocation of water resources between economic, environmental and social values;
- improving the health of Victoria's rivers, floodplains and estuaries;
- smarter use of irrigation water and improved performance of the irrigation sector;
- conservation of urban water and increased use of recycling and recovery measures;
- pricing water to encourage its more prudent usage; and
- improvements in governance and accountability arrangements in the water sector.

---

91 Victorian Auditor-General's Office, *Planning for Water Infrastructure in Victoria*, April 2008, p.23

92 *ibid.*, pp.21, 23

93 Victorian Government Department of Sustainability and Environment, *Securing our Water Future Together – Victorian Government White Paper*, June 2004, p.10

Many of the policy statements contained in the White Paper are also directed at achieving the objectives outlined in the COAG National Water Initiative.

#### **4.2.1 Auditor-General's findings**

The Auditor-General found that the White Paper contained clearly defined goals and considered a wide range of options to address the challenge of sustainable water management. The Auditor-General concluded that the planning process had resulted in a comprehensive, balanced and well-supported plan.<sup>94</sup>

One area which the Auditor-General stated could have been improved related to the prioritisation of the 110 actions identified in the White Paper together with estimated costs and timelines associated with their implementation.<sup>95</sup>

### **4.3. Central Region Sustainable Water Strategy and other Regional Sustainable Water Strategies**

In the White Paper, the Government made a commitment to publish a Statewide Water Inventory in early 2005 followed by the development of five regional sustainable water strategies across the State. (This became four when the Grampians and South-West Regions were combined to become the Western Region.)

Regional Sustainable Water Strategies represent a new planning framework for determining large-scale, long-term changes in water supply and use. The Strategies contain actions aimed at securing water for industry, cities and towns within a region while at the same time protecting the region's rivers and aquifers. The Strategies also fulfil Victoria's obligation under the National Water Initiative agreement with the Commonwealth to implement transparent, statutory-based water planning.<sup>96</sup>

The Central Region Sustainable Water Strategy (CRSWS) was released in October 2006 following an 18 month preparation period which included lengthy community input which guided both the draft plan and the final version. The CRSWS is a plan to secure water supplies for homes, business, industry, agriculture and the environment in the region encompassing greater Melbourne, Geelong, Ballarat, the Macedon district and West Gippsland over a 50 year period.

#### **4.3.1 Auditor-General's findings and recommendation**

The Auditor-General stated in his report that the goals contained in the CRSWS were clear and consistent with the policy goals set out in the Government's White Paper. Also, the Department had applied sound processes to define the issues, formulate options and select projects for inclusion in the final strategy.<sup>97</sup>

---

94 Victorian Auditor-General's Office, *Planning for Water Infrastructure in Victoria*, April 2008, pp.23–4

95 *ibid.*, p.24

96 Department of Sustainability and Environment, *Sustainable Water Strategy Central Region, Action to 2055*, October 2006, p.10

97 Victorian Auditor-General's Office, *Planning for Water Infrastructure in Victoria*, April 2008, p.25

The report noted that the planning process employed by the Department in developing the CRSWS was similar to that used in the development of the White Paper in that the Department engaged a wide range of stakeholders, made use of an independent panel in the selection of projects and ensured cross-departmental engagement in the process.<sup>98</sup>

The Auditor-General's report states that the CRSWS is based on the Department's expectation that the average water inflows over the previous 10 years (i.e. 1997 to 2006) will continue into the future. However, by December 2006, the Department confirmed that water inflows in 2006 had fallen below the drought affected averages of the past decade. Information available to the Department in early 2007 indicated another year of very low inflows and in response the Government developed the Victorian Water Plan. This Plan is based on average water inflows between 2004 and 2006, a much lower forecast.<sup>99</sup>

Based on these findings the Auditor-General concluded that the lower inflow forecasts adopted by the Department in early 2007 represented a significant change from the assumptions of water inflows used in the CRSWS and recommended that the Department revise the objectives, targets and actions contained in the CRSWS to reflect this change.<sup>100</sup>

### **4.3.2 Response by the Department of Sustainability and Environment**

In the *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, the Department agreed that the CRSWS would be revised and that this revision would occur within the timeframes set out in the Strategy (i.e. within 10 years of its release). The Department expects the revision to occur after 2011 following completion of the major water infrastructure projects outlined in the Victorian Water Plan.<sup>101</sup>

### **4.3.3 Subsequent developments noted by the Committee**

The Committee wrote to the Department in August 2009 requesting for the advice as to its reasons for revising the CRSWS after 2011.

The Department advised the Committee in September 2009 that the revision of the CRSWS will not be revised until 2012 to ensure that the major water augmentation projects outlined in the Victorian Water Plan can be taken into account. The Department states that in the interim, strategy actions outlined in the CRSWS will continue to be implemented and that the annual review of the CRSWS provides a progress update on the original strategy and assists in tracking its implementation.<sup>102</sup>

In response to a request from the Committee to the Auditor-General in relation to this recommendation, the Auditor-General believes that the Department needs to be more specific about when it intends to update the CRSWS and stated that:<sup>103</sup>

---

98      ibid., p.26

99      ibid., pp.26-7

100     ibid., p.28

101     Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, December 2008, p.98

102     Ms C Jackson, Acting Deputy Chief Finance Officer, Department of Sustainability and Environment, correspondence to the Committee, received 16 September 2009

103     Mr D Pearson, Auditor-General, correspondence to the Committee, received 17 September 2009, p.5

*It would be appropriate to do this earlier than the 10 year maximum in light of the changed assumptions and infrastructure commitments contained in the Victorian Water Plan. The Government has committed to augmenting the central region water supply through a desalination plant and the north-south pipeline including timelines for the completion of these projects and expected yields...It is important that the Department updates its plans for the whole region in time to demonstrate how these projects will be integrated with the other elements of the Strategy.*

At the public hearing, the Auditor-General reaffirmed his view on timing and he suggested the Committee should explore the appropriate timing with the Department.<sup>104</sup>

At the public hearing, the Secretary of the Department reiterated that the timing of the proposed revision of the CRSWS would occur after 2011. He stated that the Department has established a central database allowing project managers to submit periodic updates in relation to the actions identified in the CRSWS. Further, the Committee was advised that this database allows for improved accountability and tracking and reporting and will be used to monitor progress against the other sustainable water strategies following their completion.<sup>105</sup>

### **Annual review by the DSE of the CRSWS**

One of the key commitments contained in the CRSWS is that the Department will undertake an annual review (covering the period 1 July to 30 June) of the actual water availability and demand against forecasts and include an evaluation of the progress of the Strategy in meeting targets set for recycling, water conservation and environmental flows. Two have been undertaken to date.

The first annual review of the CRSWS for the 2006-07 year was undertaken by PriceWaterhouseCoopers and the findings were presented in December 2007, in a report entitled, *Department of Sustainability and Environment, Central Region Sustainable Water Strategy – Annual Review 2006-07*. The report states that its aim is to perform:<sup>106</sup>

*...a high level stocktake of the available data and to the extent possible, identify any variance from the CRSWS projections and any observable trends. The review also identifies a number of improvements to the framework and data collection process for the subsequent 2007-08 review.*

The Committee noted that the 2007-08 Annual Review of the CRSWS was recently published in October 2009. The external consultant's report states that outputs from the Annual Review will be used to assist with 'an adaptive management approach to water resource planning'<sup>107</sup> which will:

- enable adaptive investment decision-making;
- initiate a comprehensive review of the CRSWS if necessary, in a timeframe earlier than that specified in the *Water Act 1989*; and
- collect data for possible use in the long-term water resource assessment.

---

104 Mr D Pearson, Auditor-General, transcript of evidence, 23 September 2009, pp.14–15

105 Mr G Wilson, Secretary, Department of Sustainability and Environment, transcript of evidence, 23 September 2009, pp.2–3

106 Price Waterhouse Coopers, *Department of Sustainability and Environment, Central Region Sustainable Water Strategy – Annual Review 2006-07*, 18 December 2007, p.4

107 GHD, *Department of Sustainability and Environment, Central Region Sustainable Water Strategy – Annual Review 2007-08*, 28 October 2009, p.i

The 2007-08 Annual Review of the CRSWS dealt with key outcomes in respect to water yield, demand, the supply-demand balance, water recycling and environmental impacts.<sup>108</sup>

The 2007 PriceWaterhouseCoopers report included comment on future issues for consideration by the Department. In particular, the report refers to the augmentation projects which will significantly impact on the supply yield within the Central Region stating:<sup>109</sup>

*As these new supply sources will outdate the existing forecasts, it would be advisable to undertake a full review of the CRSWS to determine the overall actions required for the region once further details are known regarding the timing and operation of the projects.*

This conclusion was supported by the Auditor-General's recommendation for a review of the CRSWS in the light of the changed assumptions and infrastructure commitments within the Victorian Water Plan.

However, the recently completed 2008 Annual Review of the CRSWS suggests that the increased yields from the new supply augmentations will need to be considered as they become operational but does not state the need for a full review of the Strategy. Further, the consultant's report advises that the planned water augmentations have reduced the need for comprehensive data collection and analysis in 2008-09 and recommended that the 2008-09 Annual Review make use of the Department's database to collect water availability and demand data in readiness for the next full review of the CRSWS which should be undertaken in 2009-10.<sup>110</sup>

In January 2010, the Committee requested further advice from the Department concerning the timelines for completion of the future annual reviews of the CRSWS. The Department advised that the new data management tool developed by the Department is being utilised to collate data for the 2008-09 review. The Department indicates that this review is currently being prepared and is expected to be released in the first half of 2010.<sup>111</sup>

### **Status of the remaining three regional sustainable water strategies**

The White Paper issued in June 2004 stated that the regional Sustainable Water Strategies would be prepared over four years. A review of the OurWater website reveals a section set aside to provide information on sustainable water strategies. The following summary of the status of the remaining three strategies is based on the information available from the Department and its website:

- **Gippsland Region Sustainable Water Strategy** – a Discussion Paper was released for public comment on 15 July 2009 with a closing date for submissions of 18 September 2009. Seventy submissions were received in response to the Discussion Paper and a draft strategy is expected to be released in early 2010 for consultation before release of a final Strategy in mid 2010.<sup>112</sup>

---

108 *ibid.*, pp.iii-iv

109 Price Waterhouse Coopers, *Department of Sustainability and Environment, Central Region Sustainable Water Strategy – Annual Review 2006-07*, 18 December 2007, p.10

110 GHD, *Department of Sustainability and Environment, Central Region Sustainable Water Strategy – Annual Review 2007-08*, 28 October 2009, p.v

111 Ms C Jackson, Acting Deputy Chief Finance Officer, Department of Sustainability and Environment, correspondence to the Committee, received 19 February 2010, Question 1(c) and (d)

112 Victorian Government, *Our Water, Our Future*, <<http://www.ourwater.vic.gov.au/programs/sws/Gippsland>>, accessed 16 February 2010

- **Northern Region Sustainable Water Strategy** – a Discussion Paper was released in January 2008 with submissions taken until March 2008. One hundred and thirty-five submissions were received over the consultation period. In October 2008, a draft strategy was released with another public consultation period ensuing. The final Northern Region Sustainable Water Strategy was released on 9 December 2009.<sup>113</sup>
- **Western Region Sustainable Water Strategy** – in May 2009, the Department issued the *Western Region SWS Information Sheet* which provides an outline of what the strategy is about. The Department released a second information sheet to provide information about groundwater resources in the region in October 2009. The Draft Western Region Sustainable Water Strategy was released for public comment on 17 March 2010.<sup>114</sup>

The Department advised that the actual dates for release of the final strategies may vary depending on the level of public response during the consultation phase on the draft strategies and to allow for all feedback and concerns to be adequately addressed.<sup>115</sup>

#### 4.3.4 Review and conclusion

Effective water planning is fundamental to current water reform across Australia including across the State of Victoria. According to the National Water Commission:<sup>116</sup>

*Water planning is central to dealing with the challenges of stressed water systems and to determining how we share valuable water resources between competing uses.*

In April 2008, the National Water Commission published a report containing an analysis of current water planning practices across Australia based on a number of case studies, one of which was the CRSWS. The Committee noted that the Commission's report contained a number of favourable conclusions in regard to the CRSWS:<sup>117</sup>

- The CRSWS was the best example of integration of water allocation planning with natural resource planning and water supply planning.
- The CRSWS included the only practical application of the latest information on projected climate change in forecasting future inflow patterns.
- The CRSWS planning process included, the use of independent panels to review draft plans and submissions, independent scientists to undertake technical studies, transparent disclosure of the final trade-offs adopted and risks involved, clear statements of government policy establishing principles for planning, and the opportunity for the community to make submissions. All these aspects were seen to build community confidence in the planning process.

---

113 Victorian Government, *Our Water, Our Future*, <<http://www.ourwater.vic.gov.au/programs/sws/northern>>, accessed 16 February 2010

114 Victorian Government, *Our Water, Our Future*, <<http://www.ourwater.vic.gov.au/programs/sws/western>>, Department of Sustainability and Environment, *Western Region SWS Information Sheet 1*, May 2009 and *Western Region SWS Information Sheet No. 2 – Groundwater*, October 2009, accessed 16 February 2010; *Draft Western Region Sustainable Water Strategy*, accessed 18 March 2010

115 Ms C Jackson, Acting deputy Chief Finance Officer, Department of Sustainability and Environment, correspondence to the Committee, received 19 February 2010, Question 1(a) and (b)

116 Australian Government, National Water Commission, *Water planning in Australia: National Water Commission position*, <<http://www.nwc.gov.au/www/html/717-water-planning.asp>>, accessed 29 October 2009

117 Australian Government, National Water Commission, *Waterlines Report No.6, Water Allocation Planning in Australia – Current Practices and Lessons Learned*, April 2008, pp.x-xvii

- Victoria (together with Tasmania and New South Wales) was deemed to have a very comprehensive documented policy framework for water planning.
- The CRSWS provided an example of built in adaptability through its express provision for annual reviews of the water supply situation and the ability to advance or delay the implementation of actions as required.

Overall, the Commission concluded that water planning processes have not always been of the necessary high standard and the roll-out of completed plans has been too slow. In addition, the Commission expressed concerns about the quality and extent of science and data underpinning water plans especially the relationships between water and the environment.<sup>118</sup>

The Commission considers one of the key steps of effective water planning is ‘building in adaptability’. That is, identifying how implementation and outcomes will be monitored and what should happen in the event of changed assumptions, improved data, situational changes and/or implementation failure.<sup>119</sup>

In the case of the CRSWS the Committee notes the annual review process provided for in the Strategy but wishes to express some concerns about the timing of these reviews. The first review was undertaken fairly promptly after the end of the 2006-07 financial year, however the second review for the period 2007-08 was not completed until October 2009. This review has recommended a full review of the Strategy is not warranted until 2009-10. The Committee considers it essential for the Department to ensure that Sustainable Water Strategies are monitored, reviewed at regular intervals and modified where necessary to ensure that they remain relevant and effective tools by which to manage water resources within a region.

With respect to a full revision of the CRSWS as recommended by the Auditor-General, the Committee notes the most recent advice from the Department in February 2010 that under the *Water Act 1989*, Sustainable Water Strategies must be reviewed every 10 years in order to evaluate progress in meeting targets and timelines in their implementation. As such:<sup>120</sup>

*The Department anticipates the review to be initiated sometime in 2013, ensuring that the major water augmentation projects, which will significantly impact the CRSWS, can be taken into account. However, a comprehensive review of the CRSWS could be initiated prior to 2013 if an annual review found that such a review was warranted.*

*In the interim, progress against timelines and targets for the CRSWS is currently reported in the Annual Review of the CRSWS as well as in the Department’s Annual Report.*

Given the importance of annual reviews as possible triggers for a full review, the Committee looks forward to more timely completion of the annual review process in the light of the improvements to the data management system as advised by the Department in its correspondence.

---

118 Australian Government, National Water Commission, *National Water Commission – Water planning in Australia position statement*, April 2008, p.vi

119 Australian Government, National Water Commission, *Waterlines Report No.6, Water Allocation Planning in Australia – Current Practices and Lessons Learned*, April 2008, p.ix

120 Ms C Jackson, Acting Deputy Chief Finance Officer, Department of Sustainability and Environment, correspondence to the Committee, received 19 February 2010, Question 1(e)

In addition, the Committee notes slower than anticipated progress in the finalisation and release of the other Sustainable Water Strategies specified in the 2004 White Paper, and looks forward to the completion and publication of the Gippsland Region Sustainable Water Strategy and the Western Region Sustainable Water Strategy in accordance with the revised timetables.

**Recommendation 1:**      **The Department of Sustainability and Environment ensure that annual reviews of Sustainable Water Strategies are undertaken in a timely manner to assess the success of the Strategies in meeting their targets and to ensure that Strategies can be revised so that they remain relevant and effective planning tools for sustainable water management in the State.**

**Recommendation 2:**      **In undertaking its annual review of the Central Region Sustainable Water Strategy for 2009-10, the Department of Sustainability and Environment should take account of the water augmentation projects detailed in the Victorian Water Plan to ensure a more accurate and relevant reflection of water availability in the central region of Victoria, as recommended in the Auditor-General's report.**

#### **4.4. The Victorian Water Plan**

*Our Water Our Future, The Next Stage of the Government's Water Plan*, referred to as the Victorian Water Plan, was released in June 2007. The Plan details four major water infrastructure projects aimed at augmenting Melbourne's water supply and improving the efficiency and effectiveness of water supply infrastructure across the State. The Plan was prepared in response to a sustained 10 year period of drought in the State, increasing stages of water restrictions, severe environmental impacts on the State's rivers and waterways and record low inflows to Melbourne's water storages in 2006.<sup>121</sup>

##### **4.4.1 Auditor-General's findings and recommendations**

The Auditor-General's report states that the Department commenced formulating the Victorian Water Plan in early 2007. As the Plan was released in June 2007, the Auditor-General noted that urgency required the Department to adhere to a very tight timeframe which impacted on community consultation and stakeholder engagement.<sup>122</sup>

The Auditor-General assessed the development of cost estimates of the infrastructure components of the Plan against requirements for public sector management principles espoused in the *Financial Management Act 1994* and project management models and guidance prepared by the Department of Treasury and Finance. The Auditor-General concluded that the rigour of cost estimates varied significantly across the project components of the Plan and that this had not been effectively disclosed to the public.<sup>123</sup>

---

121 Department of Sustainability and Environment, *Our Water Our Future, The Next Stage of the Government's Water Plan*, June 2007, pp.19–20

122 Victorian Auditor-General's Office, *Planning for Water Infrastructure in Victoria*, April 2008, p.29

123 *ibid.*, pp.30–2

The Auditor-General recommended that the Department should progressively inform the community about the costs and benefits of projects included in the Victorian Water Plan as more accurate details become available or information can be verified.<sup>124</sup>

### **Northern Victoria Irrigation Renewal Project**

The Auditor-General notes in his report that ‘*a wide range of individuals and organisations raised concerns about the basis for the projected water savings*’ detailed in the Victorian Water Plan for the Food Bowl Modernisation Project, questioning the assumptions made, the method of measurement used and the model applied to calculate the figures quoted.<sup>125</sup>

The report states that by November 2007, the Department had developed a draft business case for the Food Bowl Modernisation Project containing additional information in respect to expected water savings and costs of the project and was working to complete the final by the third quarter of 2008. In addition to this, the Department finalised a business case for the early project works, required to be completed during the winter of 2008, which was endorsed in December 2007. This business case included a more rigorous validation of the estimated water savings and the costs of these early works.<sup>126</sup>

The Auditor-General recommended that the Department make publicly available the early works business case containing the detailed analysis underpinning the estimates of water savings and costs associated with the Food Bowl Modernisation Project.<sup>127</sup>

### **Public information and disclosure**

The audit report noted that given the speed of the response in preparing the Victorian Water Plan, it was not surprising that the process used fell short of those used to for the White Paper and Central Region Strategy. As a consequence, cost-benefit and risk analysis varied considerably between projects and that this would have been properly explained and a process initiated to address any deficiencies.<sup>128</sup>

The audit report acknowledged that the development of the Victorian Water Plan as an emergency response did not allow for the formulation of a rigorous cost estimate for all the Plan projects but that this should have been compensated for by providing more explanation about the level of development to allow stakeholders and the wider community to assess whether all relevant issues had been considered and addressed prior to the projects’ implementation.<sup>129</sup>

The Auditor-General recommended that when publishing information about committed projects, the Department work with the central agencies and the relevant portfolio minister to publicly explain the amount of rigour underpinning project costs and benefits.<sup>130</sup>

---

124    ibid., p.3

125    ibid., p.33

126    ibid., p.34

127    ibid., pp.3, 35

128    ibid., p.3

129    ibid., pp.32–5

130    ibid., p.3

#### **4.4.2 Response by the Department of Sustainability and Environment**

The Department made the following responses in respect to the issues raised by the Auditor-General concerning the water infrastructure projects announced in the Victorian Water Plan:<sup>131</sup>

- The Department will progressively release information to the community on the costs and benefits of projects included in the Plan as it becomes available. The Environment Effects Statement for the Desalination Plant was released on 20 August 2008 and a progress report on the Plan was issued on 18 June 2008. Fact sheets on the Food Bowl Modernisation project, including findings and responses to the Steering Committee are accessible on the OurWater website.
- With respect to the analysis of estimated water savings associated with the Food Bowl Modernisation Project, the Department responded that the extent to which the Project Business Plan will be made publicly available was yet to be determined.
- The Department agreed to improve communication with central agencies for future projects.

#### **4.4.3 Further comments by the Auditor-General**

In August 2009, the Committee requested comments from the Auditor-General in relation to the responses provided by the Department to the recommendations made in the audit report.

The Auditor-General reiterated his views that the detailed analysis of water savings, project costs and benefits associated with projects in the Victorian Water Plan be made available to the public in particular the business case relating to the Food Bowl Modernisation Project.<sup>132</sup>

With respect to the recommendation about working more closely with other government departments in respect to providing information to the community, the Auditor-General pointed out that the Department needs to improve the manner in which it works across government in providing information to the public.<sup>133</sup>

#### **4.4.4 Further departmental comment**

In August 2009, the Committee sought information from the Department as to actions taken in relation to these recommendations since its response to the report. The response is grouped under significant issues.

#### ***The level of communication with the public***

Correspondence from the Department referred the Committee to the following improvements made in respect to the level of communication on projects outlined in the Victorian Water Plan:<sup>134</sup>

---

131 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, December 2008, p.98

132 Mr D Pearson, Auditor-General, correspondence to the Committee, received 17 September 2009, pp.5-6

133 *ibid.*, p.6

134 Ms C Jackson, Acting Deputy Chief Finance Officer, Department of Sustainability and Environment, correspondence to the Committee, received 16 September 2009

- A *12 Month Progress Report* on the Victorian Water Plan was released on 18 June 2008.
- In August 2008, the Department released a report titled *Augmentation of the Melbourne Water Supply System, Analysis of System Behaviour*. This report deals with water resource modelling to test the range of potential outcomes affecting the size of the Desalination Plant.<sup>135</sup>
- The OurWater website is regularly updated to reflect project developments and milestones, as are other specific project websites, such as the NVIRP, Sugarloaf Pipeline Project, and Aquasure websites.<sup>136</sup>
- Information provided through media releases, community information newsletters, community briefings and fact sheets.
- Public information relating to the Desalination Plant has included an *Environment Effects Statement* published in August 2008, three community information newsletters, project updates published in regional newspapers and displays at shows. In November 2009, the Department, together with the Department of Treasury and Finance, prepared a project summary for the Wonthaggi Desalination Plant which included figures calculated comparing the cost of the project delivered by the State compared to the cost of the project delivered by the winning private sector consortium (referred to as the ‘Public Sector Comparator’). This summary indicated a net present saving of \$936 million with the project delivered as a Private Public Partnership (PPP).<sup>137</sup>

### ***NVIRP water savings and cost estimates***

In response to information requested by the Committee in August 2009 and to questions at the public hearing, the Department advised that the Business Case includes a detailed analysis of water savings and costs for Stage One of the modernisation, a summary of which would be available by the end of 2009.

The Secretary also stated that the Department is committed to providing information on the project to the public to allay concerns raised by the Auditor-General about the level of detail and rigour associated with the data, noting that the complete business case contained some confidential elements.<sup>138</sup> The ‘Business Case for Northern Victoria Irrigation Renewal Project Stage 1’ was posted on the NVIRP website on 3 February 2010.<sup>139</sup>

In addition, the Department stated that the water savings estimates will be subject to an external audit in accordance with the Water Savings Protocol.<sup>140</sup> The details of the Water Savings

---

135 Department of Sustainability and Environment, *Augmentation of the Melbourne Water Supply System, Analysis of Potential System Behaviour*, August 2008, p.2

136 Northern Victoria Irrigation Renewal Project, <<http://www.nvirp.com.au>>, Sugarloaf Pipeline Alliance, <<http://www.sugarloafpipeline.com.au>>, Aquasure, <<http://www.aquasure.com.au>>, accessed 17 March 2010

137 Victorian Government, Partnerships Victoria, *Partnerships Victoria Project Summary – Victoria Desalination Project*, November 2009, p.9, <<http://www.partnerships.vic.gov.au>>, accessed 12 February 2010

138 Mr G Wilson, Secretary, Department of Sustainability and Environment, transcript of evidence, 23 September 2009, pp.4–5, 7

139 Northern Victoria Irrigation Renewal Project, *Business Case for Northern Victoria Irrigation Renewal Project Stage 1*, <[http://www.nvirp.com.au/downloads/communications/business\\_case-stage\\_1\\_for\\_public\\_release\\_3\\_February10\\_FINAL.pdf](http://www.nvirp.com.au/downloads/communications/business_case-stage_1_for_public_release_3_February10_FINAL.pdf)>, accessed 12 February 2010

140 Ms C Jackson, Acting Deputy Chief Finance Officer, Department of Sustainability and Environment, correspondence to the Committee, received 16 September 2009

Framework and the Water Savings Protocol, which includes the Water Savings Audit Process, are all available in the public domain.<sup>141</sup>

The Committee was advised that the Water Savings Protocol, which underpins the water savings estimates, was independently reviewed by the former Chief Executive Officer of the Murray-Darling Basin Commission who confirmed it as a 'best-practice' process. Following this review, the Department selected an independent auditor.<sup>142</sup>

### **Costs versus benefits of various water supply augmentation options**

Given the short time frame surrounding preparation of the Victorian Water Plan and the Auditor-General's recommendations for more detail in the public arena in respect of the costs and benefits associated with the projects announced in the Plan, the Committee questioned the Department at the public hearing about how the Committee and the public can assess whether or not public funds are being directed towards the best water augmentation options in terms of the comparative costs/benefits of projects.

The Secretary of the Department advised that in respect to cost benefit analysis of water projects, there have been a number of reports and studies prepared between 2002 and 2006 investigating the feasibility, costs and benefits of dams and water recycling options.

The Government's White Paper stated that Victoria would need to investigate and consider a range of options in addressing long term demand for water including regarding reconnection of Tarago Reservoir, desalination and irrigation upgrades and rationalisation.

In addition, a review of the material available on the OurWater and Departmental websites revealed:

- The Green Paper *Technical Report No.1 – Water Recycling Scenarios for Melbourne*, released in 2003, presented 19 alternative water recycling supply scenarios.<sup>143</sup>
- A report titled *Eastern Water Recycling proposal, Alternative options to meet long term demand - Dams* prepared in August 2005, which presented the financial, social and environmental impacts of new dam proposals.<sup>144</sup>
- In 2005, a two year feasibility study commenced on the Eastern Water Recycling proposal.<sup>145</sup>
- The Executive Summary of the Recycled Water Business Case which compares the costs and benefits of taking the tertiary treated Class 'A' water and recycling for use in the Latrobe Valley or use for environmental flows.<sup>146</sup>

---

141 Mr G Wilson, Secretary, Department of Sustainability and Environment, transcript of evidence, 23 September 2009, p.5

142 Mr G Turner, Director, Office of Water, Department of Sustainability and Environment, transcript of evidence, 23 September 2009, p.6

143 Victorian Government, Department of Sustainability and Environment, *Securing our Water Future Together – Victorian Government White Paper*, Melbourne, June 2004, p.111

144 Sinclair Knight Merz, *Eastern Water Recycling Proposal, Alternative options to meet long term demands – Dams*, August 2005, p.ii

145 Victorian Government, Department of Sustainability and Environment, *Progress Towards Securing Our Water Future*, Melbourne, October 2005, p.40

146 Victorian Government, *Our Water, Our Future*, <<http://www.ourwater.vic.gov.au/programs/recycling/eastern-treatment-plant>>, accessed 27 November 2009

The Secretary of the Department stated at the public hearing that the record low inflows of 2006 required the Government to take immediate action to get some of these major projects which had been identified in the Government's White Paper underway. In respect to making cost benefit information public, the Secretary noted:<sup>147</sup>

*...we would want to provide sufficient detail for people to understand the rigour behind the costs and benefits and savings and so on. That is what we are committed to doing, and as matter of urgency.*

### ***Liaison with central agencies and relevant portfolio Ministers***

The Department advised the Committee in September 2009, that since the Minister for Finance's response to the Auditor-General's report in December 2008, the Department has '*continued to actively engage with central agencies and relevant portfolio Ministers regarding existing initiatives and new programs.*'<sup>148</sup>

The Department advised that a Water Policy Inter-Departmental Committee has been established to promote communication on key water policy issues. The Department's Communications Branch also meets monthly with communications officers from the NVIRP, the Sugarloaf Pipeline Alliance, Goulburn-Murray Water and the Department of Primary Industries regarding major water projects.<sup>149</sup>

At the public hearing, the Secretary of the Department stated that generally a group of representatives from the departments involved work together and review cost benefit issues and the extent of rigour of the analysis and then the Premier, Treasurer and Minister for Water may be required to make some of the final decisions about the quality and level of detail of the information to be released publicly.<sup>150</sup>

#### **4.4.5 Conclusion**

The Committee notes the Department's acceptance of the matters raised by the Auditor-General regarding the variation in the level of cost benefit and risk analysis associated with the various water supply projects outlined in the Victorian Water Plan. The Committee also notes that the Department has accepted the Auditor-General's recommendations relating to the need for more detail and explanation in the community regarding the water savings attributed to the NVIRP and the costs and benefits of this project and of the other projects in the Plan.

Information provided by the Department indicates that progress has been made in developing and implementing a water savings framework and water savings protocol which includes independent audit verification of the savings associated with the NVIRP. In addition, the Committee notes the release of information relating to the costs/benefits of options relating to the use of increased recycled water from the Eastern Treatment Plant upgrade and the Business Case for Stage One of the NVIRP. A review of the material provided on the OurWater website and the websites of the NVIRP, the Department of Premier and Cabinet, Partnerships Victoria, Melbourne Water, the Sugarloaf Pipeline Alliance, and water authorities, reveal a comprehensive amount of

---

147 Mr G Wilson, Secretary, Department of Sustainability and Environment, transcript of evidence, 23 September 2009, p.12

148 Ms C Jackson, Acting Deputy Chief Finance Officer, Department of Sustainability and Environment, correspondence to the Committee, received 16 September 2009

149 *ibid.*

150 Mr G Wilson, Secretary, Department of Sustainability and Environment, transcript of evidence, 23 September 2009, p.19

information relating to the management of water in the State and the new water supply projects. The Department's 2009 Annual Report also provided some information on major infrastructure projects in the State.

The Committee considers that effective accountability is dependent upon the provision of accurate, reliable and timely disclosure of information and that there is room for improvement in this regard. The Committee looks forward to commitments made by the Secretary of the Department at the public hearing that communication with the broader community will be improved.

**Recommendation 3:      The Department of Sustainability and Environment should determine an appropriate timeframe for the public release of accurate and reliable information relating to major water infrastructure projects and activities to ensure that the Parliament and the public is informed in a more timely manner and to allow for meaningful input and feedback.**

## CHAPTER 5: MONITORING AND REPORTING ON STRATEGIES

### 5.1. Introduction

The Auditor-General's report notes the importance of monitoring the implementation of specified actions to determine their success as a component of effective public sector management. Indeed, it is a legislative requirement that this occurs (i.e. under the *Water Act 1989* and *State Environment Protection Policy (Waters of Victoria)*).<sup>151</sup>

The audit assessed the Department's monitoring and reporting by examining whether the Department had processes in place to:<sup>152</sup>

- monitor the extent to which whole-of-state and regional plans had been implemented;
- evaluate the impact of strategies and assess their contribution to the achievement of water sector goals in total; and
- adjust the State and regional plans in instances where actual outcomes or changed circumstances dictate.

### 5.2. Departmental monitoring and reporting

The Auditor-General noted that the Department had introduced the Business Progress Reporting (BPR) System in 2005 to improve the management and monitoring of its projects. For each of its projects the BPR identifies the manager, purpose, amendments, achievement of key milestones and risks impacting on the timeliness and success of the project.<sup>153</sup>

In May 2007, the Department undertook a review of the total 79 projects recorded in the BPR System at that time and found that 20 per cent required a full risk assessment, 19 per cent were tracking well and required only routine management reporting and the remaining 61 per cent required a management response to a small number of categories identified as underperforming.<sup>154</sup>

The Auditor-General concluded that the introduction of the BPR System had improved the Department's monitoring and reporting of its' plans and strategies.<sup>155</sup>

### 5.3. Monitoring and reporting on the Government's White Paper

#### 5.3.1 Auditor-General's findings and recommendation

As stated earlier in this report, the White Paper included 110 actions aimed at reform of the State's water sector. The Auditor-General found that the Department had acted on many of the actions outlined in the White Paper including a number of legislative amendments to the *Water Act 1989*.

---

151 Victorian Auditor-General's Office, *Planning for Water Infrastructure in Victoria*, April 2008, p.40

152 *ibid.*

153 *ibid.*, p.41

154 *ibid.*

155 *ibid.*

However, the report was critical of the delays in the completion of Sustainable Water Strategies for three regions.<sup>156</sup> This has been commented on by the Committee in Chapter 4 of this report.

In reviewing the Department's monitoring of the implementation of the White Paper, the Auditor-General found that the size and complexity of the White Paper actions (and sub-actions) meant that a comprehensive view of the progress made against the White Paper was not available. The report stated that given the significance of water management in the State, an up-to-date, consolidated database was required to provide regular progress reports on the status of actions outlined in the White Paper.

The Auditor-General recommended that the Department provide regular, consolidated reports on the progress of actions and outcomes identified in the White Paper.

### **5.3.2 Response by the Department**

In the *Response by the Minister of Finance to the Auditor-General's Reports 2007-08*, the Department agreed with the Auditor-General's recommendation stating that progress on actions and outcomes would be included in the Department's Annual Report and information relating to the progress of the development of sustainable water strategies would be published on the OurWater website.<sup>157</sup>

### **5.3.3 Subsequent developments noted by the Committee**

The Committee sought comments from the Auditor-General in relation to the Department's response to this recommendation. The Auditor-General's view was that the Department needs to report on the progress of specific actions in the White Paper and that the response provided by the Department was not specific enough about how this would be achieved/provided.<sup>158</sup>

### **5.3.4 Review and conclusion**

A review of the Department's Annual Reports from 2005-06 to 2008-09 revealed:<sup>159</sup>

- The 2006 Annual Report provided a listing of key White Paper initiatives implemented since its June 2004 release.
- The 2007 Annual Report provided an overview of the major water infrastructure projects outlined in the Victorian Water Plan but no update on the White Paper actions.
- The 2008 Annual Report provided an update on the progress of the major water infrastructure projects announced in the Victorian Water Plan.
- The 2009 Annual Report provided a progress update on the major projects outlined in the Victorian Water Plan and comments on water conservation achievements, 'environmental watering' and river restoration.

Since the issuing of the White Paper and the progress report in 2005, there has been significant change including the issuing of the Victorian Water Plan and the implementation of the projects.

---

156 *ibid.*, pp.42-3

157 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, December 2008, p.99

158 Mr D Pearson, Auditor-General, correspondence to the Committee, received 17 September 2009, p.7

159 Department of Sustainability and Environment, *Annual Reports*, 2006 to 2009

The Committee believes that it is timely for the Department of Sustainability and Environment to provide a report evaluating the current status of all Victorian Government water initiatives and projects over the last five years. Such an evaluation should also include information about the achievements realised and explanations for any delays and/or deficiencies to enable a consolidated picture of the success of the reform agenda.

## **5.4. Monitoring and reporting on the Central Region Sustainable Water Strategy**

### **5.4.1 Introduction**

The CRSWS contains a number of actions aimed at bolstering water supplies in the central region over a 50 year period.<sup>160</sup> A review of the Strategy is to occur every 7 to 10 years as required under the *Water Act 1989* and an assessment of water resources in the region undertaken every 15 years as required by the Act.<sup>161</sup> The legislation allows for a review of the Strategy by the Minister at any time.

In addition, the Strategy states that the delivery of projects and services will be reported annually by water authorities via their annual reports and by CMAs to the Minister for Water through their Regional Catchment Investment Plan/Regional Catchment Strategy Annual Report.<sup>162</sup>

### **5.4.2 Auditor-General's findings and recommendation**

The Auditor-General noted that the Department had tracked the progress of the 129 actions detailed in the CRSWS.<sup>163</sup>

The Auditor-General reviewed material on sustainable water strategies included in the Department's 2007 Annual Report and concluded that the level of detail provided was insufficient to meet the reporting obligations under the *Water Act 1989* in that it did not provide information on the Strategy's actions or priorities for implementation.<sup>164</sup>

The audit report notes that the Department had acknowledged the need for improvement in the monitoring and reporting of the progress of the CRSWS and had developed a draft document establishing reporting protocols for the Strategy. The Auditor-General reviewed this draft and recommended the Department proceed with implementation of the new reporting protocol to monitor the progress of actions in the CRSWS.<sup>165</sup>

---

160 Department of Sustainability and Environment, *Sustainable Water Strategy Central Region, Action to 2055*, October 2006, p.112

161 *ibid.*, p.12

162 Department of Sustainability and Environment, *Sustainable Water Strategy Central Region, Action to 2055*, October 2006, p.110

163 Victorian Auditor-General's Office, *Planning for Water Infrastructure in Victoria*, April 2008, p.45

164 *ibid.*, p.46

165 *ibid.*, 46–7

### **5.4.3 Response by the Department**

The response by the Department published in the *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, stated that implementation of the new reporting framework was expected to be in place in the latter part of 2008.<sup>166</sup>

### **5.4.4 Subsequent developments noted by the Committee**

The Department advised the Committee that a new web-based reporting system has been developed which allows project managers to submit periodic updates on CRSWS actions. The system stores data on a web-linked database which provides easier tracking, increased accountability and also generates reports which can be used internally and as input to the preparation of material for the Department's Annual Report.<sup>167</sup>

The Committee reviewed the Department's 2008 and 2009 Annual Reports and noted that there was little direct information on the Sustainable Water Strategies.

### **5.4.5 Review and conclusion**

The Committee notes the Department's advice that it has implemented an improved reporting framework to monitor the implementation and progress of actions/projects contained in the regional Sustainable Water Strategies of which at this point only the CRSWS, and recently the Northern Region Sustainable Water Strategy, have been finalised. However, the Committee noted a lack of information on the status of actions contained in the CRSWS and the progress made in implementing the actions.

The Committee notes the requirements of section 22J of the *Water Act 1989* which states that:

- (1) *A report on any current Sustainable Water Strategies and on any current draft Strategies must be included in each annual report of the Department.*
- (2) *A report under subsection (1) must: –*
  - (a) *specify the measures being taken to implement the Strategy; and*
  - (b) *identify the priorities that apply to actions required by the implementation plan.*

The Committee considers that improvement in relation to the Department's reporting in its' Annual Report on the Sustainable Water Strategies is required.

**Recommendation 4: The Department of Sustainability and Environment should provide information in its Annual Report on Sustainable Water Strategies to meet its legislative requirements under Section 22J of the Water Act 1989.**

---

166 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, December 2008, p.99

167 Ms C Jackson, Acting Deputy Chief Finance Officer, Department of Sustainability and Environment, correspondence to the Committee, received 16 September 2009

## 5.5. Monitoring and reporting on the Victorian Water Trust

### 5.5.1 Introduction

In April 2003, the Government established a \$320 million fund called the Victorian Water Trust (VWT) to assist in providing a stable, long term investment over 10 years directed at securing sustainable water supplies, particularly through major innovation.

The objectives of the VWT are to:<sup>168</sup>

- improve efficiencies in the use of water across Victoria;
- enhance the health and sustainability of the water resources of Victoria, including rivers;
- provide greater security for meeting the future needs of Victorians; and
- encourage the increased re-use and recycling of water in Victoria.

The VWT is managed by the VWT Advisory Council, whose functions are prescribed in section 305CC of the *Water Act 1989*. Responsibility for the approval of projects, and the allocation of funds from the VWT, reside with the Minister for Water.

The Auditor-General noted in his report that the \$320 million VWT fund has been disbursed in three phases as follows:

- the first phase comprised \$162 million of commitments made before the formation of the VWT Advisory Council;
- the second phase comprised \$108 million for projects recommended by the VWT Advisory Council together with an additional \$4 million allocated to the Water Smart Homes and Gardens project; and
- the third phase committed \$50 million to the Victorian Water Plan.

### 5.5.2 Auditor-General's findings and recommendation

The Auditor-General reviewed the 2006 VWT evaluation report, *Accelerating Sustainable Water Management*, State Budget papers and the Department's website and concluded that there was insufficient information published on the progress and impact of projects funded by the VWT.<sup>169</sup>

In addition, the Auditor-General reviewed the internal reporting used to monitor the expenditure and progress of VWT projects and noted a number of projects were underspent by more than one million dollars. In terms of timelines, the review indicated that most project timeline slippages were small. The Auditor-General commented in the report that this information was not accessible by stakeholders and the general community.<sup>170</sup>

---

168 Victorian Government, *Our Water, Our Future*, <<http://www.ourwater.vic.gov.au/programs/victorian-water-trust>>, accessed 3 December 2009

169 Victorian Auditor-General's Office, *Planning for Water Infrastructure in Victoria*, April 2008, p.48

170 *ibid.*, pp.48–9

The Auditor-General recommended that the Department should publish information on the progress and impact of projects funded by the VWT in particular, actual expenditure against planned expenditure and project timelines, the explanations for any delays, and details of the impacts/outcomes of the projects following their completion.<sup>171</sup>

### **5.5.3 Response by the Department**

In the December 2008 *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, the Department accepted the Auditor-General's recommendation, stating that the progress and impact of VWT projects had been published in the October 2006 report prepared by the VWT, available on the OurWater website. The response also stated that a summary of progress and impacts of the VWT projects would be included in the Department's 2008 Annual Report and that a further review would be undertaken by December 2008 and made available on the website in early 2009.<sup>172</sup>

### **5.5.4 Subsequent developments noted by the Committee**

The Department advised the Committee that the OurWater website and its Annual Reports had information on projects funded by the VWT.

The 2008 Annual Report included a summary of the major achievements of the VWT since its inception in 2003. The OurWater website includes a section dedicated to the VWT, setting out the objectives of the VWT, the role of the Advisory Council, details of the range of VWT water projects together with the amount invested and reference to the 2006 evaluation report and a number of other discussion papers and studies which the VWT has assisted with such as: the future of irrigation in the Southern Murray-Darling Basin; the virtual water cycle (i.e. the amount of water used in the production of a good or service) in Victoria; and hormones in Victorian treated sewerage effluent.<sup>173</sup>

At the Committee hearing in September 2009, the Secretary of the Department was questioned about the quality of the information being made available to the community on VWT investment projects. The Secretary stated that he believed the VWT Advisory Council had been very successful in promoting the importance of their work but that he was prepared to consider the Auditor-General's point about the level of detail available and looking at better ways to provide that information.<sup>174</sup>

The Secretary was also asked about reporting the evidence of the impacts or outcomes flowing from the VWT investments. The Secretary stated that there are some difficulties associated with reporting on the outcomes of water management initiatives due to the time lags associated with an action and outcome, and also the difficulty in directly linking one particular action or initiative with a specific outcome when there are many programs and activities running concurrently.<sup>175</sup>

---

171 Victorian Auditor-General's Office, *Planning for Water Infrastructure in Victoria*, April 2008, p.49

172 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, December 2008, p.99

173 Victorian Government, *Our Water; Our Future*, <<http://www.ourwater.vic.gov.au/programs/Victorian-water-trust/publications>>, accessed 3 December 2009

174 Mr G Wilson, Secretary, Department of Sustainability and Environment, transcript of evidence, 23 September 2009, p.8

175 *ibid.*, pp.8-9

### **5.5.5 Review and conclusion**

The Committee believes that the reporting of performance in terms of outcomes and achievements is essential to effective accountability.

The Committee considers that such reporting on the Trust is a critical part of good management practice and necessary for maintaining due and proper accountability.

**Recommendation 5: The Department of Sustainability and Environment should provide meaningful reporting on the outcomes and achievements of the Victorian Water Trust and its main component project against stated objectives.**

## **5.6. Monitoring environmental flows**

### **5.6.1 Introduction**

The Department of Sustainability and Environment is the lead agency for ensuring the sustainable use of Victoria's water and associated environment. It has a number of specific obligations in relation to water management, in accordance with the State Environment Protection Policy (Waters of Victoria) which is established under the *Environment Protection Act 1970*.

### **5.6.2 Auditor-General's findings and recommendations**

The Auditor-General found that the Department did not have:<sup>176</sup>

- comprehensive processes in place to validate the accuracy and completeness of the information on compliance with passing flows; or
- links on its website to provide public access to the more detailed information on planning and compliance within the CMAs' environmental operating plans, annual watering plans and compliance reports.

The report recommended that the Department should:<sup>177</sup>

- validate the flow compliance data provided by CMAs;
- make the CMAs' operating and compliance reports available to the public; and
- regularly make available, information concerning how effectively the Department has satisfied its environmental flow obligations.

### **5.6.3 Response by the Department of Sustainability and Environment**

In its response, as contained in the *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, the Department accepted the Auditor-General's recommendations.

The Department stated that it had initiated a project aimed at improving compliance monitoring and reporting associated with the water allocation framework, which includes the use and management of environmental water.

---

176 Victorian Auditor-General's Office, *Planning for Water Infrastructure in Victoria*, April 2008, p.52

177 *ibid.*

The Department stated that it would ensure that CMAs, Melbourne Water and regional water businesses also make flow compliance information available via their websites or their annual reports.

With regard to making available data concerning the achievement of environmental flow obligations, the Department responded that it would incorporate this information in the annual State Water Report.

#### **5.6.4 Subsequent developments noted by the Committee**

##### **Flow compliance data provided by Catchment Management Authorities**

The Department advised the Committee that the project, entitled the Water Resource Compliance Current Practice Audit and Gap Analysis, had been completed. According to the Department, the project provided an overview of Victoria's water entitlement related compliance obligations at a bulk level and also mapped current practices in relation to these obligations.

Following on from this project, the Department has developed Bulk Entitlement Metering Program Guidelines for the water industry which will standardise and improve metering programs and improve water resource monitoring and compliance across the State. These Guidelines have been issued to all water corporations, the Minister for Environment, and CMAs responsible for managing water for the environment.<sup>178</sup>

At the public hearing on 23 September 2009, the Secretary was asked about how the Department intended to action the Auditor-General's recommendation to provide public information about how well the Department had met its environmental flow obligations.

The question was taken on notice and information provided by the Department in November 2009, stated that the Department's environmental flow obligations are reported annually in the Victorian Water Accounts. In addition, water corporations report annually to the Minister for Water on their compliance with ground and surface water plans which includes any provisions for environmental water.<sup>179</sup>

The Department also advised that it is currently participating in a Commonwealth initiative to develop a national approach to water accounting which will identify water accounting requirements needed to improve reporting on compliance with environmental flow obligations and will provide more detailed environmental flow data to the community.<sup>180</sup>

The Department also referred the Committee to a publication on environmental watering in the State for the 2007-08 year and advised that the booklet on the 2008-09 watering program is due for publication in early 2010.<sup>181</sup>

---

178 Ms C Jackson, Acting Deputy Chief Finance Officer, Department of Sustainability and Environment, correspondence to the Committee, received 16 September 2009

179 Mr G Wilson, Secretary, Department of Sustainability and Environment, correspondence to the Committee, received 24 November 2009, Question 2

180 *ibid.*

181 *ibid.*

In January 2010, the Committee asked the Department for further advice on the extent of verification it intends to undertake in respect to the passing flow requirements of water businesses and users following implementation of the Bulk Entitlement Metering Program Guidelines. The Department advised that water corporations are required to report in their Annual Report any failure to comply with the provisions of their bulk entitlement, including passing flow obligations. In addition, CMAs closely monitor river flows particularly in low flow periods as do users taking supply downstream. The Department states that these arrangements provide the basis for ongoing verification of compliance with passing flow requirements and no further arrangements are intended.<sup>182</sup>

### ***Review of information published by CMAs***

A review of the websites of each of the CMAs revealed a variety of information about the management of the EWRs by each of the authorities and the programs in place to manage the health of rivers and streams. All CMA websites contained a copy of the catchment's river/waterway health strategy. Also all websites contained copies of the CMAs' annual reports for 2008-09 which provided information on the management of waterways within the regions. The Committee concluded that the standard of information available to the community was generally of a high quality. The Committee also noted the extensive amount of information provided on Melbourne Water's website in relation to the management of rivers, creeks and wetlands in the Melbourne metropolitan area.

### ***Reporting on the Department's environmental flow obligations***

The Department advised the Committee that information on environmental flow obligations is reported in the Victorian Water Accounts (formerly known as the State Water Report).

The Committee noted that the Victorian Water Accounts for the 2007-08 year were published in January 2010. The 2006-07 Accounts were published in October 2008 and the prior three years (2003-04 to 2005-06) State Water Reports have been published in June of each year.

Having reviewed the Accounts prepared by the Department over the past few years, the Committee has some concern about the increasing lengths of time taken to produce the information. In the case of the 2006-07 Accounts this occurred 15 months after year end and for the 2007-08 Accounts, 18 months after year end.

### ***Environmental watering in Victoria***

In January 2009, the Department published a report about its environmental watering program for 2007-08 and the results of the program.<sup>183</sup>

The Committee concluded that the report provides a comprehensive public account of environmental watering activities of the Department and program outcomes across the 10 sites watered during 2007-08. The Committee looks forward to the release of the results of the 2008-09 Environmental Watering Program.

---

182 Ms C Jackson, Acting Deputy Chief Finance Officer, Department of Sustainability and Environment, correspondence to the Committee, received 19 February, 2010, Question 6

183 Victorian Government, Department of Sustainability and Environment, *Environmental Watering in Victoria*, January 2009

## Stream Flow Management Plans

Stream Flow Management Plans (SFMPs) determine how river water will be shared between consumptive uses and the environment. The *Our Water Our Future Progress Report* released in October 2005, noted that revised Streamflow Management Plan Guidelines were being prepared.<sup>184</sup>

The 2007-08 Victorian Water Accounts reported two SFMPs in effect in Victoria at the start of the period, both of which were located in the Yarra basin, and four SFMPs finalised during 2007-08. The Accounts provide a table indicating the status of SFMPs as at 30 June 2008.

**Table 5.1: Status of Stream Flow Management Plans as at 30 June 2008**

| Basin   | Work undertaken during 2007-08   |
|---|--|
| Kiewa   | Preparatory work – technical studies.  |
| Ovens River above Myrtleford  | Continuing technical studies.<br>Plan will combine surface and groundwater.<br>Investigation to confirm the scope of the Plan. |
| Goulburn:   |  |
| • King Parrot Creek   | Continuing work.   |
| • Yea River   | Continuing work.   |
| • Sevens Creek  | Preparatory work.  |
| Thomson:  |  |
| • Avon River  | Continuing work.   |
| Latrobe (upper)   | Preparatory work – technical studies.  |
| South Gippsland   |  |
| • Tarra River   | Preparatory work – technical studies.  |
| Yarra:  |  |
| • Diamond Creek, Hoddles Creek; Plenty River; Pauls/Steels/ Dixons Creeks; Olinda Creek and Stringybark Creek | All approved and operational.  |
| • Woori Yallock Creek; Little Yarra/Dons Creeks   | Continuing work.   |
| Maribyrnong (upper)   | Preparatory work – technical studies.  |
| Barwon:   |  |
| • Main stem and tributaries to the south including Leigh River, but excluding the Moorabool River             | Preparatory work – technical studies.  |
| Otway Coast:  |  |
| • Gellibrand River  | Preparatory work – technical studies.  |
| Hopkins:  |  |
| • Merri River   | Preparatory work – technical studies.  |
| Upper Wimmera River   | Preparatory work – technical studies.  |

Source: Department of Sustainability and Environment, *Victorian Water Accounts 2007-08: A Statement of Victorian Water Resources*, January 2010, p.55

184 Victorian Government, Department of Sustainability and Environment, *Progress Towards Securing Our Water Future*, October 2005, p.19

In January 2010, the Department advised the Committee that 21 priority unregulated rivers were originally identified for development of a SFMP in the White Paper, based on the understanding of environmental risks existing at the time. The development of Sustainable Water Strategies includes reviewing and confirming the need for development of each of these SFMPs.<sup>185</sup>

The Department advised that with the completion of the Northern Region Sustainable Water Strategy, decisions have now been made regarding the proposed SFMPs in this region. As a result SFMPs in the Goulburn Basin are now not proceeding as recommended by the Northern Region Sustainable Water Strategy.<sup>186</sup>

In addition, as the CRSWS did not make reference to SFMPs, decisions concerning whether to proceed with SFMPs in the remaining priority unregulated rivers of the Barwon and Upper Maribyrnong Rivers will be taken as part of the review of the CRSWS in 2013.<sup>187</sup>

The Department also advised the Committee that a review of future environmental water recovery for priority unregulated rivers in Western Victoria and Gippsland is currently underway as part of the development of Sustainable Water Strategies in these regions.<sup>188</sup>

Table 5.2 shows the details as provided by the Department to the Committee in February 2010 on the status of Stream Flow Management Plans in the 21 priority unregulated rivers listed in the *Our Water Our Future* policy document.<sup>189</sup>

---

185 Ms C Jackson, Acting Deputy Chief Finance Officer, Department of Sustainability and Environment, correspondence to the Committee, received 19 February 2010, Question 3

186 *ibid.*

187 *ibid.*

188 *ibid.*

189 *ibid.*

**Table 5.2: Status of Stream Flow Management Plans as at February 2010**

| <b>Our Water Our Future Priority River</b> | <b>Stream Flow Management Plan status</b>   |
|--|---|
| Pauls, Steels and Dixons                   | Plan approved 2008  |
| Stringybark Creek                          | Plan approved 2008  |
| Olinda Creek                               | Plan approved 2008  |
| Hoddles Creek                              | Plan approved 2003  |
| Plenty River                               | Plan approved 2007  |
| Diamond Creek                              | Plan approved 2003  |
| Woori Yallock Creek                        | Plan underway. Expected finalisation late 2010  |
| Upper Ovens River                          | Plan underway. Expected finalisation late 2010  |
| Little Yarra and Don                       | Plan underway. Expected finalisation late 2010  |
| Yea River                                  | Not proceeding as per Northern Sustainable Water Strategy recommendation                  |
| King Parrot Creek                          | Not proceeding as per Northern Sustainable Water Strategy recommendation                  |
| Kiewa River                                | Not proceeding as per Northern Sustainable Water Strategy recommendation                  |
| Seven Creeks                               | Not proceeding as per Northern Sustainable Water Strategy recommendation                  |
| Avon River                                 | System being reviewed through Draft Gippsland Sustainable Water Strategy (in development) |
| Tarra River                                | System being reviewed through Draft Gippsland Sustainable Water Strategy (in development) |
| Upper Latrobe River                        | System being reviewed through Draft Gippsland Sustainable Water Strategy (in development) |
| Merri River                                | System being reviewed through Draft Western Sustainable Water Strategy (in development)   |
| Upper Wimmera River                        | System being reviewed through Draft Western Sustainable Water Strategy (in development)   |
| Gellibrand River                           | System being reviewed through Draft Western Sustainable Water Strategy (in development)   |
| Upper Maribyrnong                          | System being reviewed through Review of Central Sustainable Water Strategy                |
| Barwon River                               | System being reviewed through Review of Central Sustainable Water Strategy                |

Source: Department of Sustainability and Environment

### **5.6.5 Conclusion**

The finalisation of SFMPs is of some concern. Information provided by the Committee indicated that of the 21 priority unregulated rivers identified in the White Paper, six Plans have been completed, nine are under development, four have been cancelled and the need for the remaining two is yet to be assessed. The Department could consider providing detailed information on the status of these Plans together with an indication of their expected completion dates in its Annual Report.

In relation to the Victorian Water Accounts, the Committee acknowledges that the Accounts provide an extensive amount of information on the State's water allocation and use over a 12 month period. The Committee considers that their usefulness would be enhanced by more timely completion and that the Department should investigate ways of streamlining the process involved in production of the Accounts in an endeavour to improve the timeliness of their publication.

In January 2010, the Committee requested further advice from the Department as to the reasons for the delay in preparation of the 2007-08 Victorian Water Accounts. The Department advised that some data providers had been impacted by the Black Saturday bushfires which delayed the preparation of the 2007-08 Accounts.<sup>190</sup>

- Recommendation 6:**      **The Department of Sustainability and Environment should provide, where feasible, links on its website to detailed information regarding the compliance of Catchment Management Authorities with environmental flow obligations stipulated under the Environmental Water Reserve or stated in other relevant environmental management plans.**
- Recommendation 7:**      **The Department of Sustainability and Environment should investigate ways to improve water data collection processes associated with the preparation of the Victorian Water Accounts.**
- Recommendation 8:**      **The Department of Sustainability and Environment should seek to improve the timeliness of its reporting on the overall monitoring of environmental flows.**
- Recommendation 9:**      **The Department of Sustainability and Environment investigate independent verification of flow compliance information provided by Catchment Management Authorities in line with the recommendation made by the Auditor-General.**
- Recommendation 10:**      **The Department of Sustainability and Environment should provide further information to the public on the status of Stream Flow Management Plans in Victoria's priority unregulated rivers either on its website or in its Annual Report.**

---

190      *ibid.*, Question 5



## CHAPTER 6: GOVERNANCE

### 6.1. Transparency and openness

#### 6.1.1 Auditor-General's findings

The Auditor-General noted in his report that the development of the Victorian Water Plan did not have the same level of transparency and openness applied to the process as existed in the development of the White Paper and the Central Region Sustainable Water Strategy.<sup>191</sup> This was explained by the urgency of the situation and the need for a speedy policy response to the record low water inflows recorded in the State during 2006. As a result, the Department was unable to engage in a lengthy process of stakeholder liaison and consultation prior to formalising the Plan.

While the Auditor-General accepted that in responding to an emergency situation, the usual processes employed in policy development and project planning may not be possible, he was critical of the lack of public disclosure by the Department explaining this and establishing a process for refining the 'less rigorous information' included in the Water Plan.<sup>192</sup>

#### 6.1.2 Subsequent developments noted by the Committee

The Auditor-General advised the Committee that the level of information provided to the public on water supply projects and the level of rigour applied to the costs, benefits and risks of some projects was found to be inadequate. The Auditor-General stated that these issues reflected the need for greater transparency to strengthen accountability.<sup>193</sup>

The Secretary of the Department, Mr Greg Wilson advised the Committee that the Department undertakes a lot of work preparing business cases and looking at a range of investment options in the development of various projects and is committed to releasing more information progressively as it becomes known and verified.<sup>194</sup>

Mr Wilson also stated that successful consultation requires a variety of different forms (e.g. fact sheets, reports, updates, etc.) for different projects and for different communities. In the case of the NVIRP, Mr Wilson advised that modernisation committees had been established to register concern and receive input from the community. Information about the project can then be remitted from the Department/Project administrators back to the district. At another level there are 'one-on-one' engagements between farmers and landowners and Departmental or NVIRP representatives. Mr Wilson stated that the Department looks to its delivery partners (Melbourne Water, NVIRP, water authorities, etc) to work with it in providing information to the community.<sup>195</sup>

#### 6.1.3 Conclusion

The Committee notes that the extent of information available on the website since the release of the Auditor-General's report in April 2008 has improved markedly and also notes the advice provided by the Departmental Secretary, Mr Greg Wilson, of the Department's continuing commitment to community consultation and information provision.

---

191 Victorian Auditor-General's Office, *Planning for Water Infrastructure in Victoria*, April 2008, p.55

192 *ibid.*, p.56

193 Mr D Pearson, Auditor-General, correspondence to the Committee, received 17 September 2009, p.1

194 Mr G Wilson, Secretary, Department of Sustainability and Environment, transcript of evidence, 23 September 2009, p.12

195 *ibid.*, p.13

The Committee also notes the responses provided by the Department to the Committee in relation to a number of the Auditor-General's recommendations calling for greater public disclosure in relation to the costs and benefits of major water infrastructure projects being undertaken and the level of rigour associated with these figures/estimates.

**Recommendation 11: The Department of Sustainability and Environment ensure timely information to the Parliament and the public in relation to the detailed analysis underpinning decisions on the allocation of resources to major water infrastructure projects.**

## **6.2. Accountability**

### **6.2.1 Auditor-General's findings**

The Auditor-General concluded that the current institutional arrangements, while complex, provided a sound basis for water resource planning in the State. In addition, the Auditor-General supported the recommendations made by the Victorian Competition and Efficiency Commission (VCEC) in relation to changes to the governance arrangements in the metropolitan retail water sector, namely that:<sup>196</sup>

- water retailers become statutory corporations under the *Water Act 1989*; and
- the \$5 million threshold for reviewing water retailers' capital works by the Department of Treasury and Finance should be increased.

### **6.2.2 Subsequent developments noted by the Committee**

With respect to the VCEC's recommendation that metropolitan water retailers come under the same governance arrangements as other water authorities, the Department advised the Committee that the Government was in the process of examining the differences between the governance and operational provisions of retailers and the governance provisions contained in the *Water Act 1989* and the *Water Industry Act 1994*. The Committee was informed that this was to ensure that any changes in governance arrangements result in the adoption of a best-practice framework.<sup>197</sup>

The Secretary of the Department, Mr Greg Wilson stated that the current governance arrangements in place relating to metropolitan water retailers date from 1995, so the Department is in the process of reviewing the various requirements with a view to making recommendations which streamline and modernise the arrangements concerning the duties and obligations of the retailers.<sup>198</sup> At the hearing, the Secretary of the Department was asked about when this review and implementation of revised governance and operational provisions was expected to be finalised.<sup>199</sup> The Secretary took the question on notice.

---

196 Victorian Auditor-General's Office, *Planning for Water Infrastructure in Victoria*, April 2008, pp.56, 58–9

197 Ms C Jackson, Department of Sustainability and Environment, correspondence to the Committee, received 16 September 2009

198 Mr G Wilson, Secretary, Department of Sustainability and Environment, transcript of evidence, 23 September 2009, p.13

199 Mr R Dalla-Riva, MLC, transcript of evidence, 23 September 2009, p.20

In its response, the Department again advised the Committee that it is currently in the process of ‘developing detailed legislative proposals to bring metropolitan water retailers under the Water Act 1989 and to improve governance and operational arrangements for all water businesses.’<sup>200</sup>

The Department advised that a new three tier approach for capital investment reviews was approved by the Treasurer and the Minister for Water in November 2008. Specifically:<sup>201</sup>

- Tier 1 (\$50 million threshold) – Melbourne Water, Yarra-Valley Water, South-East Water, City West Water, Barwon and Goulburn-Murray Water;
- Tier 2 (\$20 million threshold) – Central Highlands Water, Gippsland Water, Goulburn Valley Water, Grampians Wimmera Mallee Water, Lower Murray Water, Wannon Water and Western Water; and
- Tier 3 (\$10 million threshold) – East Gippsland Water, North East Water, South Gippsland Water, Southern Rural Water, Westernport Water and any other public non-financial corporations within the DSE portfolio.

Further, the Department advised that the Government may choose at any time to review other capital investment proposals not necessarily captured by these thresholds to ensure that appropriate value-for-money and risk mitigation processes have been considered.<sup>202</sup>

### 6.2.3 Conclusion

The Committee notes the recommendations made by the VCEC in February 2008, and supported by the Government responding in July 2008. The VCEC suggested that this recommendation be implemented within six to 12 months. The Department has not provided details of when this recommendation will be implemented.

A further response by the Department to a request by the Committee in January 2010 for clarification of the timing of the Department’s review of governance arrangements stated:<sup>203</sup>

*The Department of Sustainability and Environment aims to improve governance and operational arrangements for all water businesses by providing detailed proposals to Government. These will be provided for consideration during the first half of 2010 and the implementation, in terms of both timing and content, is a matter for Government.*

**Recommendation 12: The Department of Sustainability and Environment finalise proposals for improvements to the governance and operational arrangements of water authorities, as recommended by the Victorian Competition and Efficiency Commission in February 2008, as a matter of urgency.**

200 Mr G Wilson, Secretary, Department of Sustainability and Environment, correspondence to the Committee, received 24 November 2009

201 Ms C Jackson, Department of Sustainability and Environment, correspondence to the Committee, received 16 September 2009

202 *ibid.*

203 Ms C Jackson, Department of Sustainability and Environment, correspondence to the Committee, received 19 February 2010, Question 7

## **6.3. Stewardship**

### **6.3.1 Auditor-General's findings and recommendation**

The Auditor-General notes that the Statements of Obligations issued to all water authorities provide the Government with the opportunity to define its policy goals, intended outcomes and targets. In accordance with the *Water Industry Act 1994*, the Statement of Obligations specifies provisions relating to the obligations of a licensee in the performance of its functions and the exercise of its powers and can include provisions relating to governance; quality and performance standards; community service obligations; customer and community consultation; payments; and penalties for non-compliance.<sup>204</sup>

The Auditor-General noted in his report that processes were in place to review the plans of water authorities in terms of their pursuit of value-for-money management and how they have interpreted government policy objectives. However, the Auditor-General found that:<sup>205</sup>

- the ESC does not undertake a rigorous value-for-money evaluation of projects directly related to a particular government policy such as, water conservation or water recycling targets;
- the effectiveness of the processes in place is dependent upon the quality of the review of water plans and project business cases undertaken by the Department; and
- the quality, consistency and timeliness of the Departmental reviews required evaluation.

The Auditor-General recommended that the Department strengthen the processes it uses to review the plans of water authorities to ensure that they comply with government policy objectives and that their projects and activities satisfy value-for-money criteria.

In addition, the Auditor-General noted the findings and recommendations of the VCEC Inquiry in relation to the Statements of Obligations of water retailers.<sup>206</sup>

This section of the audit report also reiterated the Auditor-General's views that the information presented in the Victorian Water Plan with respect to some of the infrastructure projects, was deficient in terms of the quality of the information presented to support project viability.

### **6.3.2 Response by the Department of Sustainability and Environment**

In the *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, the Department stated that quality control processes and guides for the review of plans had been implemented.<sup>207</sup>

---

204 *Water Industry Act 1994*, s.8

205 Victorian Auditor-General's Office, *Planning for Water Infrastructure in Victoria*, April 2008, p.61

206 Victorian Competition and Efficiency Commission, *Water Ways: Inquiry into Reform of the Metropolitan Retail Water Sector; Final Report*, February 2008, pp.150, 181

207 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, December 2008, p.100

### 6.3.3 *Subsequent developments noted by the Committee*

The Department advised the Committee that in accordance with the requirements relating to the review of capital projects within certain cost thresholds, water authorities are required to submit business cases to the DSE and the Department of Treasury and Finance. These reviews determine the project's alignment with government water policy, the drivers for the project and a financial analysis of the project.<sup>208</sup>

In addition, the Department advised the Committee that it reviews the annual corporate plans of water authorities to ensure:<sup>209</sup>

- specific corporate plan guidelines and the provisions of the Statements of Obligations have been clearly addressed;
- the plans are consistent with government policy and authorities' core functions and duties;
- performance targets and measures demonstrate sustainable progress in achieving business outcomes; and
- material changes from previous years have been identified and satisfactorily explained.

At the public hearing the Secretary of the Department was asked to elaborate on the steps taken by the Department to ensure that water authority projects meet value-for-money criteria.<sup>210</sup>

The Secretary, Mr Wilson, advised that the three-tiered approach to reviewing capital projects by the Department and the Treasurer includes a value-for-money component. In addition, the ESC has a public role in reviewing Water Plans and assessing activities and investment proposals of authorities and their impact on pricing and service standards to customers.<sup>211</sup>

### 6.3.4 *Review and conclusion*

The Committee notes the changes made to the water authorities' capital works thresholds for review purposes and the advice of the Department in respect to the review processes in place over authorities' Water Plans and Corporate Plans to ensure that projects support Government policy objectives and are undertaken with due consideration of value-for-money criteria.

## 6.4. VCEC Inquiry – Looking forward

As already mentioned, the Auditor-General included an examination of the draft VCEC report and submissions to the Inquiry as part of his audit and made note in his report of his support for a number of recommendations made by the VCEC in its draft report in relation to governance issues in the metropolitan retail water sector.

208 Ms C Jackson, Department of Sustainability and Environment, correspondence to the Committee, received 16 September 2009

209 *ibid.*

210 Mr R Scott, MP, transcript of evidence, 23 September 2009, p.19

211 Mr G Wilson, Secretary, Department of Sustainability and Environment, transcript of evidence, 23 September 2009, pp.10, 19–20

In addition, the Auditor-General noted a number of observations and comments made by the VCEC in relation to the longer term issues for the Melbourne metropolitan water sector in light of the changes resulting from the augmentation of Melbourne's water supply. In his report the Auditor-General stated that the introduction of new supply sources (i.e. the desalination plant, water savings from the NVIRP) and an expanded water grid will make the management of Melbourne's water resources more complex.<sup>212</sup>

The VCEC released its final report in February 2008, making 21 recommendations covering both structural and non structural reform, short-term contestability, and short and medium-term governance arrangements in the metropolitan retail water sector. The report also included a suggested timeframe for implementation of the recommendations of between six months and up to 18 months.

### **Government response to the VCEC Inquiry**

The Government Response in July 2008 indicated that it supported fully or in part, 20 of the 21 recommendations and that implementation would occur progressively over the next few years as detailed in its' response to each recommendation.<sup>213</sup>

The Government response also stated that any changes made to the Statements of Obligations of metropolitan water retailers should also be made to the Statements of Obligations of regional and rural water authorities.

The Government Response indicated that a work program is underway to address a number of the issues noted in the VCEC report. In particular:<sup>214</sup>

- arrangements for optimising system management of the expanded water grid and new supply sources;
- amendments to bulk water entitlements;
- consideration of how market-based mechanisms might be used to inform future management decisions; and
- appropriate roles and responsibilities in the augmented system (e.g. the need for an independent system or grid manager).

#### **6.4.1 Subsequent developments noted by the Committee**

The Auditor-General stated to the Committee that his view, as expressed in the report, is that the implementation of the new water supply augmentation projects outlined in the Victorian Water Plan would impact on the governance arrangements currently in place to manage Melbourne's water resources. The Auditor-General informed the Committee that at the time of the audit, the desalination project had been announced however, the institutional and operational arrangements were as yet undetermined, so he flagged the need to address these matters in his report.<sup>215</sup>

---

212 Victorian Auditor-General's Office, *Planning for Water Infrastructure in Victoria*, April 2008, p.64

213 Victorian Government, response to the VCEC *Final Report, Water Ways: Inquiry into Reform of the Metropolitan Retail Water Sector*, July 2008, pp.1, 6

214 *ibid.*, p.5

215 Mr D Pearson, Auditor-General, transcript of evidence, 23 September 2009, p.19

The Department advised the Committee that the Minister for Water was implementing management arrangements for the augmented Melbourne water supply aimed at providing a ‘*robust water allocation and management framework*’ as the new sources of supply are introduced. Part of these new arrangements have included the issue of a revised Statement of Obligations for each of the water businesses retailers effective 1 July 2009. The Department advised that copies of these are accessible on the OurWater website.<sup>216</sup>

The revised Statements of Obligations outline the respective roles and responsibilities of Melbourne Water and the metropolitan water retailers in managing the augmented system and relate mainly to system optimisation and security guidelines.

The Department advised that the new management arrangements have been developed in consultation with the Integration Working Group.<sup>217</sup>

The Auditor-General’s report notes the formation of the Integration Working Group comprising representatives of water authorities from the central region of Victoria; the DSE; the Department of Treasury and Finance and the Department of Premier and Cabinet. The report refers to the Working Group’s draft terms of reference and its key deliverables as:<sup>218</sup>

*...to coordinate the work necessary to amend the bulk water entitlements related to the expanded Central region water grid as necessary to implement the decisions of the Next Stage of the Government’s Water Plan.*

*The key deliverables of the Group are:*

- *Strategic advice on the future operation of the Melbourne water supply system as it relates to the expanded Victorian Water Grid.*
- *A workplan to progress the short-term issues needed for the desalination plant procurement.*
- *A set of specifications describing how the Melbourne storages will be operated to optimise reliability of water supply and costs.*
- *Proposals to amend bulk entitlements to incorporate the additional inflows to the system from the desalination plant and Sugarloaf pipeline.*
- *Proposals to allocate the costs of operating the Melbourne supply system to existing and new bulk entitlement holders.*

At the public hearing the Secretary was asked for information about the current activities of the Integration Working Group in terms of how often it meets and the agenda of the Group.

216 Ms C Jackson, Department of Sustainability and Environment, correspondence to the Committee, received 16 September 2009

217 Ms C Jackson, Department of Sustainability and Environment, correspondence to the Committee, received 16 September 2009

218 Victorian Auditor-General’s Office, *Planning for Water Infrastructure in Victoria*, April 2008, p.65

The Secretary advised the Committee that the Group meets on an as needs basis. In addition, other meetings take place from time to time between senior management and Ministers to ensure that relevant parties are well briefed and kept informed about projects and also to facilitate cooperation and collaboration between departments.<sup>219</sup>

#### **6.4.2 Review and conclusion**

A review of the revised provisions in the Statements of Obligations issued to the metropolitan water retailers for the period 1 July 2009 to 31 December 2014 indicated the following:<sup>220</sup>

- **System optimisation** – each of the authorities must manage its bulk entitlements to ensure the efficient operation and use of water services for the long-term interests of water users, with respect to water security, quality, reliability and price.
- **Security guidelines** – the augmentation projects must be employed at maximum permissible capacity in any financial year if:
  - total system storage levels are less than 65 per cent on 31 March preceding that financial year; and
  - sufficient water storage capacity is forecast to be available within the Yarra basin reservoirs to take water from the augmentation projects without materially increasing the risk of spills.

In addition, Melbourne's share of water savings from the NVIRP may be foregone for critical needs in northern Victoria providing:

- Stage 3 and 4 water restrictions are forecast to be avoided in Melbourne for that financial year; and
- appropriate costs are recovered.

The Committee notes that within this provision 'critical needs' and 'appropriate costs' are both defined however other terms have not been defined such as what is meant by a 'material increase in the risk of spills' or what is meant by 'water security, quality, reliability and price' as referred to under the provision relating to system optimisation and the long-term interests of water users.

In reviewing the Statements of Obligations, the Committee also noted that the recommendation of the VCEC in respect to the quantification of outcomes expected from water retailers, have not been implemented.

With respect to identifying expected outcomes and performance against outcomes, the Committee notes that the ESC produces public reports on the performance of Victoria's 17 water businesses providing urban services. These reports (the most recent was released in March 2009 and related to the 2007-08 year) focus on key issues of quality, reliability and affordability of water and sewerage services.

---

219 Mr G Wilson, Secretary, Department of Sustainability and Environment, transcript of evidence, 23 September 2009, p.18

220 *Water Industry Act 1994*, Statements of Obligations: Melbourne Water Corporation, provisions 10 and 11, City West Water Limited, South East Water Limited and Yarra Valley Water Limited, provisions 8 and 9, 1 July 2009 to 31 December 2014

The role of the ESC in monitoring and reporting on the performance of the metropolitan retail water sector was referred to in the Government response to the VCEC report which stated that the ESC review process would be used to implement the VCEC's recommendation in relation to retailers reporting back to Government on the achievement of outcomes specified in their Statements of Obligations.

The Committee notes the Government's positive response to the recommendations of the VCEC Inquiry into reform of the metropolitan retail water sector. Given that the VCEC recommended the implementation of the recommendations over a six to eighteen month timeframe, the Committee considers that it would be beneficial for the Department of Treasury and Finance to provide public advice on actions taken to date to enhance the efficiency and management of the sector through implementation of the recommendations together with explanations for any which have been delayed or not implemented.

**Recommendation 13:     The Department of Treasury and Finance prepare a progress report on the actions taken to implement the recommendations made in the Victorian Competition and Efficiency Commission's inquiry into the reform of the metropolitan retail water sector including timelines for completion of actions.**



**PART B: PATIENT SAFETY IN PUBLIC  
HOSPITALS**



# CHAPTER 1: BACKGROUND TO THE REVIEW

## 1.1. Objective and scope of the Auditor-General's report on Patient Safety in Public Hospitals

The audit, *Patient Safety in Public Hospitals*, was tabled by the Auditor-General in May 2008. The objective of the audit was to examine the arrangements in place for patient safety in Victoria's public hospitals.<sup>221</sup>

In August 2009, the Premier announced that a new department would be set up specifically to oversee the provision of health services in Victoria. The Department of Health is now responsible for health services including hospitals, mental health, aged care and preventative health.<sup>222</sup>

At the time the audit was undertaken, these functions still sat with the Department of Human Services. This follow-up audit and its recommendations are directed at the Department of Health (the Department).

The audit examined the interaction between the then Department of Human Services and a number of agencies that work with the Department to manage patient safety. In particular the audit examined the relationships that exist between sections of the Department responsible for patient safety including the Victorian Quality Council and the Statewide Quality Branch and agencies including the Victorian Managed Insurance Authority (VMIA).

In addition, this 2008 audit by the Auditor-General followed-up the findings of an audit undertaken by the Auditor-General in 2005, titled *Managing Patient Safety in Public Hospitals*.<sup>223</sup>

The 2008 audit examined five health services that were also examined in 2005. As well, questionnaires were sent to 85 health services asking questions relating to patient safety systems, training and incident reporting. The questionnaire was similar in structure to that conducted in the 2005 audit.<sup>224</sup>

## 1.2. Findings of the audit

In regards to the governance framework in place for patient safety, the audit found that the five health services examined had organisation-wide risk management frameworks in place. At the time of audit, a statewide framework had recently been produced to provide further guidance.<sup>225</sup>

The report found that while agencies had descriptions of their responsibilities in regards to patient safety, there was a degree of overlap in responsibilities particularly between the Victorian Quality Council and the Statewide Quality Branch. The audit concluded that without clear leadership on specific issues, improvements will be harder to achieve.<sup>226</sup>

---

221 Victorian Auditor-General's Office, *Patient Safety in Public Hospitals*, May 2008, p.12

222 *ibid.*

223 *ibid.*

224 *ibid.*

225 *ibid.*, p.2

226 *ibid.*

When examining patient safety performance, the audit found that there is no incident monitoring system in Victoria. While some data, such as sentinel events, full infection rates and patient ulcers are collected, this is only a portion of the data required.<sup>227</sup>

The report also stated that at the time of audit fieldwork, the Department was in the process of developing a clinical governance policy which should address a range of issues identified in the Auditor-General's 2005 report.<sup>228</sup>

The audit made four recommendations, that the Department:<sup>229</sup>

- implement the recommendations from its review undertaken in 2007 of the Quality and Safety Branch;
- implement the recommendations from the Auditor-General's 2005 audit;
- implement an incident information system that has the capacity for statewide reporting and analysis of data; and
- establish a performance measurement framework to improve internal accountability for patient safety.

### **1.3. Response by the Department of Health**

The full response by the Department can be found in an appendix to the Auditor-General's 2008 the report.

The Department indicated that it was undertaking a range of activities and projects to implement the audit recommendations.<sup>230</sup>

The Department in particular disputed the use of an American journal article used by the Auditor-General to quantify, both in number and cost, the number of clinical incidents that occur in Victoria.<sup>231</sup>

At the Committee's public hearing in September 2009, the Committee was informed by the Secretary of the Department that two recommendations had been fully completed, one was being supplemented by further tools and another recommendation was almost complete.<sup>232</sup>

### **1.4. Response by the Victorian Managed Insurance Authority**

VMIA's response to the audit, also contained in an appendix to the Auditor-General's report, states that VMIA is involved in many collaborative efforts with the Department. The response also made comments in relation to a number of items of contextual information contained within the report.<sup>233</sup>

---

227    ibid.

228    ibid.

229    ibid., pp.4–5

230    ibid., pp.3–4

231    ibid., pp 45–6

232    Ms. F Thorn, Secretary, Department of Health, transcript of evidence, 23 September 2009, p.3

233    Victorian Auditor-General's Office, *Patient Safety in Public Hospitals*, May 2008, pp.51–2

## **1.5. Scope of the review undertaken by the Committee**

The scope of this review is limited to the findings and recommendations made by the Auditor-General and this review assesses whether the Department has implemented the recommendations made by the Auditor-General.

On 23 September, public hearings were held with:

- Mr Des Pearson, Auditor-General, Mr Andrew Greaves, Deputy Auditor-General and Mr Chris Sheard, Acting Director, Performance Audit from the Victorian Auditor-General's Office;
- Ms Fran Thorn, Secretary, Professor Chris Brook, Executive Instructor, Rural and Regional Health and Aged-Care Services Division, Mr Lance Wallace, Metropolitan Health and Aged-Care Services Division and Mr Deane Wilks, Manager, Statewide Quality Branch from the Department of Health; and
- Mr Steve Marshall, Chief Executive Officer, Mr Peter Ryan, General Manager, Insurance Services, Ms Liz Cox, Manager, Clinical Risk and Mr Phillip Cohen, Manager, Client Relationship from the Victorian Managed Insurance Authority.



## CHAPTER 2: BACKGROUND TO PATIENT SAFETY IN PUBLIC HOSPITALS

### 2.1. Introduction

Demand for hospital services is increasing due to population growth and ageing, decreased access to general practitioners and higher community expectations of health services.<sup>234</sup>

In 2008-09, Victorian public hospitals admitted over 1.4 million patients. This is an increase of 2 per cent on the number of people admitted for treatment in 2007-08. More people also attended emergency departments and specialist outpatient clinics.<sup>235</sup>

To enable the growing number of patients to be treated, public hospital funding increased by \$595 million, or over 8 per cent, to over \$7.8 billion in 2009-10.<sup>236</sup>

### 2.2. Patient safety

It is not possible to completely eliminate the risk of harm to patients, but hospitals can put in place patient safety systems to minimise the risk.<sup>237</sup>

#### 2.2.1 Victoria's patient safety system

In Victoria, the system for managing patient safety involves a number of interdependent and interacting agencies. No agency is solely responsible for patient safety. The Auditor-General's report identified three levels in the system: health services, state bodies and national bodies. The diagram below shows the number of groups involved in patient safety, starting with clinicians and boards of health services, through to state agencies such as the Department of Health and the Victorian Managed Insurance Authority, followed by bodies which operate at a national level.<sup>238</sup>

---

234 Department of Health, *Your hospitals: A report on Victoria's public hospitals, July 2008 to June 2009*, 2009, p.11

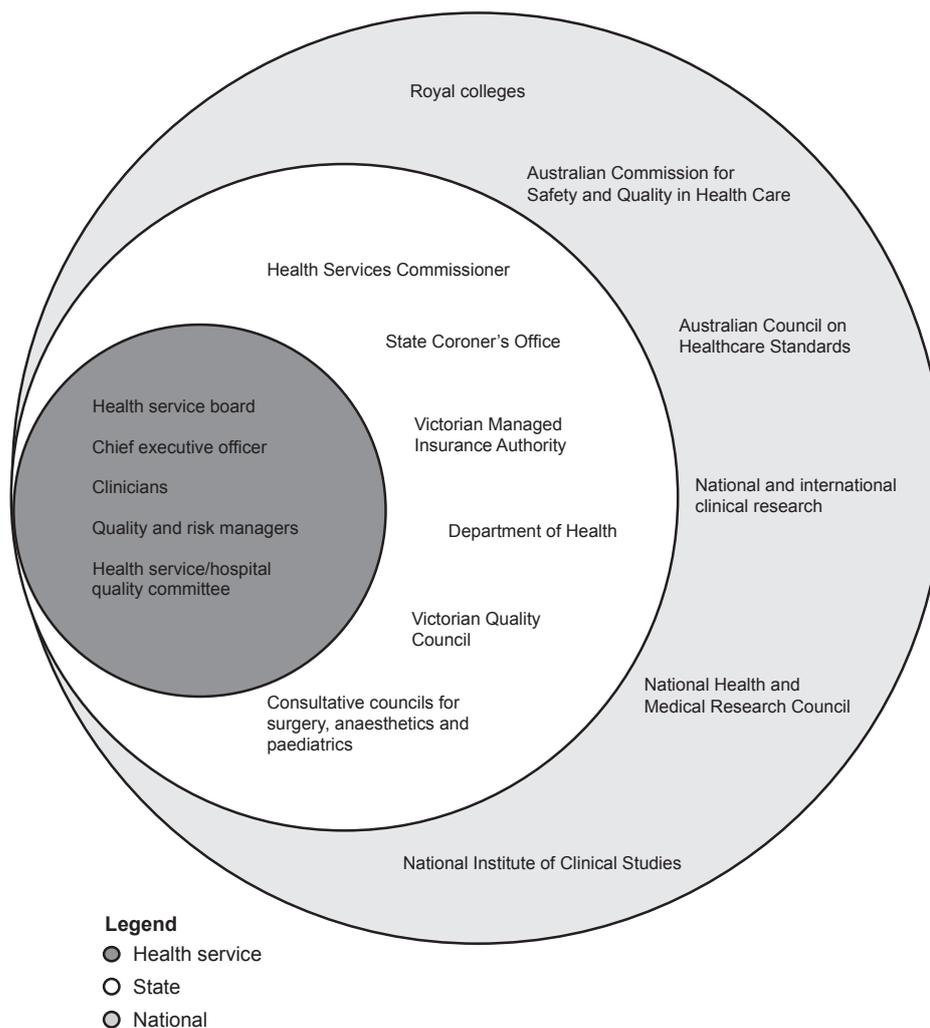
235 *ibid.*, p.16

236 Department of Health, *Your hospitals: A report on Victoria's public hospitals, July 2008 to June 2009*, 2009, p.5

237 Victorian Auditor-General's Office, *Patient Safety in Public Hospitals*, May 2008, p.7

238 *ibid.*, p.9

**Figure 2.1 Agencies involved in patient safety in Victoria**



Source: Victorian Auditor-General's Office, 2008

### 2.3. Roles and responsibilities of agencies involved in patient safety

The agencies involved in the patient safety system contribute in different ways to minimising risk. The audit's primary focus was the Department of Health; however it also addressed issues at the health services level and commented on the role of other state bodies that make a significant contribution to patient safety.

### **2.3.1 Department of Health**

The Department is responsible for managing the public hospital system in Victoria. More specifically, the Department's work includes:

- development of health infrastructure;
- developing partnerships with the primary care sector and other governments; and
- implementing major health initiatives, preventative health initiatives and education programs.<sup>239</sup>

In respect of the patient safety system, the Department advises the Minister through its Statewide Quality Branch on policy development, planning, resource allocation and monitoring of performance to achieve systematic improvement of safety and quality in healthcare across Victoria.<sup>240</sup>

### **2.3.2 Subsidiarity approach**

The Department takes the view that matters or decisions should be dealt with or made at the lowest reasonable level (the 'subsidiarity' approach).<sup>241</sup> In relation to patient safety, the Department provides guidance to health services on patient safety strategies and reporting requirements, but devolves responsibility to hospital boards to put in place patient safety systems.<sup>242</sup>

### **2.3.3 Health Services**

The boards of health services have legislative responsibility for local quality and safety systems, and responsibility for patient safety ultimately lies with them and their Chief Executive Officers.

Hospital quality committees and quality and risk managers perform a key role, acting as a conduit between clinical staff and senior management, and the monitoring and reporting of clinical incidents. Clinicians (medical and nursing staff) perform a crucial role in the patient safety system. While treating patients, they are also responsible for preventing and reporting clinical incidents.<sup>243</sup>

### **2.3.4 Victorian Quality Council**

The Victorian Quality Council advises the Minister for Health on quality and safety in health care. Its members include clinicians, consumers, managers and academics. The Council's role is to support continuous improvement in the quality and safety of the health services. To achieve this, the Council examines relevant issues and provides regular advice to the Minister.<sup>244</sup>

---

239 Department of Health, <<http://www.health.vic.gov.au/doh/>>, accessed 23 March 2010.

240 Department of Human Services, Statewide Quality Branch, <<http://www.dhs.vic.gov.au/rrhacs/businessunits/statewidequality>>, accessed 23 March 2010

241 Ms F Thorn, Secretary, Department of Health, transcript of evidence, 23 September 2009, p.5

242 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 1 December 2009, p.5

243 Victorian Auditor-General's Office, *Patient Safety in Public Hospitals*, May 2008, p.9

244 Department of Health, Victorian Quality Council, <<http://www.health.vic.gov.au/qualitycouncil/about/index.htm>>, accessed 23 March 2010

### **2.3.5 Victorian Managed Insurance Authority**

The VMIA was established in 1996 to assist state government departments and agencies to establish programs for the identification, quantification and management of risks. The VMIA monitors risk management and provides risk management advice and training to departments and agencies. The VMIA acts as an insurer for departments and agencies (including health services), and provides indemnities against legal liabilities to persons who are or have been officers of a State company or statutory authority.<sup>245</sup>

## **2.4. Clinical risk management**

Clinical risk management describes how health systems can improve the quality and safety of the health care they provide by identifying the circumstances and opportunities that put patients at risk of harm and acting to prevent or control those risks. Collecting, analysing and reporting data so that risks can be identified and mitigated as early as possible is an important aspect of clinical risk management. Clinical risk management also specifies the roles and responsibilities of individuals and provides guidance on how to respond to risk scenarios.<sup>246</sup>

### **2.4.1 Clinical risk management in Victoria**

All Victorian health services are required to establish local hospital based clinical risk management programs, or develop existing clinical risk management programs, in line with the Department's *Clinical Governance Policy Framework*.

The Framework is illustrated in Figure 2.2. The arrows (risk management, effective workforce, consumer participation and clinical effectiveness) are termed the four pillars and help to ensure that the Framework provides an integrated approach to dealing with clinical risk management.

The Department's approach to clinical risk management is not one of blaming individuals should incidents occur, but rather responding to clinical incidents at a systems level and examining the environment that has allowed the incident to occur.<sup>247</sup>

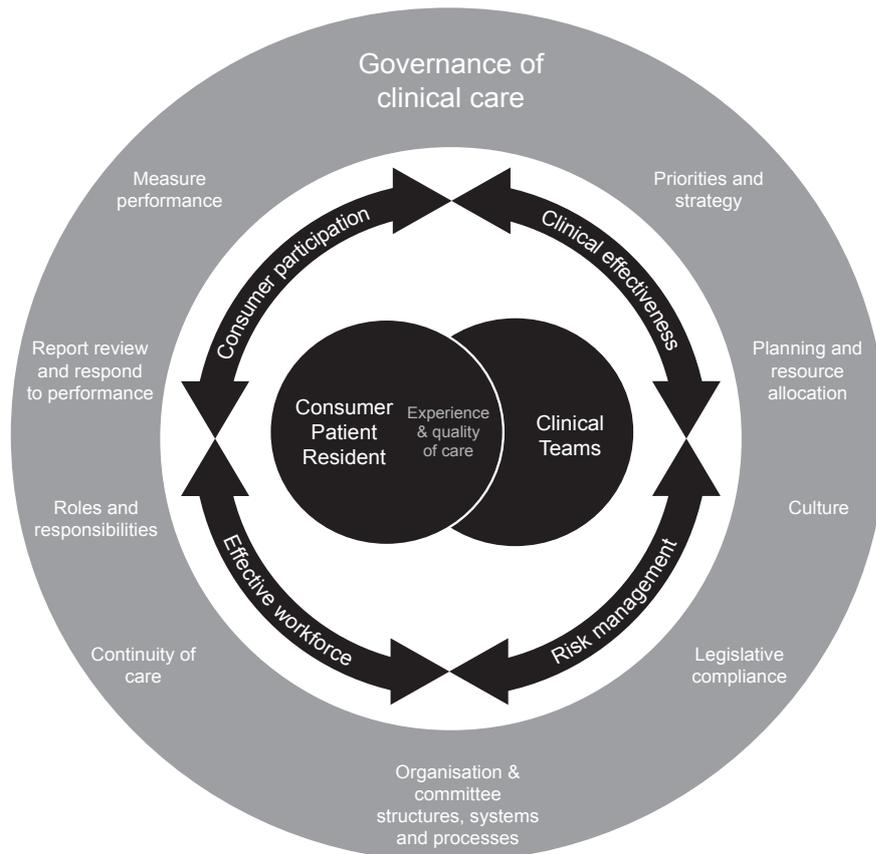
---

245 Victorian Managed Insurance Authority, <<http://www.vmia.vic.gov.au/display.asp?entityid=3013>>, accessed 23 March 2010

246 Victorian Auditor-General's Office, *Patient Safety in Public Hospitals*, May 2008, p.7

247 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 1 December 2009, p.14

Figure 2.2 Components of the clinical governance framework



Source: Department of Health, 2009

## 2.5. Clinical incidents

A clinical incident is defined as an event that occurs within a health setting that could have, or did, result in harm to a patient. There are three categories of clinical incidents as described in the Auditor-General's 2008 report:<sup>248</sup>

- **near misses** are incidents which have been avoided through patient safety strategies, but draw attention to risks of future events. These are the most common type of clinical incident;
- **adverse events** are incidents where harm occurred to a patient receiving health care, for example errors administering medicine or a patient fall. Such incidents are less common than near misses; and
- **sentinel events** are relatively infrequent, clear-cut incidents that have caused death or serious harm to a patient. The Australian Commission on Quality and Safety in Health Care works with state governments to develop a core set of sentinel events. There are currently nine events which are classified as sentinel events, including procedures undertaken on the wrong patient or body part, instruments left inside a patient after surgery, and medication error leading to the death of a patient. Sentinel events indicate deficiencies in a hospital's systems and processes.

### **2.5.1 Number and cost of clinical incidents in Victoria**

The Department of Health requires hospitals to report sentinel events to it. In 2008-09, there were 68 sentinel events notified to the Department. Fewer sentinel events were reported in 2008-09 than in the previous year. There were 23 deaths associated with reported sentinel events, compared with 28 reported deaths in 2007-08 and 38 reported deaths in 2006-07.

The Department requires that where a sentinel event has occurred, a hospital must immediately investigate the event using a Root Cause Analysis process to identify organisational deficiencies that may not be immediately apparent and which may have contributed to the cause of the event. A Root Cause Analysis process also includes risk reduction strategies to reduce the chance of a similar event occurring again.

There is no requirement at this time to report other clinical incidents (adverse events or near misses) to the Department. Consequently there is no record of the total number of clinical incidents that occur in Victoria each year. As discussed in Chapter 4, the Department is developing the Victorian Health Incident Management System project, which will deliver a standardised incident reporting system which will enable the collection and review of statewide incident information.

## CHAPTER 3: GOVERNANCE IN THE PATIENT SAFETY SYSTEM

### 3.1. Introduction

The governance environment for patient safety is complex and requires that agencies at many levels work together to ensure coordination of services and avoid duplication and effort. For agencies to work well together, the audit found that the following should be in place:<sup>249</sup>

- governance arrangements that include a clear understanding of roles, responsibilities and accountabilities;
- leadership and coordination;
- collaboration and consultation;
- managing risks; and
- a strong performance monitoring framework.

The audit examined the adequacy of the governance arrangements in place against the list above.

### 3.2. Clinical risk management

The VMIA is the State's insurer for the public healthcare sector. In addition, VMIA has a role in assisting its clients to manage risk. The VMIA has introduced a new business model, which focuses on understanding the business environment of its client as well as increasing their capability and credibility in risk management.<sup>250</sup>

The VMIA, in implementing its new business model, has also defined its role in clinical risk management as being one of leadership. The VMIA have stated they wish to drive strategies and initiate and focus on clinical risk activities as well as strategic partnerships, with a view to reducing patient harm and in turn the cost to the State.<sup>251</sup>

In defining its role as one of leadership in regards to clinical risk management, VMIA has actively sought to participate in a range of stakeholder committees run by the Department, the Statewide Quality Branch, the Victorian Quality Council and the Centre for Research Excellence and Patient Safety.<sup>252</sup>

As well, the Committee was informed that VMIA has been assisting hospitals by promulgating better practice.

---

249 Victorian Auditor-General's Office, *Patient Safety in Public Hospitals*, May 2008, p.14

250 Mr S Marshall, Chief Executive Officer, Victorian Managed Insurance Authority, transcript of evidence, 23 September 2009, p.2

251 Mr S Marshall, Chief Executive Officer, Victorian Managed Insurance Authority, correspondence to the Committee, received 16 September 2009, p.3

252 *ibid.*, p.4

### **3.2.1 Clinical risk management strategy**

To assist it in achieving its goals, VMIA has created a clinical risk management strategy, with activities to be undertaken over three years. In its first two years, the strategy was particularly focused on building relationships with stakeholders, including health services and establishing clinical risk management projects in partnership with other organisations.<sup>253</sup>

The VMIA stated that one of the projects it is undertaking, in collaboration with the Victorian Quality Council, is a survey of patient safety culture which will assist it to track the effectiveness of actions in future.<sup>254</sup>

### **3.2.2 Service level agreement**

The VMIA has a service level agreement in place with the Department. The agreement specifies, for both parties, the following information:

- the purpose of the service level agreement;
- relationship between the Department and VMIA;
- services to be provided by VMIA;
- performance, reporting, monitoring and review;
- obligations of the Department; and
- fees.

### **3.2.3 Insurance premiums for health services**

The VMIA, in conjunction with the Department has commenced a two year trial, titled Premium Allocation Model. Instead of the Department paying an insurance premium to VMIA for all health services, health services are now paying their own premium. An advantage of this is that health services become aware of how their performance impacts their insurance premium. The Chief Executive Officer of VMIA stated at the public hearing that it was hoped that the direct link between premiums and performance will drive improvements in health services.<sup>255</sup>

Correspondence from the Department stated that a key objective of the Premium Allocation Model is to '*provide incentives for public hospitals to improve risk management practices and safety outcomes*'.<sup>256</sup> The Committee welcomes this trial and looks forward to the analysis of its outcome in due course.

---

253    ibid.

254    ibid., p.6

255    Mr S Marshall, Chief Executive Officer, Victorian Managed Insurance Authority, transcript of evidence, 23 September 2009, p.5

256    Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 1 December 2009, p.7

### 3.3. Subsidiarity in Victoria's hospitals

At the public hearings, the issue of subsidiarity in Victoria's hospitals was raised with both the Auditor-General and the Department. The Auditor-General stated that this issue has arisen in a number of health audits recently, in particular what level of responsibility does the Department or agencies have in overseeing that policies are disseminated, understood correctly, implemented as intended and meeting the objectives of the Department.<sup>257</sup>

At the public hearing, the Committee asked the Department to provide information on any studies undertaken which examine the relative merits and experience of health services as they relate to subsidiarity.<sup>258</sup>

The Department provided the Committee with information stating that it had been difficult to locate specific papers on the merits of subsidiarity in health services. However, there had been a number of studies that found there were benefits from subsidiarity in a health care environment, such as more input from local communities and the ability for health services to provide services and programs that meet the needs of the local area.<sup>259</sup>

The Auditor-General also raised the issue that if policy is not being implemented by health services as intended by the Department, what is the obligation on the Department to raise this issue and have it addressed by the health service. Further, the Auditor-General stated:<sup>260</sup>

*...this brings me back to my opening statement about balancing subsidiarity with a systematic approach. If it's total autonomy and innovation, it's chaos at one end, and we all know that strict centralism is not going to be effective either. So the question is: how is the agency purposely working to get the measured directed approach that balances?*

The Department, in its public hearing, told the Committee in regards to subsidiarity and public hospitals that it was of the view that decision making was best made closest to where the function is performed and that Victoria was the only state that had chosen this route. Further, the Secretary stated:<sup>261</sup>

*...responsibility for the money spent obviously lies at various levels; at the health service level in receipt of the money – and, from the perspective of the Department, we have a governance oversight to ensure that funds and policies apply to the system in fact occur ... We are in regular contact and discussion with health services on a range of issues, particularly in respect of key performance indicators...*

The Committee notes the Department's comments that they have governance oversight to ensure that funds are spent in accordance with regulations and that policy is implemented by health services. However, the audit found, both in 2005 and 2008 that there were differences between the application of policies in relation to patient safety between health services.<sup>262</sup>

---

257 Mr D Pearson, Auditor-General, transcript of evidence, 23 September 2009, p.3

258 Mr B Stensholt, Chair, Public Accounts and Estimates Committee, transcript of evidence, 23 September 2009, p.5

259 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 1 December 2009, p.1

260 Mr D Pearson, Auditor-General, transcript of evidence, 23 September 2009, pp.3, 9

261 Ms F Thorn, Secretary, Department of Health, transcript of evidence, 23 September 2009, p.5

262 Victorian Auditor-General's Office, *Patient Safety in Public Hospitals*, May 2008, p.18–19

The Committee supports subsidiarity as adopted in Victoria and explained by the Department. However, it is of the view that with such a system, the Department must be ensured that it has a strong monitoring framework in place and as appropriate provide ongoing guidance and support for health services.

The Auditor-General, speaking about subsidiarity in regards to health services commented in his public hearing that:<sup>263</sup>

*I would go so far as to say here that comes back to this issue about subsidiarity and that, as the auditor, the primary responsibility rests with the management ... I would argue that act of monitoring can be done without impinging on the statutory responsibilities of a board.*

The Committee acknowledges that management at a service level is ultimately responsible for proper application of policies. From a systemic point of view, ultimate responsibility from the public's perspective lies with the Department and the relevant minister. For these reasons, the Committee considers that while autonomy for health services is the preferred model in place in Victoria, there should be close monitoring to ensure that there has been consistent application of the Department's policies and guidance in health services.

### **3.4. Governance arrangements**

#### **3.4.1 Roles and responsibilities**

In regards to the governance arrangements in place, the audit found that they were complex and involved interaction between many agencies. The audit found that the Department has formal and informal relationships with all agencies via funding health services and providing guidance on patient safety, providing secretariat services to a number of consultative councils including the Victorian Quality Council, a service provider relationship with VMIA and providing advice to the Minister for Health.<sup>264</sup>

#### **3.4.2 Overlap and duplication**

The audit examined roles and responsibilities of the various agencies involved in patient safety. The audit found that agencies all had clearly documented their roles and responsibilities, however, there was overlap and duplication of effort between agencies. The audit concluded this was 'creating uncertainty within the patient safety system'.<sup>265</sup>

Two groups, the Victorian Quality Council and the Statewide Quality Branch were found to have a high degree of overlap and duplication in roles and responsibilities. These agencies provided the majority of the guidance and advice to health services on issues relating to quality and patient safety. In addition, other agencies involved in patient safety were unsure about the differing roles and responsibilities of the two agencies. The audit found that agencies considered that the Victorian Quality Council was the safety and quality expert, which was not in line with the view of the Department and the Statewide Quality Branch.<sup>266</sup>

---

263 Mr D Pearson, Auditor-General, transcript of evidence, 23 September 2009, pp.12

264 Victorian Auditor-General's Office, *Patient Safety in Public Hospitals*, May 2008, p.14–15

265 *ibid.*, p.20

266 *ibid.*, pp.19–20

The audit also found that VMIA, in seeking to clarify its role in regards to clinical risk management had developed its own clinical risk management strategy, which aimed to enhance VMIA's role in patient safety.<sup>267</sup>

### **3.4.3 Independent reviews**

In 2007 the Department, through an independent consultant, reviewed the Statewide Quality Branch. The consultant similarly found there was a need to clarify the roles and responsibilities of the Victorian Quality Council and Statewide Quality Branch. The audit found that the Statewide Quality Branch did change its roles and responsibilities.<sup>268</sup>

Issues found as part of the independent review of the Statewide Quality Branch included:<sup>269</sup>

- that there be a strategic framework in place for managing safety and quality;
- the Branch be renamed (from the Quality and Safety Branch) to the Statewide Quality and Safety Branch;
- changing the structure of the branch to place a higher emphasis on policy, strategy and system building;
- that there be a robust data, information and knowledge management framework for safety and quality in Victoria;
- that the Branch only focus on projects that are state-wide in nature and which can then be implemented; and
- a systemic approach to stakeholders be developed and implemented.

The audit also found that an evaluation was conducted of the Victorian Quality Council, with the recommendations of that to be considered for implementation in 2008.<sup>270</sup>

### **3.4.4 Auditor-General's findings and recommendation**

The audit found that there were multiple agencies that had roles, responsibilities and interconnecting relationships in regards to patient safety and to be more effective, there should be a better understanding of who is responsible for what parts of patient safety.<sup>271</sup>

The audit also concluded that VMIA's focus on leading patient safety was more a responsibility for the State Quality Branch and the Victorian Quality Council.<sup>272</sup>

The Auditor-General recommended that the Department should implement the recommendations of the independent review undertaken of the Statewide Quality Branch. Such actions would offer the Department a way forward in regards to these matters.<sup>273</sup>

---

267    ibid., p.21

268    ibid.

269    Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 10 September 2009, p.42

270    Victorian Auditor-General's Office, *Patient Safety in Public Hospitals*, May 2008, p.21

271    ibid., p.24

272    ibid., p.21

273    ibid., p.25

### **3.4.5 Response by the Department of Health**

In relation to this recommendation, the Department stated that it is in the process of implementing the recommendation.

### **3.4.6 Subsequent developments noted by the Committee**

The Committee sought information from the Department as to whether recommendations made as part of the independent review of the Statewide Quality Branch had been implemented. The Committee was informed by the Department that the recommendations were being implemented.<sup>274</sup>

Along with the change in name, the Statewide Quality Branch has set a purpose for the Branch: *To provide leadership to the Victorian health sector to achieve the highest quality care.*<sup>275</sup>

Further, the Committee was informed that:<sup>276</sup>

*The work of the branch in achieving this purpose involves providing leadership and contributing to a range of quality and safety initiatives, support, coordination, guidance, and monitoring to the health sector. While there has been a focus on the acute sector and public health services, the branch strongly supports the need to expand its work, through collaborative activities, into the broader sector.*

The Committee was informed that the name of the Branch was changed to the Statewide Quality Branch in 2008.<sup>277</sup>

There had also been restructuring within the branch to support a new strategic direction. Changes included creating a management team, changing of program unit groupings and including programs from other branches of the Department.<sup>278</sup>

The Committee was also provided with a copy of the strategic plan produced by the Statewide Quality Branch. The strategic plan sets out the values, objectives and branch structure of the Statewide Quality Branch. The strategic plan then goes on to expand how the Branch's values will be put into practice to help achieve the strategic objectives.

As part of the strategic plan, the Statewide Quality Branch has set strategic objectives. These are:<sup>279</sup>

- develop and implement a statewide Clinical Governance Policy Framework for the Victorian health sector;
- support comprehensive patient safety and quality monitoring;
- develop and implement a communication strategy; and
- develop the capacity of the Statewide Quality Branch to lead and contribute to the improvement of quality and safety.

---

274 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 10 September 2009, p.43

275 *ibid.*

276 *ibid.*, p.44

277 *ibid.*, p.43

278 *ibid.*

279 *ibid.*, Attachment 1

The Committee also sought information on whether any recommendations were still outstanding. The Committee was informed that it only recently thought it feasible to create a position, the Deputy Director of the Branch and was seeking approval to fill this position.<sup>280</sup>

The Committee considers that the Department has, overall, implemented the recommendations of the independent review undertaken of the Statewide Quality Branch. The Committee is of the view that the recommendation of the Auditor-General has therefore been implemented.

### **3.5. Previous work undertaken by the Auditor-General**

#### **3.5.1 2005 audit – Managing patient safety in public hospitals**

The Auditor-General undertook a previous audit on patient safety, titled *Managing patient safety in public hospitals*, which was tabled in 2005. The audit assessed five health services as well as examining how effective the Department was in meeting its roles and responsibilities in regards to clinical risk management. To reach a conclusion, the audit considered the following questions:<sup>281</sup>

- Are hospital clinical risk management frameworks and systems rigorous?
- Are hospital clinical risk management practices effective?
- Are the people issues managed effectively?
- Is performance monitoring and reporting effective?

#### **3.5.2 Audit findings from 2005**

The audit found that clinical risk management frameworks in health services were variable in quality. The better ones had integrated clinical risk management into their organisation's overall risk management plan and framework. The audit also found that the quality of policies and guidelines was variable and that there was a need for the Department to undertake further work in defining minimum standards.<sup>282</sup>

In regards to clinical risk management practices, the audit found that there were variances on guidance on reporting incidents and investigating incidents, even in the same hospital. While there was a large amount of information available to health services on identifying and rating risks, it was not being used in many hospitals.<sup>283</sup>

Training was seen as being '*crucial*' for clinical risk management programs achieving an improvement in patient safety. The audit found however, that there were a number of problems with training, such as poor reach, lack of agreement on core content and limited time allocated to clinical risk management training. The audit concluded that there needed to be a more significant and long-term effort by the Department and health services in regards to clinical risk management training.<sup>284</sup>

---

280 *ibid.*, p.43

281 Victorian Auditor-General's Office, *Managing patient safety in public hospitals*, March 2005, p.23

282 *ibid.*, p.5

283 *ibid.*, pp.5–6

284 *ibid.*, pp.6–7

Performance monitoring by health services was found to be 'highly variable'. Without effective systems in place for measuring and reporting on clinical risk management, health services are not able to know whether they are properly managing their clinical risk responsibilities. The audit concluded that there needs to be consistent datasets used for clinical incidents as well as data collected across the state for providing health services with better information and be able to identify trends and emerging issues.<sup>285</sup>

The 2005 audit made 16 recommendations in total, grouped around the key themes of the clinical risk management framework, risk management practices, training for staff of health services and performance monitoring.<sup>286</sup>

In regards to this report, the Department commented at the time of audit that:

*Overall the report is a fair reflection of the status of clinical risk management in acute health in Victoria. The Department of Human Services (DHS) has provided policy and direction but not hands-on monitoring of clinical risk management across the acute health system.*

### **3.5.3 Auditor-General's findings and recommendation from 2008**

The 2008 audit assessed whether the Department had implemented the recommendations made by the Auditor-General in 2005. In regards to the clinical risk management framework in place, the audit found that health services had improved their risk management systems since 2005, with 99 per cent of surveyed health services having developed a clinical risk management framework, compared to 88 per cent in 2005.<sup>287</sup>

The audit found that the Department had not developed a clinical governance policy, in line with the 2005 recommendations. The Department were of the view that this was too prescriptive and instead provided principles and measures as guidance for health services.<sup>288</sup>

As well, the audit found that clinical risk management was being held back because there were no consistent clinical definitions and systems across health services. However, the Department had adopted clinical definitions that have been developed by the Australian Commission on Safety and Quality in Health Care, but had not promulgated the guidelines and definitions to health services.<sup>289</sup>

The Auditor-General recommended that the Department should implement the outstanding recommendations from the 2005 audit report. In particular, the audit prioritised that the Department should advise health services of clinical incident definitions to be used.<sup>290</sup>

---

285    ibid.

286    ibid., pp.5–10

287    Victorian Auditor-General's Office, *Patient Safety in Public Hospitals*, May 2008, p.18

288    ibid.

289    ibid., p.19

290    ibid., p.25

### **3.5.4 Response by the Department of Health**

The Department responded that it was addressing the recommendations from the 2005 audit through two large scale projects, the review of clinical governance in Victoria's public health services and the incident information system project. The Department also stated that these projects were being progressed as a matter of priority.<sup>291</sup>

### **3.5.5 Subsequent developments noted by the Committee**

In correspondence with the Committee, the Department was asked to provide further information in regards to its implementation of the Auditor-General's recommendations from 2005. The Committee was informed by the Department that:<sup>292</sup>

*The department feels they have addressed the recommendations from the 2005 review as completed, though some involve ongoing work due to the changing nature of the environment (recommendation 16), and the size of the project such as the Victorian Health Incident Management System...*

### **Clinical risk management framework**

In regards to the recommendations related to the Department's clinical risk management framework, the Department informed the Committee these recommendations had been implemented via two key projects, the Department's Clinical Governance Policy Framework, released in April 2009 and the development of the Victorian Health Incident Management System (VHIMS). As part of the VHIMS project, the Department has also adopted a dataset for reporting clinical incidents, based on the World Health Organisation's International Classification for Patient Safety.<sup>293</sup> The Committee notes that the adoption of clinical incident definitions in regards to patient safety was specifically mentioned by the Auditor-General in his recommendation, and this has now been undertaken by the Department.

### **Risk management practices**

Many of the recommendations relating to risk management practices were aimed at health services. Due to the subsidiarity approach the Department has implemented in the management of health services, that is that decisions are made at a local level, the Department was not able to provide information in regards to whether the recommendations had been implemented.

In these instances, the Committee has been informed that the Department has added such requirements into key documents, which are in turn provided to health services.

The Committee considers that the Department should have processes in place to ensure that health services have addressed recommendations of the Auditor-General and also any specific requirements the Department has. The Committee considers it would be beneficial for the Department to undertake compliance monitoring in these instances to ensure that health services have implemented recommendations and adhered to the requirements set by the Department.

---

291     ibid., p.3

292     Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 1 December 2009, p.9

293     Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 10 September 2009, Attachment 2

## **Training for staff of health services**

The Department also informed the Committee that in regards to training for staff, they have developed a training package that supports its clinical risk management strategy. The training is offered in four modules:<sup>294</sup>

- Module One – Root Cause Analysis – What’s in it for you.
- Module Two – Root Cause Analysis – Getting started.
- Module Three – Root Cause Analysis – Conducting an investigation.
- Module Four – Clinical Incident Review – A systems analysis for lower level events (Train the Trainer program).

The training is aimed at middle-level managers and registrars within health services. Following a pilot delivery of the program in metropolitan, regional and rural health services, the evaluation identified the following:<sup>295</sup>

- there was a need for participants to increase their knowledge in quality and safety;
- a substantial time commitment was required from course participants;
- the course had difficulties engaging the participants, particularly medical registrars;
- the program was resource intensive and expensive to deliver; and
- the benefits of delivering the program were unclear for the audience and the health services.

The Department informed the Committee that prior to further training being delivered, there will need to be ‘*substantial*’ changes made to both the content of the training and the style of training to make it more relevant to its audience.<sup>296</sup>

In answer to a question on notice from the public hearings, the Department informed the Committee that they believed this recommendation had been completed, however that there was further work in progress. The Department informed the Committee that:<sup>297</sup>

*The department has reviewed its role as a training organisation – the strategy moving forward is to seek tenders for external providers to deliver appropriate educational packages as part of patient safety initiatives where applicable.*

While the Department has informed the Committee this recommendation has been completed, however it acknowledged that further work is in progress.

The Committee acknowledges that the Department’s role is not one of a training organisation, however the Committee does believe that it is the responsibility of the Department to ensure all health services provide appropriate training on clinical risk management, to extol the benefits of the training in safety and quality and to benchmark attendance by targeted key participants.

---

294    ibid.

295    ibid.

296    ibid.

297    Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 1 December 2009, p.11

Some appropriate quality and safety accreditation of course participants could inform part of such courses.

**Recommendation 14: The Department of Health ensure health services provide appropriate benchmarked training on clinical risk management.**

A further recommendation of the audit was that the Department should develop guidelines on the recommended content of training for staff in clinical risk management.<sup>298</sup> The Department's response to the Committee in regards to this recommendation was:<sup>299</sup>

*Reviewed– the department is not a training organisation – seeks tenders for external providers to deliver appropriate educational packages as part of patient safety initiatives where applicable.*

The Committee is of the view, similar to above that while the Department is not a training organisation, it is best placed to, in line with the Auditor-General's 2005 recommendation, provide guidance on the content of appropriate training for clinical risk management.

**Recommendation 15: The Department of Health should develop guidelines on the recommended content of training for staff in clinical risk management.**

### ***Performance monitoring***

In relation to performance monitoring, the Department has noted it is supporting actions to be undertaken by health boards through its *Clinical Governance Policy Framework*, which was released in 2009.

In relation to better monitoring performance in patient safety, the Department has a range of indicators relating to patient safety that are monitored by the Department. Such indicators focus on areas such as hospital acquired infections, surgical outcomes, maternity care and aged care.<sup>300</sup>

The Department also informed the Committee that it is undertaking a number of projects. These include:<sup>301</sup>

- Being involved in a national project on quality and safety indicator work, being undertaken by the Australian Commission on Safety and Quality in Healthcare and the National Health Information Standards and Statistics Committee.
- Undertaking an audit, via the Victorian Quality Council, of the 248 healthcare performance measures currently collected to create a group of outcome, process and structural indicators relating to quality and safety.

---

298 Victorian Auditor-General's Office, *Managing patient safety in public hospitals*, March 2005, p.7

299 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 10 September 2009, Attachment 2

300 *ibid.*

301 *ibid.*

- The Patient Safety Monitoring Initiative, which is examining routinely collected administrative data of health services to determine patient safety performance in health services, opportunities for improvement and track any variations in regards to patient safety performance.
- The Department is trialling a set of indicators, known as the Australian Patient Safety Indicators (AusPSIs) in conjunction with health services. Reports using these indicators as well as mortality indicators will be displayed in a chart called variable life adjusted display. This allows for timely identification of trends.

The Committee considers that the Department has undertaken a range of initiatives in regards to improving performance monitoring in Victoria's health services. The Committee however notes that actions are still underway. The Committee has an ongoing interest in the outcomes to be reported on these projects.

# CHAPTER 4: MONITORING PERFORMANCE IN PATIENT SAFETY

## 4.1. Introduction

Monitoring of performance is an important part of all government activities and programs. Robust performance management frameworks are important in the public sector to allow for monitoring of program and departmental performance as well as informing the community of activities undertaken by government. This Committee, particularly through its annual reports on financial and performance outcomes and budget estimates, has a strong interest in performance monitoring in the Victorian public sector.

Monitoring patient safety in Victoria's health services is very important. This is important at both the state level and at the national level. Data on patient safety provides information on how health services are performing. It also allows for the identification of issues and monitoring of any actions or interventions that are taken. Another important reason for monitoring patient safety is to assure the community about the safety and consistent application of measures in Victoria's public hospitals.<sup>302</sup>

The Auditor-General's report stated that they expected to find performance monitoring for patient safety to be undertaken by health services and then collated by the Department and also to find data on clinical incidents. The audit also expected to find that patient safety data would be reported at a statewide level.<sup>303</sup>

## 4.2. Performance monitoring frameworks

### 4.2.1 Health service performance monitoring

The audit found that five health services examined had databases to record and analyse clinical incidents. Data from the systems was used for internal reporting to the health service's board, however the audit found the frequency with which reporting occurred was varied. Health services also used different systems to record clinical incidents. The audit also found that some health services had created systems for specific clinical incidents. These incidents were not reported in the health service's main reporting system, compromising the quality and integrity of the data.<sup>304</sup>

### 4.2.2 Statewide performance monitoring

The audit identified that there was no statewide performance monitoring system in place for patient safety. Victoria was, at the time of audit, the only state in Australia that did not have such a system.

The Department collected a range of information relating to patient safety, such as sentinel events, infection rates and pressure ulcers. Such data is only a small amount of the patient safety data. The audit also found that the datasets are not linked, therefore they do not provide an overall picture of patient safety in Victoria.<sup>305</sup>

---

302 Victorian Auditor-General's Office, *Patient Safety in Public Hospitals*, May 2008, p.28

303 *ibid.*

304 *ibid.*

305 *ibid.*, p.29

### **4.2.3 Auditor-General's findings and recommendation**

At the time of the 2008 audit, there was no system across the state for statewide reporting of incidents. The Department had commenced work on an Incident Information System (IIS), which was expected to cost \$12.5 million. The audit believed that a statewide system had the potential to deliver a range of outcomes including:<sup>306</sup>

- standardising the methodology for the way in which incidents are recorded and reported;
- aggregating state data and analysing it for trends across the state so that appropriate actions can be taken;
- providing data to other relevant stakeholders, such as the Health Services Commissioner and VMIA; and
- embedding a culture of patient safety in health services.

At the time of audit, planning for an IIS was being undertaken, however funding had not been confirmed.<sup>307</sup>

The audit also found that VMIA collects a range of data on patient safety, however this is related to medical insurance claims. The data had limitations, in that the data was collected for insurance purposes rather than for improving patient safety.<sup>308</sup>

The Auditor-General recommended that the Department implement the IIS, or a similar system with statewide reporting and analysis capability as a priority.<sup>309</sup>

### **4.2.4 Response by the Department of Health**

The Department responded to this recommendation by stating that a number of outcomes had already been achieved through the IIS project, including definitions relating to clinical incident management and the development of a standardised classification model based on that used by the World Health Organisation. In addition, the Department stated they were in the process of developing a taxonomy and data dictionary and expected that a business case would be completed in 2008.<sup>310</sup>

---

306    ibid.

307    ibid.

308    ibid., p.30

309    ibid., p.33

310    ibid., p.4

#### **4.2.5 Subsequent developments noted by the Committee**

The Secretary noted in her opening statement at the Committee's public hearing that this recommendation was the most significant recommendation made by the Auditor-General in his audit.<sup>311</sup>

The Committee was further advised that while at the time of the 2008 audit there was no statewide reporting facility in place, a large number of health services had their own incident information system in place.<sup>312</sup>

Since the completion of the audit, the Department has progressed the introduction of a system to record clinical incidences. The Department advised the Committee that following the audit, the Department undertook a survey to determine what the needs of such a system were. The Department reported that there was support for a standardised system for clinical incidents that could draw together de-identified data across the state to provide feedback to health services on any trends in the data.<sup>313</sup>

The project, called the Victorian Health Incident Management System (VHIMS) has been funded, with a company being contracted in June 2009 to assist the Department in developing, testing and implementing the VHIMS system to Victoria's health services.<sup>314</sup>

The Committee was pleased to hear from VMIA at public hearings in September 2009 that it had been a part of the steering committee for the VHIMS. The CEO reported that VMIA was involved in the development of business requirements and assessing tenders.<sup>315</sup>

The VHIMS was rolled out to six health services in October 2009, with evaluation of the system expected to be undertaken in early 2010. After the evaluation, the Department reported that they will be rolling out the system to all health services, in four stages. The expected completion of the roll-out is January 2011.<sup>316</sup>

The Committee sought further information from the Department in regards to the statewide analysis and reporting capability that VHIMS will have. The Committee was informed that the data will be de-identified and provided to the Department monthly. Aggregate reports will be produced bi-annually at first, and then on a quarterly basis as the system matures.<sup>317</sup>

---

311 Ms F Thorn, Secretary, Department of Health, transcript of evidence, 23 September 2009, p.3

312 Prof. C Brook, Executive Instructor, Rural and Regional Health and Aged-Care Services Division, Department of Human Services, transcript of evidence, 23 September, p.6

313 *ibid.*

314 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 10 September 2009, p.47

315 Mr S Marshall, Chief Executive Officer, Victorian Managed Insurance Authority, transcript of evidence, 23 September 2009, p.7

316 Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 10 September 2009, pp.47-8

317 *ibid.*, pp.49

At the present time, VMIA collects data on incident data of insured entities, namely health services. VMIA analyses such information to identify high risk clinical areas.<sup>318</sup> With this information, VMIA will contact health services to discuss incidents.<sup>319</sup>

The Committee notes that the Department is in the process of rolling out the VHIMS system to all health services in Victoria. Such a system will allow for better tracking and reporting of clinical incidents across all health services. Such information will be beneficial to not only health services and the Department, but to stakeholders such as VMIA.

The Auditor-General stated at the public hearing:<sup>320</sup>

*To me the first requirement is to get a handle on performance overall across the state so that you are then in a position to identify how individual entities within the sector are performing. And a general principle of management is that if you focus on the extreme outliers you will get the greatest gain ...*

The Committee is of the view that, while a system of subsidiarity exists in Victoria's hospitals, there is scope for the Department to use data collected by VMIA or the Department's new system VHIMS, to examine the performance and clinical incidents across health services.

At the present time, the Committee was informed that VMIA is using data collected regarding incidents to have discussions with health services on how to change processes to mitigate risks and improve processes with the aim of decreasing clinical incidents.

The Committee considers that there is a role for the Department to analyse data from VHIMS. While the prevalence of incidents may not always be indicative of performance of individual health services, it will identify which health services are using VHIMS, allow the Department to identify better practice initiatives and intervene if necessary to improve performance of individual health services.

The Committee considers that while VMIA have been using data to engage health services on the number of incidents, there is scope for the Department to work with VMIA in undertaking such actions.

**Recommendation 16:**     **The Department of Health should use the data collected from the Victorian Health Incident Management System to identify better practice initiatives and ensure that health services are using the system.**

**Recommendation 17:**     **The Department of Health should work with the Victorian Managed Insurance Authority to engage health services on clinical incidents with a view to strengthening processes for better practice in health services.**

---

318 Mr S Marshall, Chief Executive Officer, Victorian Managed Insurance Authority, correspondence to the Committee, received 16 September 2009, p.1

319 Mr S Marshall, Chief Executive Officer, Victorian Managed Insurance Authority, transcript of evidence, 23 September 2009, p.7

320 Mr D Pearson, Auditor-General, Victorian Auditor-General's Office, transcript of evidence, 23 September 2009, p.9

### 4.3. Monitoring the cost and number of clinical incidents

As discussed, at the time of audit, there was no record of the number of clinical incidents that occur in Victoria, as there was no statewide system to collect such data. The audit acknowledged that the number and cost of clinical incidents can be difficult to estimate.<sup>321</sup>

The Committee notes that there were differences in opinion between the Auditor-General and the Department on the incidence and cost, in particular whether much reliance could be placed on a 1991 study as a meaningful point of reference. The Committee considers that Australian national conditions would be more relevant as a reference point.

The Department reported to the Committee that it will, commencing in 2010, produce an annual report on incidents by severity rating and frequency. As well the Department informed the Committee that lessons learnt will make up part of the analysis.<sup>322</sup>

### 4.4. Accountability mechanisms

The Government has a commitment to provide high quality health services to Victorians through its *Growing Victoria Together* policy. To ensure that Victorians have high quality health services, there needs to be proper accountability mechanisms in place.

The audit examined accountability mechanisms, both internally and externally available for patient safety.<sup>323</sup>

#### 4.4.1 Internal accountability

In regards to internal accountability, the audit found the Department's key performance monitoring tool is the Integrated Performance Report, which contains 22 key performance indicators. All health services are required to report against this regularly.<sup>324</sup>

In 2005, the Auditor-General reported that the key performance indicators did not appropriately address issues relating to quality or patient care. The Minister for Finance report in 2005 stated that the Integrated Performance Report would be modified to include more measures relating to patient safety.<sup>325</sup>

In 2008, the audit found that only one indicator, Australian Council Healthcare Standards accreditation status had been added to the Integrated Performance Report. The only other two indicators relating to quality and safety related to cleaning standards and reporting regarding infections. The vast majority of the indicators were related to finance and access to public hospitals.<sup>326</sup>

---

321 Victorian Auditor-General's Office, *Patient Safety in Public Hospitals*, May 2008, p.9

322 Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 19 February 2010, p.51

323 Victorian Auditor-General's Office, *Patient Safety in Public Hospitals*, May 2008, p.30

324 *ibid.*

325 *ibid.*, p.31

326 *ibid.*

The Department acknowledged that there were still improvements to be made in relation to measuring patient safety performance. At the time of audit, the Department was unclear about what measures it would include and when the indicators would be included.<sup>327</sup>

#### **4.4.2 External accountability**

The audit examined a range of reports that the Department publishes to inform the community about quality and safety systems, processes and outcomes. These reports include:<sup>328</sup>

- Quality of care reports are published by all Victorian health services each year. Four key quality and safety measures are chosen to be reported against, however there is no requirement for health services to publish data in relation to clinical incidents.
- The *Your Hospitals* report is the main public report of health system performance. The report contains very little information regarding quality and safety.
- Sentinel event reports are statewide reports produced by the Department to identify the number of sentinel events each year, the types of sentinel events as well as providing some case studies.

#### **4.4.3 Auditor-General's findings and recommendation**

In regards to reporting, the audit concluded that without a statewide reporting system, there is diminished accounting of patient safety. While the Department has a range of mechanisms in place to report both internally and externally on patient safety, they were not adequate.<sup>329</sup>

For internal reporting, the audit found that the Department was heavily reliant on the information provided by health services, therefore it needed to introduce definitions to ensure that data could be compared to assess performance.<sup>330</sup>

For external reporting, the audit concluded that '*much needs to be done to improve public reporting for safety and quality*' and while this may place an extra burden on health services, the audit saw it as being quite important. The audit found that accountability would come via a statewide incident reporting system that was producing robust data.<sup>331</sup>

The Auditor-General therefore made one recommendation, that the Department establish a performance measurement framework to enhance internal accountability for patient safety.<sup>332</sup>

#### **4.4.4 Subsequent developments noted by the Committee**

Information provided by the Department in the Minister for Finance's report in 2007-08 included information on a number of initiatives that the Department was undertaking to improve internal accountability for patient safety. The report listed the following initiatives that were being undertaken by the Department:<sup>333</sup>

---

327    ibid.

328    ibid., pp.31–2

329    ibid., p.32

330    ibid.

331    ibid., p.33

332    ibid.

333    Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, December 2008, p.28

- The Program Measures Project – an initiative to widen the range of indicators that are used for monitoring performance to encompass the range of services that health services provide. Quality and safety indicators are anticipated to be included for programs.
- Australian Health Care Agreements are agreements reached between the State and Commonwealth Governments that provide funding for the provision of public health services. At the time of reporting, new performance indicators were in development.
- External registry projects aimed at measuring quality of care. These projects examine high risk/high cost clinical areas.

The Committee sought further information from the Department in relation to the implementation of this recommendation and the initiatives that the Department outlined in the Minister for Finance’s report. The Committee was informed that the *Program Report for Integrated Service Monitoring* complements the Statement of Priorities. These are quarterly reports on the prevalence of pressure ulcers at the health service level. The Department reported that in 2009-10, the Statement of Priorities have six indicators that relate to safety and quality.<sup>334</sup>

In regards to the Australian Health Care Agreements, the Department reported that they are actively involved in developing quality and safety indicators with the Commonwealth, however work is still in progress.<sup>335</sup>

The Department provided the Committee with a list of performance measures that the Department uses to measure patient safety. These performance measures are strongly focused on hospital acquired infections (20 indicators), surgical outcomes (14 indicators) and maternity care (11 indicators).<sup>336</sup>

The Committee found no evidence that a performance measurement framework to enhance internal accountability for patient safety had been developed. While a number of projects were underway, the results of these were not yet evident. The Committee considers that, with the introduction of the VHIMS, the Department will be able to develop strong performance measures relating to patient safety.

**Recommendation 18:     The Department of Health should, with the introduction of the Victorian Health Incident Management System, develop strong performance measures relating to patient safety.**

---

334     Ms F Thorn, Secretary, Department of Health, correspondence to the Committee, received 10 September 2009, p.50

335     ibid.

336     ibid., pp.50–1



## **PART C: PRIORITY TWO REPORTS**



# CHAPTER 1: RECORDS MANAGEMENT IN THE VICTORIAN PUBLIC SECTOR

## 1.1. Introduction

To ensure an accountable, efficient and effective public service, there needs to be accurate and up-to-date records that can be accessed when required.<sup>337</sup>

The *Public Records Act 1973* (the Act) establishes the Public Record Office Victoria (PROV) to facilitate records management in the Victorian public sector. PROV's responsibilities, as defined by legislation include:<sup>338</sup>

- to issue standards for the creation, maintenance and security of public records, including disposing of records that are not worth preserving;
- offer assistance and advice to agencies to assist them in complying with PROV standards;
- preserve public records of value as the state archives; and
- ensure that the government and people of Victoria are able to access the state archives.

PROV is an agency of Arts Victoria, located in the Department of Premier and Cabinet.<sup>339</sup> More practically, PROV assists the public service by establishing standards and guidelines for agencies as well as assisting agencies with records management. However, the Act delegates responsibility of agencies' records management to the officer-in-charge of each individual agency.<sup>340</sup>

The Auditor-General's report, titled *Records Management in the Victorian Public Service* assessed whether agencies are managing their records in accordance with legislative requirements set out in the Act and also whether the operations of PROV were efficient and effective in facilitating sound records management in the public sector.<sup>341</sup>

A survey of the records management practices of 100 agencies was undertaken. Agencies assessed their records management based on a good practice framework developed by the Auditor-General. From this initial survey, eight agencies were selected and their records management was examined more thoroughly.<sup>342</sup>

To assist the Committee's follow-up inquiry, PROV, through the Department of Premier and Cabinet, were asked to provide information on the actions taken to implement the Auditor-General's recommendations. The Committee also asked the Auditor-General to provide comments on the implementation of the recommendations.

---

337 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.1

338 Public Record Office Victoria, <<http://www.prov.vic.gov.au/about/corporate.asp>>, accessed 20 January 2010

339 *ibid.*

340 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.1

341 *ibid.*

342 *ibid.*

## 1.2. Audit findings

The audit found that agencies did not have comprehensive frameworks in place for records management. Some agencies, recognising the importance of record keeping in their service delivery, had put in place more stringent practices than other agencies. While agencies had procedures and practices in place, when surveyed agencies acknowledged that their procedures were not consistent with PROV standards. As well, half of the agencies surveyed were of the view that their records management needed to be improved, and 12 per cent of agencies believed that their records management framework was unsatisfactory.<sup>343</sup>

In regards to records management practices in agencies, the Auditor-General also found that:<sup>344</sup>

- senior management of agencies needed to have a better understanding of records management to ensure it was more widely promoted and better understood within agencies;
- there was no strategic approach to records management, therefore most agencies did not understand what resources they required for records management, including the skills requirement of staff; and
- most agencies had not yet implemented systems for dealing with electronic records including emails and websites. Emails were routinely printed and attached to paper files.

In regards to PROV, the Auditor-General found that with limited resources available to it, PROV has made '*significant achievements in facilitating records management to the public sector.*'<sup>345</sup> The Auditor-General concluded that it was important for PROV to take a more strategic approach when assisting the public sector, including:<sup>346</sup>

- better understanding the state of records management in the public sector;
- actively engaging the public sector to better raise awareness of record keeping obligations and assistance that was available to agencies from PROV;
- ensuring that PROV's products and services remain current, meet the needs of agencies and are accessible; and
- ensuring that core functions such as requests for disposals and transfers are efficient and appropriately resourced.

The audit made 27 recommendations which covered the following key areas:<sup>347</sup>

- regulatory framework for managing records;
- PROV's performance in facilitating sound records management in the public sector;
- records management in the public sector;

---

343 *ibid.*, p.2

344 *ibid.*, p.3

345 *ibid.*, p.2

346 *ibid.*, p.3

347 *ibid.*, pp 4–8

- PROV's management of specific record keeping activities; and
- PROV's performance measurement and reporting.

In responding to the Auditor-General's recommendations, the Director and Keeper of Public Records stated that PROV was restricted by resource constraints and that '*PROV recognises that greater strategic planning would support improved outcomes, but we still have to work within the constraints of our resources.*'<sup>348</sup>

The Department of Premier and Cabinet also responded positively to the audit findings, with the Secretary stating:<sup>349</sup>

*The Department acknowledges the importance of records management as a key business practice for public sector agencies ... strengthening public sector records management is an important issue.*

### **1.3. Regulatory framework for managing records**

The *Public Records Act 1973* establishes PROV, its responsibilities as well as the responsibilities of agencies in managing their own records. Since the Act was introduced, the public service has changed dramatically, with electronic records and correspondence.<sup>350</sup>

The audit concluded that the current framework did not have mechanisms in place to monitor compliance with the Act and penalties for non compliance were amongst the lowest of other state and commonwealth records offices.

#### **1.3.1 Recommendation 3.1 – Reviewing the Public Records Act 1973**

In 1996, this Committee undertook an Inquiry of the PROV. The Inquiry made 57 recommendations. Of particular note, the Committee made a number of recommendations aimed at amending the Act to ensure it was still relevant to the functions of PROV.<sup>351</sup> While a number of minor amendments to the Act have been undertaken since 1996, these were of an administrative nature.

In 2008, at the time of the Auditor-General's report, the legislation had not yet been reviewed. The audit recommended that a comprehensive review of the Act was required. The recommendation specified that the review should consult with stakeholders including central agencies as well as consider the recommendations of the 1996 report by this Committee.

The Auditor-General wrote to the Committee, noting that this recommendation is significant and should be afforded a high priority rating for implementation.<sup>352</sup>

The Minister for Finance's report noted that work had commenced on undertaking a review of the Act, and that it would be conducted over the next 12 to 18 months.<sup>353</sup>

---

348    ibid., p.8

349    ibid., p.9

350    ibid., p.17

351    Public Accounts and Estimates Committee, *Inquiry into the Public Record Office Victoria*, October 1996, pp.xiv–xx

352    Mr D Pearson, Auditor-General, correspondence to the Committee, received 15 December 2009, p.1

353    Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, December 2008, p.75

The Committee is pleased to note that PROV has commenced to examine, and will soon action, the recommendations made by this Committee in the past as well as the recommendations of the Auditor-General. The Committee notes that this process is lengthy and much work must be undertaken by PROV before legislation can be introduced into Parliament.

#### **1.4. PROV's performance in facilitating sound records management in the public sector**

PROV assists public sector agencies in managing their records by establishing standards and providing guidance that agencies are required to adhere to. Agencies however are required to implement their own systems and processes to create, capture, maintain and dispose of public records.<sup>354</sup>

Some key findings relating to the topic were that:

- the consultancy services provided by PROV meet the needs of agencies;
- while there are records management standards in place, PROV reviews these every 10 years, at which time the standards do not fully meet agency needs;
- as PROV's services and products are not strategically and customer based, they cannot be sure they address the needs of agencies and manage risk;
- while feedback from training courses is positive, there is a large demand that PROV cannot meet on a timely basis; and
- agencies were not always aware PROV provided advice and guidance on records management.

The audit made 12 recommendations relating to PROV's performance in facilitating sound records management in the public sector.

##### **1.4.1 Recommendation 4.1 – Regular reviews of records management standards**

PROV has five records management standards that apply to records created by agencies. The standards are listed below:<sup>355</sup>

- Management of public records;
- Creation and maintenance of public records;
- Destruction of public records;
- Transfer and storage of public records; and
- Management of electronic records.

---

354 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.41

355 *ibid.*, pp.41–2

The Committee, in its 1996 Inquiry recommended that PROV review the records management standards every three to five years to ensure that good practice principles were applied in the management of the State's archives.<sup>356</sup>

Apart from the standard relating to electronic records (which was issued in July 2003), the audit found that the other four standards were issued in February 1998. The standards are applicable for 10 years from the date of issue. The audit found that the four standards which were due to expire in 2008 were extended until February 2011.<sup>357</sup>

The audit therefore recommended, similarly to the recommendation of this Committee, that the records management standards should be reviewed at least every five years.<sup>358</sup>

In following up this recommendation with PROV, the Committee was informed that a review of records management standards has commenced. PROV is undertaking a recordkeeping standards project that will run from 2009 to 2011.

Further PROV informed the Committee that the recordkeeping standards project will '*deliver a continuous monitoring and review model for all Standards and related documentation.*'<sup>359</sup> The Committee found that the introduction of the newly revised Strategic Management Standard states '*This Standard, as varied or amended from time to time, shall have effect for a period of ten (10) years from the date of issue unless revoked prior to that date.*'<sup>360</sup>

The Committee, notes the work being undertaken by PROV, however emphasises that the standards need to be reviewed more regularly to ensure they remain relevant. With changes in technology and a heavier reliance on the provision of services and information via the internet, it is more important than ever that the records management standards be reviewed at least every five years. As the current standards were due to expire in 2008 and have been extended to allow PROV further time to review the standards, they have now been operational for 12 years without being reviewed.

The Committee considers that this recommendation has not been implemented by PROV and recommends that PROV consider reviewing standards at least every five years, in line with the recommendation of this Committee in 1996 and the recommendation of the Auditor-General.

**Recommendation 19: The Public Record Office Victoria ensure that standards are reviewed at least every five years to ensure they remain relevant.**

---

356 Public Accounts and Estimates Committee, *Inquiry into the Public Record Office Victoria*, October 1996, p.41

357 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, pp.41–2

358 *ibid.*, p.45

359 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.4

360 *ibid.*, Appendix 2, p.2

### **1.4.2 Recommendation 4.2 – Communication approach of PROV**

The audit found that about one third of agencies that responded to the questionnaire undertaken as part of this audit were not aware of the standards, guidelines or advice issued by PROV. The audit recommended that PROV review its communication approach to ensure that agencies are aware of the standards in place as well as the legislation and their obligation to comply.<sup>361</sup>

In follow-up with PROV, the Committee was informed that PROV is developing a strategy for communicating with stakeholders to assist in support and adoption of the new standards being developed. PROV has also undertaken a restructure of the organisation to focus more on marketing and communications.<sup>362</sup>

The Committee considers that PROV has commenced action in developing a strategy and restructuring its operations to better support communication and marketing with agencies. The Committee is of the view that it would be beneficial for PROV to investigate, via its own survey of agencies whether communications and marketing has improved. This is particularly important for PROV, given the large amount of work being undertaken in updating standards.

**Recommendation 20: The Public Record Office Victoria should undertake regular surveys of agencies following the introduction of the revised standards to guide its communication approach in future.**

### **1.4.3 Recommendation 4.3 – Monitoring of project progress and guidance on strategic records management**

In mid 2007, PROV had commenced a three year project to review its standards. At the time of audit, the project was approximately six to eight weeks behind schedule. The audit recommended that this project should be monitored to ensure it meets the project timelines and that guidance on strategic records management principles be incorporated in the revised standards.<sup>363</sup>

PROV has recently advised the Committee that it has received additional funding towards its standards review project. PROV provided the Committee with a timeline for the project, to be completed in 2011, and has also stated that a project manager is in charge for ensuring that the project is completed.

In correspondence to the Committee, the Auditor-General stated that this recommendation was one of the key recommendations from the audit.<sup>364</sup>

In addition, PROV provided the Committee with a copy of its Strategic Management Standard. The standard provides information on the following areas:<sup>365</sup>

---

361 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.45

362 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.5

363 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, pp.44–5

364 Mr D Pearson, Auditor-General, correspondence to the Committee, received 15 December 2009, p.2

365 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, Attachment 2

- responsibilities, authorities and accountabilities;
- strategic planning;
- policy;
- outsourced activities;
- privatisation; and
- stakeholder management and communication.

At this stage, the Committee is unable to determine whether PROV has kept to its timelines as the project is not scheduled for completion until 2011. PROV has provided the Committee with a detailed project plan and a timeline for the project.<sup>366</sup>

The Committee recognises that PROV has made considerable effort in implementing this recommendation, including development of the Strategic Management Standard and having a project manager to ensure its project is completed in 2011. The Committee looks forward to the effective completion of revised standards and guidance materials.

#### **1.4.4 Recommendation 4.4 – Gathering comprehensive information from agencies and a strategic approach to service delivery**

The audit assessed PROV's understanding in regards to the services that agencies require to better manage their records. It found that PROV needed to analyse what agencies needed so that resources available could be targeted effectively.<sup>367</sup>

To target resources effectively, there needs to be an understanding of what services and products agencies require. The audit found that PROV collected this information in an informal manner, at records management forums, while providing advice and during training and consultancy services. In addition, this information was not collected from all agencies and was '*largely anecdotal*'.<sup>368</sup>

The audit recommended that PROV needed to gather better information on the critical business functions that are performed by agencies as well as what their recordkeeping needs are. The second part of the recommendation concluded that PROV should adopt a more strategic approach to the services and products it provides to agencies.<sup>369</sup>

In a letter to the Committee addressing its progress in regards to this recommendation, PROV stated that an assessment framework will include the requirement to gather information on critical business functions of agencies.<sup>370</sup>

---

366 *ibid.*, Attachment 1

367 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, pp.46–7

368 *ibid.*, p.48

369 *ibid.*, p.49

370 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.5

In relation to the second part of the recommendation, that PROV adopt a more strategic approach to the services and products it provides, PROV informed the Committee that a stakeholder engagement model is currently being drafted.<sup>371</sup> The Committee noted that senior staff of PROV had attended a workshop to discuss and commence planning its stakeholder engagement model.<sup>372</sup> The Committee was provided with a draft of PROV's *Stakeholder Engagement and Communication Plan*.<sup>373</sup> Such a plan will need not only to cover communicating with stakeholders but also feedback mechanisms from agencies in line with the Auditor-General's recommendations.

#### **1.4.5 Recommendation 4.5 and 4.6 – Training provided by PROV and its effectiveness.**

One of the services offered by PROV is training to agencies to assist them in better managing their records. At the time of audit, PROV offered four specific training courses as well as delivering the recordkeeping component of Certificate and Diploma courses run in partnership with a registered training organisation.<sup>374</sup>

The audit found that there has been an increasing demand for records management training, with waiting times to attend courses varying between four and nine months. The audit acknowledged that PROV has attempted, through a range of initiatives to manage the increased demand for its training courses by training additional staff to deliver training and developing a training module for agencies to train their own staff.<sup>375</sup>

In addition, PROV has produced *Building Victoria Recordkeeping Capability Strategy* through which PROV sought to address the shortfall of training places by introducing new methods for training, including online training as well as a competency based training program.<sup>376</sup>

The audit also found that training in regional areas was offered infrequently because the training courses require a minimum number of participants. In addition, a number of agencies were unaware PROV offered training and only 37 per cent of agencies replied in their survey that their staff had attended PROV training courses.<sup>377</sup>

The audit recommended that PROV should:<sup>378</sup>

- implement its *Building Victoria Recordkeeping Capability Strategy* as well as its training program;
- add more training courses that address the unmet need of agencies;
- review strategies to market and promote training courses and implement strategies to improve awareness of the courses offered by PROV; and
- ensure that training courses are more accessible, particularly for agency staff in rural and regional areas.

---

371     ibid.

372     ibid., Appendix 5

373     ibid.

374     Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.49

375     ibid., p.50

376     ibid.

377     ibid.

378     ibid., pp.51–2

Recommendation 4.6 of the report recommended that PROV survey course participants once they have returned to work to determine whether training has assisted them in their recordkeeping activities.

The Auditor-General, in a letter to the Committee, wrote that recommendation 4.5 is a high priority recommendation.<sup>379</sup> The Committee therefore sought detailed information from PROV regarding this recommendation. The Committee received the following information from PROV in regards to this recommendation:<sup>380</sup>

*All new training programs will be developed to support the Recordkeeping Standards Project and are part of the scope of that project. To be commenced (FY2009-10).*

*The new Standards are intended to cover all aspects of both strategic and operational records management and so should meet all foreseeable training needs, but this will be monitored post-implementation as part of the project. To be commenced (FY2010-11).*

*The Recordkeeping Standards Project will utilise its advisory groups to identify related training needs and will include communications to increase awareness of training courses. In planning (FY2009-10).*

*The Recordkeeping Standards Project will develop a suite of training tools that include online, self-paced, guides, templates and case studies that can be easily accessed irrespective of geographical location. To be commenced (FY2009-10 to 2010-11).*

The Committee considers that the Recordkeeping Standards Project appears to be comprehensive and that PROV is reviewing its training programs. As part of this, the Committee is pleased to note that PROV will be using advisory groups to assist it to determine training needs. As well, the Committee was pleased to note that PROV will be developing a range of training tools that include online training.

The Committee was also pleased to note that PROV will be reviewing the training it delivers post-implementation to ensure it meets the needs of agencies.

#### **1.4.6 Recommendation 4.7 – Victorian Electronic Records Strategy implementation**

In 1994, PROV was tasked with developing a strategy to assist agencies establish systems and procedures to manage electronic records to manage the increasing use of electronic information in the public service. This strategy was called the Victorian Electronic Records Strategy (VERS).<sup>381</sup>

VERS was established as a package of products that assist agencies to implement systems to manage their electronic records. There is a VERS Steering Committee, which includes representatives from PROV and Victoria's 10 government departments.<sup>382</sup>

---

379 Mr D Pearson, Auditor-General, correspondence to the Committee, received 15 December 2009, p.3

380 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.6

381 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.53

382 *ibid.*, pp.54–5

There are three stages to the VERS roll-out. These are:<sup>383</sup>

- **Stage One – Primary capability** – the establishment of an electronic document management system that complies with VERS in all departments;
- **Stage Two – Deploy primary capability to key business processes** – departments will need to identify key business processes and put in place improved records management services, systems and products for their long term and high value records; and
- **Stage Three – Deploy primary capability enterprise wide** – departments should establish electronic records across the whole organisation for their key record creating processes.

Stage One was due to be implemented by June 2008, with Stage Two expected to be completed three years after and Stage Three, two years later, taking an anticipated five years in total for implementation. The audit, however noted that there are no firm dates established for VERS implementation.

The audit recommended that, in consultation with the VERS Steering Committee, PROV should make sure that its primary capability performance criteria does not impact on the quality of systems developed and implemented by agencies. In addition, PROV should establish timelines that are realistic for Stages Two and Three of the implementation of VERS and report against these to government.<sup>384</sup>

In response to a request from the Committee, this recommendation was deemed significant by the Auditor-General. The Auditor-General considered that PROV should have timelines in place for implementation of Stages Two and Three of VERS.<sup>385</sup>

The Committee sought information from PROV in regards to the timelines set for the implementation of Stages Two and Three of VERS. The Committee was informed that:<sup>386</sup>

*PROV is currently working with the VERS Steering Committee to clarify and refine the scope of the remainder of the “Sustaining VERS” program. This will include the development of updated and new measures, timelines and reporting.*

The Committee considers this recommendation to be important, and is of the view that PROV should, as a matter of priority, set timelines for reporting to government on Stages Two and Three of VERS implementation.

**Recommendation 21: The Public Record Office Victoria should establish timelines for Stages Two and Three of the Victorian Electronic Records Strategy and report to Government, via the Department of Premier and Cabinet, achievement against these timelines.**

---

383 *ibid.*, p.55

384 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.57

385 Mr D Pearson, Auditor-General, correspondence to the Committee, received 15 December 2009, p.3

386 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.7

### **1.4.7 Recommendation 4.8 – Strategy to assist agencies in introducing compliant systems**

While the first stage of VERS implementation was aimed at departments, the VERS standard applies to all public sector agencies. The audit noted that PROV ‘*faces a major challenge in its efforts to successfully implement VERS beyond the ten departments.*’<sup>387</sup> To assist in rolling out VERS to agencies, PROV was at the time of audit developing a toolkit to provide information to agency staff in regards to transferring electronic documents to PROV.<sup>388</sup>

From the survey conducted of agencies, the audit reported that:<sup>389</sup>

- more than one third of respondents were not aware of PROV;
- almost 80 per cent of respondents did not know if their systems were VERS compliant;
- 36 per cent of survey respondents were aware that PROV undertook VERS compliance checks, 24 per cent were not aware and 40 per cent did not know; and
- of the respondents that had used VERS services, they were generally satisfied with the quality of service provided by PROV.

The audit concluded that providing agencies with a toolkit may not be adequate and recommended that PROV should develop a strategy that supports agencies (other than the 10 departments) to implement VERS compliant systems. The audit recommended that this be done in consultation with agencies and industry groups to ensure that realistic and effective strategies and timelines are put in place.<sup>390</sup>

Similarly to PROV’s response to recommendation 4.7 above, PROV informed the Committee that it is working with the VERS Steering Committee to ‘*clarify and refine*’ the scope of the VERS program, including updating and developing measures, timelines and reporting.<sup>391</sup> PROV also stated that as part of the VERS program, they are delivering a range of consultancy services.

The Committee also considers this to be an important recommendation requiring priority implementation.

**Recommendation 22: The Public Record Office Victoria should, as a matter of urgency, finalise a comprehensive strategy to support agencies to establish a Victorian Electronic Records Strategy compliant system and ensure adequate consultation is undertaken with public sector agencies and industry groups.**

---

387 Victorian Auditor-General’s Office, *Records Management in the Victorian Public Sector*, March 2008, p.56

388 *ibid.*

389 *ibid.*

390 *ibid.*, p.57

391 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.7

### **1.4.8 Recommendation 4.9 – Improved communication with agencies**

PROV provides guidance and advice on records management issues to agencies when requested. This is generally provided via telephone, email or by PROV staff making visits to specific agencies.<sup>392</sup>

At the time of audit, PROV had recently commenced surveys of agencies that had made contact with PROV that asked for comment on the service provided. While being a good initiative, a survey of agencies found that only 55 per cent were aware that PROV offered advice and guidance. The audit also found that there was no guidance or procedures available to PROV staff for providing services to agencies.<sup>393</sup>

The audit recommended that PROV should improve its communication with agencies to make sure agencies are aware of the guidance and advice available, and also establish guidelines for PROV staff on the provision of advice to agencies.<sup>394</sup>

In regards to improving communication with agencies, PROV informed the Committee that it is developing a communications strategy. PROV will be using this communications strategy to support its new Standards and also to raise awareness of its services with agencies.<sup>395</sup>

PROV informed the Committee that it has since developed an internal procedure to assist staff to provide advice to agencies. The document, *Policy Documentation Framework* intends to provide consistency across PROV by specifying the use of the document (for example, internal or external use) and ensuring uniformity amongst documents.<sup>396</sup> The Committee considers that this approach should give PROV a tool to provide consistency to the advice it provides across the public sector.

### **1.4.9 Recommendation 4.10 – Promotion of records management**

PROV plays a role in promoting good records management in the Victorian public sector. The audit found that PROV undertook a range of promotional activities, such as conduct forums for records managers, a mentoring program and the Archives and Records Management Week.<sup>397</sup>

The audit concluded that while PROV undertook a range of activities, there was scope for PROV to make agencies more aware of their services.<sup>398</sup>

---

392 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.58

393 *ibid.*

394 *ibid.*, p.59

395 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.8

396 *ibid.*, Attachment 7

397 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.59

398 *ibid.*

This recommendation, aimed at PROV, stated that it should develop a strategic approach to public sector education and awareness, through the following activities:<sup>399</sup>

- clearly identify the roles and responsibilities of PROV and agencies;
- identify its target audience as well as the appropriate communication channels; and
- have a program of activities that promote records management to the public sector.

In relation to this recommendation, the Committee was informed by PROV that they are undertaking a range of activities. These include:<sup>400</sup>

- re-launching the Victorian Government Educators Forum, which shares information on public sector education;
- forming an advisory group, via the Recordkeeping Standards Project, to assist PROV in identifying appropriate communication methods for different stakeholder groups; and
- working with agencies, including Department of Human Services, Victorian Privacy Commissioner and Municipal Association of Victoria to organise seminars and raise awareness, including in regional areas.

The Committee notes the positive actions taken to implement this recommendation. While assistance from its advisory group will be of benefit, the Committee considers that PROV should undertake further work to ensure communication methods are appropriate for each target audience identified.

#### **1.4.10 Recommendation 4.11 – Efficiency of services provided**

The audit found that PROV had put systems in place to capture the costs of the services it provided, however had only costed a small number of its services. Therefore, the audit concluded that for PROV to move to a fee-for-service model, as intended, PROV needed to have a better understanding of the costs of services and products. Without this information, PROV will not be able to know whether it is charging the correct fee-for-services provided.<sup>401</sup>

The audit recommended that PROV should put in place processes to report on the cost of the principal record services provided to the public sector to assist it in determining whether resources are used effectively.<sup>402</sup>

In response to the Committee's query in regards to this recommendation, PROV responded that this project will commence in the financial year 2009-10.<sup>403</sup>

---

399    ibid., p.60

400    Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.8

401    Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.60

402    ibid.

403    Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.8

### **1.4.11 Recommendation 4.12 – Strategic framework for relationship management**

Having good relationships with agencies will assist PROV in promoting better records management to agencies. The audit noted some key aspects of a good working relationship which included the need to understand roles and responsibilities, ensuring that two-way communication occurs, defining and agreeing on a relationship and having a client management system and procedures for when disagreements arise.

The audit found that on the whole, PROV has interactions with agencies and these do operate effectively, however this does not occur with all agencies. There were ‘*a significant number of agencies*’ that PROV did not have regular contact with. The audit determined this stemmed from a decision to ‘*work with agencies who want to work with PROV*’ and also because PROV at times cannot meet the demands for its service.<sup>404</sup>

PROV had however developed a draft customer service charter, but did not have any further documentation such as a client management strategy or advice for staff on managing complaints.<sup>405</sup>

The audit recommended that PROV should put in place a strategic framework for managing relationships with agencies. The audit suggested the following actions be taken:<sup>406</sup>

- producing an agency relationship management strategy, including policies and procedures;
- completing a charter/code of conduct for the provision of services;
- putting mechanisms in place to ensure all agencies are engaged;
- ensuring policies and procedures are in place to manage relationships with agencies; and
- implementing a client management system to document interactions with agencies.

In its follow-up, the Committee found that PROV had finalised its Service Charter and the document is available from PROV’s website.<sup>407</sup> As discussed in previous sections, PROV is developing a stakeholder engagement strategy to assist them in communicating with all agencies. PROV also informed the Committee that it will implement a client relationship system ‘*at some point in the future*’ however a date had yet to be determined.

The Committee considers that PROV has commenced implementing this recommendation. PROV has completed its Charter and the Charter is on PROV’s website. PROV is still working on plans and systems to engage with and manage relationships with agencies. The Committee, however, noted that PROV has not set dates for when it will commence or complete its client management system. The Committee considers that PROV should, through its normal business planning processes, have dates in place for the commencement of this project.

---

404 Victorian Auditor-General’s Office, *Records Management in the Victorian Public Sector*, March 2008, pp.60–1

405 *ibid.*, p.61

406 *ibid.*, p.62

407 Public Record Office Victoria, *Service Level Charter 2008*, <<http://www.prov.vic.gov.au/records/downloads/SLAD%20-%20DB%2020070808v3.1.pdf>>, accessed 18 February 2010

**Recommendation 23: The Public Record Office Victoria should establish dates for the commencement and completion of its client management system.**

## 1.5. Records management in the public sector

Each agency in the public sector is responsible, through legislation, for developing a framework and managing its own records. The audit assessed how agencies were managing their records by developing seven principles for good records management. Approximately 100 agencies were asked to complete a questionnaire, assessing their performance against the seven principles. From this, the audit examined eight agencies in more detail.<sup>408</sup>

The audit found that there were a number of deficiencies with records management in agencies including variable quality of records management objectives and policies, procedures that were inconsistent with standards and advice provided by PROV and most agencies did not have monitoring and reporting processes in place on records management activities.<sup>409</sup>

### 1.5.1 Recommendation 5.1 – Setting records management objectives and policies

As discussed above, agencies are responsible for managing their own records. To do this effectively, agencies should set objectives and policies for what they want to achieve. These should cover the main processing areas of records management (such as creation, capture, access, storage etc.) but also defining what records management is and assigning responsibilities.<sup>410</sup>

The audit identified agencies with better practice and found that they had defined the objectives of records management, created a culture in the organisation as to why recordkeeping was important and require that policies and procedures adhere to legislation and other standards and requirements set by PROV. Overall, the audit found that agencies with more than 500 staff tended to have established better processes than small agencies.<sup>411</sup>

The more detailed review found that recordkeeping in the eight agencies examined was of variable quality. In particular, policies and procedures often did not cover all agency records or formats, especially digital formations and references to positions were either out-of-date or the positions no longer existed. There were also no references to important legislation such as the *Public Records Act 1973*, the *Evidence Act 1958* or the *Crimes [Document Destruction] Act 2006*.<sup>412</sup>

The audit recommended that PROV should provide written advice and guidance for agencies on developing records management objectives and policies, in consultation with agencies and industry groups.<sup>413</sup>

---

408 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.63

409 *ibid.*, pp.63–4

410 *ibid.*, p.68

411 *ibid.*

412 *ibid.*, pp.68–9

413 *ibid.*, p.69

PROV has informed the Committee that this recommendation will be covered by PROV's recordkeeping standards project, which will provide advice and guidance to agencies on recordkeeping, including strategic and operational areas. PROV also informed the Committee that they will consult with agencies and industry groups throughout the development of this project.<sup>414</sup>

### **1.5.2 Recommendation 5.2 – Records management champions**

To ensure that records management is a priority of an organisation, there needs to be strong support from senior management. Support for records management should come in the following forms:<sup>415</sup>

- policies endorsed by the Chief Executive Officer (CEO) or head of the organisation;
- assigning the oversight of records management to a senior officer;
- establishing and monitoring key performance indicators for records management; and
- promotion of good records management by senior management.

The questionnaire completed by agencies as part of this audit found that most had assigned responsibility for records management to a senior officer and more than half had performance indicators for records management.<sup>416</sup>

The audit identified good practice within agencies which included reflecting responsibility to good record keeping in senior management, middle management and staff performance agreements as well as including recordkeeping responsibilities in position descriptions.<sup>417</sup>

With this in mind, the audit recommended that PROV should put in place a program to support senior management in agencies to champion records management.<sup>418</sup>

In response to the Committee's request for information on this recommendation, PROV advised that this recommendation would be covered by the development of its communication strategy.<sup>419</sup>

The Committee found that PROV has identified agency CEOs as one of its stakeholder groups in its communication strategy. The strategy also identifies what the key interests of stakeholders are as well as what the key marketing messages are for each group.<sup>420</sup>

The Committee believes that targeting of senior staff as well as CEOs is important in achieving better standards.

---

414 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.3

415 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, pp.68–71

416 *ibid.*, pp.70–1

417 *ibid.*, p.73

418 *ibid.*, p.74

419 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.3

420 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, Attachment C, pp.5–6

**Recommendation 24:** The Public Record Office Victoria should, in line with the recommendation of the Auditor-General, develop a program for senior staff of agencies to assist them in championing records management practices.

### **1.5.3 Recommendation 5.3 and 5.4 – A strategic approach to records management**

To ensure a thorough records management system, deficiencies need to be identified and then strategies should be developed to address these. A strategic plan for records management assists agencies to:<sup>421</sup>

- identify objectives and address shortfalls in an agency's records management framework;
- assign responsibility for records management; and
- establish performance indicators, including timelines for delivery of strategies.

Only half the agencies responding to the audit survey had a current strategic plan, however 79 per cent believed that their agency had developed a strategic approach to records management. The survey also assessed the key elements of records management strategic plans and found that most plans had the key elements expected.<sup>422</sup>

The audit made two recommendations – that PROV should develop guidance material and templates to assist agencies establish records management strategic plans and that PROV should assist agencies to adopt a more strategic approach to records management.<sup>423</sup>

In response to this recommendation, PROV informed the Committee that this recommendation will be implemented as part of the Recordkeeping Standards Project, which will incorporate the strategic elements recommended by the audit and the better practice found as part of the audit.<sup>424</sup>

The Committee considers that the Recordkeeping Standards Project is a good opportunity for PROV to include better practice initiatives in strategic management and ensure, through guidance materials and templates, that agencies develop a more strategic approach to records management in the public sector. While PROV's response has not included information regarding the development of templates, the Committee considers that the development of templates is important, to support the standards developed.

---

421 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.77

422 *ibid.*, pp.77–8

423 *ibid.*, pp.81

424 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.1

#### **1.5.4 Recommendation 5.5 – Reviewing agency procedures**

With the increasing amount of electronic communication in the public sector, emails and web-based records are increasingly being used as a method of delivering information and services to the community.<sup>425</sup>

While agencies had procedures to assist staff in delivering records management services, the audit found that there were a number of agencies whose procedures are:<sup>426</sup>

- not consistent with standards and advice developed by PROV;
- not used by staff;
- of varying quality; and
- not aligned with the recordkeeping policies and objectives of the agency.

The audit made a recommendation that PROV should assist agencies to review their procedures to ensure that they:<sup>427</sup>

- covered all recordkeeping activities, including electronic records and website information;
- comply with records management standards and PROV advice; and
- align the policies and records management objectives of the agency.

PROV reported to the Committee that they are in the process of developing an Assessment Framework, which will:<sup>428</sup>

*...enable agencies to use the PROV standards to self-assess their policies, procedures and general capabilities to ensure that they can identify the gaps in their records management program and address those gaps. The Assessment Framework is in planning...*

The Committee considers that a self-assessment tool will be useful, and will assist agencies in commencing to assess their records management standards to ensure they comply with PROV standards. However, the Committee considers that PROV will still need to work with agencies to assist them in reviewing procedures.

---

425 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.89

426 *ibid.*, p.90

427 *ibid.*, p.91

428 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.2

### **1.5.5 Recommendation 5.6 and 5.7 – Staffing associated with records management**

The staff skills associated with undertaking records management is important. Staff should have appropriate qualifications, experience and skills to undertake records management. Therefore, agencies should be identifying the staff they require to undertake records management, ensuring they have the appropriate skills for their job and providing training and development opportunities, via a performance management plan.<sup>429</sup>

A survey administered as part of the audit showed that around one third of agencies considered they did not have a sufficient number of records management staff. Public hospitals, however did believe they were appropriately resourced.<sup>430</sup>

The audit found there was a varying number of staff employed to undertake records management in similar size agencies, concluding that some agencies are likely to be under resourced. Agencies also reported that they found it difficult to recruit experienced and qualified staff.<sup>431</sup>

There were two recommendations made in regards to staffing:<sup>432</sup>

- that PROV should assist agencies to take a more strategic approach to managing records management staff; and
- that PROV liaise with agencies and the State Government in regards to developing strategies to address skills shortages in records management.

In response to the Committee's questions in regards to taking a more strategic approach to managing staff, PROV reported that their Recordkeeping Standards Project will include these requirements in the scope, as part of the Strategic Management Standard and also in the Operational Management Standard.<sup>433</sup>

In regards to working with agencies and the State Government to address skills shortages in records management, PROV reported that it anticipates in raising this issue through its existing forums and through new ones, as well as developing partnerships with professional and government bodies to find solutions to the skills shortage.<sup>434</sup>

The Committee considers that PROV is taking action in regards to implementing a more strategic approach to managing staff through the projects it is currently undertaking. In regards to finding solutions to meeting shortages in staff, the Committee is of the view that this task is a large undertaking and a long term project for PROV.

---

429 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.91

430 *ibid.*, p.92

431 *ibid.*, pp.94–5

432 *ibid.*, p.95

433 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.2

434 *ibid.*, p.4

### **1.5.6 Recommendation 5.8 and 5.9 – Communication of records management**

An important aspect of the work of any organisation is effective communication. In this particular instance, ensuring effective communication for PROV means that agencies are aware of PROV guidelines and procedures. This is the first step to ensuring that agencies comply with sound records management. Communication within agencies and departments is also important to ensure that all staff understand records management responsibilities.<sup>435</sup>

The questionnaire, sent to agencies as part of the audit showed that the following methods were used to communicate records management responsibilities with staff:<sup>436</sup>

- in-house training programs;
- noticeboards, presentations and newsletters; and
- the intranet.

It was found that larger agencies with more than 500 staff tended to use all three mechanisms more often than small agencies.<sup>437</sup>

The questionnaire also found that larger agencies were often unsure (approximately 37 per cent) whether staff understood their records management responsibilities, particularly relating to emails and digital records. For small agencies employing up to 20 staff, only 8 per cent were unsure. The audit also identified that contractors may not fully understand recordkeeping in the public sector context and there was a risk that records may be lost or damaged.<sup>438</sup>

The audit therefore recommended that PROV should assist all agencies to determine whether staff understand their recordkeeping responsibilities and assess contractor compliance with records management requirements.

In response to the Committee's request for information in regards to the implementation of this recommendation, PROV informed the Committee that it intends to implement, through its Recordkeeping Standards Project, a framework that will allow agencies to measure and assess their policies, procedures and capabilities. Agencies will then be able to identify gaps in their recordkeeping and address them accordingly.<sup>439</sup>

The Committee considers that the introduction of a framework to allow agencies to assess their recordkeeping will be a valuable tool for agencies. Such a tool will give agencies the ability to assess their records management framework and provide them with an understanding of where there are gaps in their documentation or actions.

---

435 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.95

436 *ibid.*

437 *ibid.*

438 *ibid.*, pp.96, 98

439 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.2

While the specifics of this recommendation were not directly addressed by PROV in its response to the Committee, from the information provided, the Committee is of the view that communication with staff and contractors will be one aspect of PROV's self-assessment framework. The Committee considers that both staff and contractor knowledge of recordkeeping is important and wishes to see these be adequately addressed by PROV.

However, tools such as a self-assessment framework need to be supplemented with assistance and support from PROV for agencies that identify weaknesses and wish to rectify these. The Committee considers that, it would be beneficial for PROV to structure its self-assessment framework for agencies around the training that PROV will offer. This would allow agency staff to identify weaknesses and seek specific training related to those areas identified through the self-assessment framework.

**Recommendation 25: The Public Record Office Victoria should structure its self-assessment framework, to be developed through its Recordkeeping Standards Project, in line with training it provides to ensure that there is appropriate support for agencies.**

### **1.5.7 Recommendation 5.9 – Regular monitoring and evaluation of recordkeeping activities**

To ensure good governance arrangements, regular monitoring and reporting to senior executives is 'essential'. In addition, agencies should have monitoring mechanisms in place, such as compliance reviews that examine whether agencies adhere to their recordkeeping policies and procedures as well as those issued by PROV. Further monitoring activities suggested by the audit include information on the performance of records management functions and also on progress against an agency's records management plan.<sup>440</sup>

Through the questionnaire completed by agencies, the audit found hospitals were more likely than any other sectors to monitor their compliance against records management policies, procedures and systems. The audit also found that:<sup>441</sup>

- most agencies did not have a records management compliance program;
- most agencies did not have systematic monitoring processes;
- 42 per cent of agencies that responded to the questionnaire did not have performance indicators for recordkeeping and did not gather data on performance information; and
- the level of reporting on records management activities was limited.

---

440 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, pp.98–9

441 *ibid.*, pp.98–100

The audit recommended that, in collaboration with central agencies, PROV should assist all agencies to ensure that there is regular monitoring and evaluation of recordkeeping activities, including the following:<sup>442</sup>

- a compliance program that allows for the monitoring of agencies against recordkeeping procedures, standards, systems and delivering key strategies;
- the generation of information regarding the performance of the records management function; and
- reporting the results of performance monitoring to senior management so that corrective action can be taken.

In its response to the Committee PROV responded it was taking the following action in regards to this recommendation:<sup>443</sup>

*In FY2009-10 PROV will commence development of an Assessment Framework. This will enable agencies to use the PROV Standards to self-assess their policies, procedures and general capabilities to ensure that they can identify the gaps in their records management program and address those gaps. It is intended to include performance reporting in this framework that can be used within agencies and potentially by PROV to report on the state of recordkeeping across government. In planning (FY2010-11).*

As discussed in recommendation 5.8, aspects of this recommendation will also be included in PROV's self-assessment framework, which will be provided to agencies. The Committee considers that any self-assessment framework developed by PROV should be supported with appropriate training, as recommended above. These particular aspects could be rather complex for agencies to implement, therefore appropriate training and support will be very important.

The Committee considers that while a framework for performance information, to be developed by PROV as part of the self-assessment framework would be a good initiative, the framework should give agencies the flexibility to customise performance indicators for its own organisation.

## **1.6. PROV's management of specific record keeping activities**

There are three activities undertaken by agencies that PROV assists agencies with more closely to ensure compliance with the Act. These are:<sup>444</sup>

- retention and disposal of records;
- transfer of permanent records to PROV; and
- records provided to agencies.

The audit examined these aspects of PROV's activities and made four recommendations on these aspects.

---

442 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.101

443 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.3

444 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.103

### 1.6.1 Recommendation 6.1 – Retention and disposal of records

For the retention and disposal of records, there are requirements in the Act as well as in records management standards that agencies need to follow to ensure that records that have significance are identified and transferred to PROV for long-term preservation as well as disposing of records no longer required.<sup>445</sup>

When disposing of records, agencies first need to have an appraisal of their records to determine how long records need to be kept and which ones should be preserved. The appraisal is undertaken by PROV or a contractor. Once records have been appraised according to guidelines issued by PROV, a Disposal Authority Appraisal Report is completed. This report forms the basis for a Retention and Disposal Authority (RDA), which is submitted to PROV for review and approval by the Public Records Advisory Council, who then recommends approval to the Keeper of Public Records. Throughout this process, agencies can seek advice or assistance from PROV.<sup>446</sup>

The audit found that PROV did not measure how long it took to process RDAs, however some agencies stated that it took between six and 12 months. PROV advised that this was variable and dependent on the size and complexity of the agency.<sup>447</sup>

The quality of the advice and guidance provided by PROV was found to be ‘*generally satisfactory*’. In regards to monitoring compliance with the requirements of the Act, PROV did not have processes in place to appropriately monitor agencies’ compliance with the retention and disposal standards. There was a risk that records that were needed for agency business or for historically or culturally significant reasons were being destroyed and records may be kept longer than required.

The audit made the following recommendation in regards to the retention and destruction of records:<sup>448</sup>

*PROV should:*

- *Review the adequacy of resources assigned to the review and approval of agency retention and disposal authorities.*
- *Adopt a more proactive approach to assisting agencies in appraising their businesses and establishing appropriate retention and disposal authorities.*
- *Assess the extent to which public sector records generated by agencies are covered by its records retention and disposal authorities.*
- *Ensure that the procedural guidance, established for its staff, in providing agencies with advice and assistance on managing records retention and disposal, is up-to-date.*
- *Monitor agency compliance with the records management standards on retention and disposal of records.*
- *Ensure the review of records standards endorses a program of regular records disposal in line with established disposal authorities.*

---

445 *ibid.*, p.105

446 *ibid.*, pp.105–6

447 *ibid.*, p.108

448 *ibid.*, p.109

The Committee was informed by PROV that as part of a restructure in May 2009, consideration was given to the point regarding the adequacy of resources.<sup>449</sup> The Committee was also provided with an organisational structure.<sup>450</sup>

In regards to adopting a more proactive approach to ensuring agencies have appropriate RDAs, PROV informed the Committee that they are in the process of developing new guidelines, training tools and communications to assist agencies in developing more robust RDAs.<sup>451</sup> The Committee is pleased to note that PROV is putting in place a range of initiatives from improved guidelines, training and communication with agencies to assist them in improving RDAs.

In regards to assessing the extent to which agencies have appropriate RDAs to cover its records, PROV provided the Committee with a research paper undertaken by PROV. The research paper discusses whether knowledge management techniques could be useful for undertaking appraisals, undertaken as part of the disposal process.<sup>452</sup>

The Committee considers that PROV still needs to undertake further work to determine whether agencies are complying with legislation and relevant PROV guidelines by having RDAs in place to manage its records. The Committee considers that while PROV could take a compliance approach with agencies, it would be more beneficial to work with agencies to ensure proper documentation for disposing and transferring records is in place.

To ensure that guidance for staff providing advice to agencies is up to date, PROV informed the Committee that its Recordkeeping Standards Project will provide advice and guidance on this subject. The Committee considers that, while the Recordkeeping Standards Project will provide advice and guidance for PROV staff, a challenge, which the audit recommendation sought to address, was to ensure that the information to be provided is up-to-date.

While new guidelines will assist PROV in providing up-to-date information, the Committee considers that, PROV should put in place appropriate systems to ensure that its guidance is kept up to date.

In regards to monitoring agency compliance with records management standards for the retention and disposal of records, PROV informed the Committee that the Assessment Framework, currently under development, will provide a monitoring model for agency compliance.<sup>453</sup> No further information is provided in regards to the assessment framework. The Committee is unsure whether the monitoring model will be for agencies to self-monitor or whether PROV will undertake monitoring.

The Committee considers that while it is possible for PROV to undertake compliance checks in regards to this, a more beneficial approach will be to work with agencies to assist them with any deficiencies they identify via assessments undertaken.

---

449 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.10

450 *ibid.*, Attachment 4, p.2

451 *ibid.*, p.10

452 *ibid.*, Attachment 9

453 *ibid.*, p.10

The last point of the recommendation related to ensuring that the review of records standards endorses a program of recurrent records disposals. The Committee was informed by PROV that this will be included as a requirement in the Recordkeeping Standards Project.<sup>454</sup> The Committee is pleased to note this requirement will be included in the Recordkeeping Standards Project.

**Recommendation 26: The Public Record Office Victoria should work with agencies to ensure they have proper retention and disposal authorities in place.**

### **1.6.2 Recommendations 6.2 and 6.3 – Transfer of records to PROV**

In line with legislation, records that are over 25 years old and no longer required by an agency, are transferred to PROV for storage in the State archive, helping to make sure that records that have historical or cultural significance are stored and available to the public. Agencies determine when they will transfer records to PROV.<sup>455</sup>

The audit found that agencies were holding onto permanent records that were no longer required for a variety of reasons, including;<sup>456</sup>

- there was no RDA in place for specific records;
- agencies had legacy records from closures and amalgamations of agencies, however the records had not been sentenced;
- a lack of resources;
- a reluctance to provide historical and cultural significant records to PROV, preferring to keep them within the organisation; and
- a lack of staff training meant that agencies were not able to transfer records to PROV.

This created a risk that records will be damaged or destroyed, as well as not making them accessible to the public.<sup>457</sup>

As agencies have discretion over when to transfer records to PROV, it is difficult for PROV to monitor compliance with the transfer of records. In addition, the audit found that PROV has not tried to identify permanent records held by agencies that should be transferred to PROV.<sup>458</sup>

The audit made two recommendations in regards to the transfer of records. The first recommendation was that PROV should make agencies specify a timeframe, as part of RDAs for keeping permanent records, after which time, they should be transferred to PROV.<sup>459</sup>

---

454 *ibid.*, p.10

455 Victorian Auditor-General's Office, *Records Management in the Victorian Public Sector*, March 2008, p.110

456 *ibid.*, pp.110–11

457 *ibid.*, p.111

458 *ibid.*, pp.111–12

459 *ibid.*, p.112

In regards to this recommendation, PROV informed the Committee that it is currently reviewing its processes for transferring records to PROV and that a process for identifying 'high-value and high-risk permanent records' is currently planned to be undertaken.<sup>460</sup>

The Committee was provided with a project brief on a project being undertaken by PROV on the transfer approach, including the processes involved. The project will map current processes undertaken, identify any issues that need to be rectified and also develop an action plan to implement any improvements identified.<sup>461</sup>

The second recommendation made by the audit on the transfer of records, stated that PROV should undertake the following:

- gather information on an annual basis, on permanent records held by agencies via surveys and reviewing archival holdings;
- work with agencies that have large numbers of permanent records to resolve issues that are impeding records being transferred to PROV; and
- develop comprehensive and updated guidelines for staff managing records transfers to ensure there is a consistent approach.

The Auditor-General, in a letter to the Committee commented that this recommendation was one of the more significant recommendations.<sup>462</sup> For this reason, the Committee was particularly interested in the response from PROV.

The Committee was informed by PROV that, in regards to gathering information on permanent records held by agencies, this will be made a part of the Assessment Framework that is currently being developed.<sup>463</sup> The Committee considers that it would be beneficial for PROV to keep track of such information and ensure that agencies complete the information on what records they hold.

In regards to PROV working with agencies that have a large number of records, PROV has informed the Committee that it is planning to undertake a process to identify high-risk and high-value permanent records.<sup>464</sup>

The third part of this recommendation stated that PROV should develop guidelines to ensure a consistent approach in regards to records transfers. PROV informed the Committee that a Transfer Review Program has commenced,<sup>465</sup> and provided the Committee with a copy of the project brief.

---

460 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.11

461 *ibid.*, Attachment 10

462 Mr D Pearson, Auditor-General, correspondence to the Committee, received 15 December 2009, p.1

463 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.11

464 *ibid.*

465 *ibid.*

### 1.6.3 Recommendation 6.4 – Records provided to agencies

For varying reasons, agencies have a need for the records that they have transferred to PROV. Records that are classified as ‘open records’ can be accessed by the public and these can be reviewed by agencies at PROV. Records that are considered ‘closed’, because of their sensitivity are loaned to agencies by PROV for up to 60 days. PROV keeps a listing of the records that have been loaned to agencies.<sup>466</sup>

PROV had identified that in 2005, there were approximately 10,000 records outstanding. Since 2005, PROV has taken a more proactive approach to actively seeking records that have not been returned. As a result, the audit found that at December 2007, PROV had 1,900 outstanding records on loan to 60 agencies. Of these:<sup>467</sup>

- almost half were on loan to four agencies;
- approximately one in three outstanding records had been issued to agencies between 1981 and 2000; and
- PROV estimated that approximately 50 per cent of records were lost.

The audit noted that PROV have been proactive in reducing the number of outstanding records, however recommended that PROV should continue in pursuing agencies that have not returned permanent records.<sup>468</sup>

In response to this recommendation, PROV informed the Committee that they have developed a process for pursuing permanent records and have commenced by writing a letter to all agencies with overdue records. Further steps will be undertaken as required.<sup>469</sup>

The Committee notes that PROV has developed a process for following up outstanding records and now has commenced implementation of this by undertaking the first step of writing letters. The Committee is of the view that PROV should ensure that it escalates steps in its process to find permanent records. A documented plan and processes in place for retrieving overdue records will allow PROV to continue to be proactive in the future and continue to retrieve outstanding permanent records.

## 1.7. PROV performance measurement and reporting

Performance measurement and reporting is an important part of all public sector entities. It allows organisations to assess whether they are meeting their objectives and demonstrates accountability to stakeholders and the general public for the activities it undertakes.<sup>470</sup>

---

466 Victorian Auditor-General’s Office, *Records Management in the Victorian Public Sector*, March 2008, p.113

467 *ibid.*

468 *ibid.*

469 Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.12

470 Victorian Auditor-General’s Office, *Records Management in the Victorian Public Sector*, March 2008, p.116

There are a number of important aspects that an organisation should have in place. These include:<sup>471</sup>

- performance indicators to measure the achievement of an organisation's objectives;
- systems and processes to capture information on performance indicators;
- comparing performance against targets;
- reporting against indicators and providing explanations as to why targets were not met; and
- taking action when necessary to address performance issues.

### **1.7.1 Recommendation 7.1 – Performance information and reporting**

The audit assessed PROV's performance measurement and reporting framework against the good practice examples, listed above, that PROV would expect an organisation to have in place.

It found that PROV had an organisational objective – that '*best-practice records management is implemented across the whole of the Victorian Government.*'<sup>472</sup> However, its performance indicators did not measure whether this objective was met, instead focusing on activities or outputs.<sup>473</sup> The audit identified that if more performance indicators were introduced, PROV would need to expand its systems for collecting such information.<sup>474</sup>

The audit recommended that PROV undertake the following activities in regards to performance information and reporting:<sup>475</sup>

- develop targets that measure performance towards achieving its objectives and also towards measuring the standard of recordkeeping in agencies;
- develop and compare performance information against established targets; and
- develop systems to report on PROV and agency performance.

In response to the Committee's questions regarding what action had been taken in regards to this recommendation, PROV informed the Committee that this project was yet to commence, however new performance measures would be developed as part of its business planning and be conducted in alignment with the Recordkeeping Standards Project.<sup>476</sup>

---

471    ibid.

472    ibid.

473    ibid., p.117

474    ibid., p.118

475    ibid., p.119

476    Ms H Silver, Secretary, Department of Premier and Cabinet, correspondence to the Committee, received 22 December 2009, p.12

## CHAPTER 2: DELIVERING HEALTHSMART

### 2.1. Introduction

The HealthSMART program arose from Victoria's Whole-of-Health Information and Communication Technology (ICT) Strategy 2003-2007. In 2003, the Office of Health Information Systems estimated Victoria's health system to contain around 30,000 computers on over 1,200 servers at over 1,000 sites with numerous discrete systems being run with limited functionality and limited ability to interact with other systems.<sup>477</sup> HealthSMART was designed 'to modernise and replace ICT systems throughout the Victorian Public Healthcare Sector'<sup>478</sup> by both upgrading or replacing existing infrastructure and applications and by introducing new systems.

Though originally more limited in scope,<sup>479</sup> HealthSMART now encompasses five software components:<sup>480</sup>

- Finance and Materials Management Systems;
- Human Resource Management Systems;
- Patient and Client Management Systems;
- Client Management Systems (a reduced-functionality, stand-alone version of the Patient and Client Management Systems); and
- Clinical Systems.

Other projects have also been undertaken to align various systems outside the scope of HealthSMART with the HealthSMART systems.<sup>481</sup>

The program was originally expected to be a four-year \$323 million project to be delivered by June 2007.

The program was initially, and at the time of the audit, administered by the Department of Human Services. Due to machinery of government changes, it is now administered by the Department of Health.

---

477 Ms F Wilson, Office of Health Information Systems, *HealthSMART: Strategy for the Modernisation And Replacement of Information Technology*, <<http://www.egov.vic.gov.au/pdfs/Wilson-5Aug2003.pdf>>, accessed 3 February 2010

478 Department of Health, *HealthSMART*, <<http://www.health.vic.gov.au/healthsmart>>, accessed 3 February 2010

479 Victorian Auditor-General's Office, *Delivering HealthSMART – Victoria's Whole-of-Health ICT Strategy*, April 2008, pp.12–13

480 *ibid.*, p.13; Department of Health, *HealthSMART*, <<http://www.health.vic.gov.au/healthsmart>>, accessed 3 February 2010

481 *ibid.*

## **2.1.1 Audit findings**

The Victorian Auditor-General's Office conducted an audit in 2008. It found that, at the time of the audit, the Department of Human Services had spent 57 per cent of the budget and completed 24 per cent of the planned installations.<sup>482</sup> The audit found that the original budget and timelines were unrealistic and that the capability of the sector to implement technological change in the timeframe had been overestimated. However, the audit also found that there was still potential for the program *'to fulfil the original vision of a patient-centric model of healthcare, supporting public sector health clinicians with knowledge and technology.'*<sup>483</sup>

The audit made seven recommendations centred around the following issues:

- ensuring that the Clinical Systems component is completed;
- undertaking appropriate planning to ensure effective delivery of the remaining components;
- measuring benefits;
- seeking Government authorisation for changes;
- whole-of-life asset management; and
- program monitoring and review.

As part of this follow-up review, the Committee sought written information from the Department of Health on the implementation of the recommendations made by the Auditor-General. The Committee also sought written comments from the Auditor-General regarding the audit findings and implementation of the recommendations by the Department of Human Services/Department of Health. These responses have been included where appropriate.

## **2.2. Review findings**

### **2.2.1 Project status**

At the time of the audit, the Department of Human Services expected the program to be completed by June 2009.<sup>484</sup> The Department of Health informed the Committee that, as at December 2009, most elements of the project were complete. All components had been delivered to the sector and all but two had been fully rolled out. The two components which had not been completely rolled out were the Patient and Client Management Systems and the Clinical Systems.<sup>485</sup>

Their status is summarised in Table 2.1.

---

482 Victorian Auditor-General's Office, *Delivering HealthSMART – Victoria's Whole-of-Health ICT Strategy*, April 2008, p.3

483 *ibid.*, p.v

484 *ibid.*, p.2

485 Ms F Thorn, Department of Health, correspondence to the Committee, received 21 December 2009, pp.1–2

**Table 2.1 Current status of the remaining components of HealthSMART**

| Component                             | Number of agencies that have fully implemented the component | Number of agencies still to implement the component | Expected date of completed roll-out |
|---------------------------------------|--|---|-------------------------------------|
| Patient and Client Management Systems | 7  | 3   | June 2010                           |
| Clinical Systems                      | 1  | 9   | mid-2011                            |

Source: Ms F Thorn, Department of Health, correspondence to the Committee, received 21 December 2009, pp.1–2

Technology infrastructure, integration services and shared ICT services ‘to provide the ongoing management, support and maintenance of the infrastructure and applications’<sup>486</sup> have all been established.

The Auditor-General concluded that the Department of Human Services was likely to meet its budget for the HealthSMART program.<sup>487</sup> The Department of Health explained that it has provided an additional \$35 million to resource the HealthSMART teams for the extended implementation schedule but that no additional funds had been sought from the Government as a result of implementation delays.<sup>488</sup>

## 2.2.2 Clinical Systems

The Auditor-General highlighted the Clinical Systems component as the most at risk of not being implemented at the time of the audit. The Auditor-General also considered the Clinical Systems to be ‘central to obtaining the original forecast benefits of the HealthSMART strategy.’<sup>489</sup> The Auditor-General recommended that the Department of Human Services identify which agencies were expected to implement the Clinical Systems and devise a realistic schedule for implementation.

At the time of the audit, none of the four lead agencies had committed to implementing the system and that no plans had been drawn up for the other six potential agencies.<sup>490</sup>

The Department of Health informed the Committee that this recommendation has been implemented. A schedule had been completed by late 2008,<sup>491</sup> and a revised timeline was produced in late 2009 which included all 10 of the potential agencies which might implement the Clinical Systems component. The revised schedule was devised using the PRINCE2 project management methodology and included consultation with the vendor, participating agencies and the group responsible for the shared ICT services. The Department explained that ‘In particular the HealthSMART Program worked with agencies to identify key dependencies for Clinical System implementation and time to resolve these dependencies.’<sup>492</sup>

486 *ibid.*, p.1

487 Victorian Auditor-General’s Office, *Delivering HealthSMART – Victoria’s Whole-of-Health ICT Strategy*, April 2008, p.28

488 Ms Fran Thorn, Department of Health, correspondence to the Committee, received 21 December 2009, pp.2–3

489 Victorian Auditor-General’s Office, *Delivering HealthSMART – Victoria’s Whole-of-Health ICT Strategy*, April 2008, pp.2, 27

490 *ibid.*, p.26

491 Minister for Finance, *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2007-08*, December 2008, p.24

492 Ms F Thorn, Department of Health, correspondence to the Committee, received 21 December 2009, p.3

The first implementation was scheduled to happen by 30 November 2009 and had occurred by the time of the Department's letter to the Committee in December 2009. Roll-out is scheduled to be complete to all 10 agencies by June 2011.<sup>493</sup>

The Committee is satisfied that this recommendation has been implemented.

### **2.2.3 Planning for the remaining components**

The Auditor-General found that some of the delays to the project had been caused by inaccurate estimates of agencies' costs in implementing the system and by the lack of a whole-of-program business case. To facilitate the effective delivery of the remaining components of the program, he made two recommendations:<sup>494</sup>

- that a system to monitor agencies' costs be developed and implemented; and
- that an evidence-based business case in line with current better practice be developed.

In December 2008, the Minister for Finance reported that:<sup>495</sup>

*A suitable template is being developed in consultation with agency Chief Financial Officers (CFOs) to allow participating agencies to formally report back to DHS. Once the template has been agreed, it will be integrated into the normal reporting cycle to DHS ...*

However, as at December 2009, the Department of Health explained that it is still yet to finalise a method of recording agencies' costs and had not monitored these costs.<sup>496</sup>

The Department of Human Services, at the time of the audit, also indicated that it did not agree with the assessment that a more detailed business case would have prevented some of the problems that had been encountered.<sup>497</sup>

The Committee notes that, despite not adopting the Auditor-General's recommendations, the Department has managed to implement all of the components of the program that were outstanding at the time of the audit with two exceptions, both of which have a schedule for roll-out that involves all of the agencies within the scope for those components.

### **2.2.4 Measuring benefits**

The Auditor-General made a number of recommendations to ensure that benefits achieved by the program can be measured and that the program's success can be evaluated. These recommendations included establishing baselines for performance measures, monitoring the benefits after implementation and identifying full true costs.

---

493    ibid.

494    Victorian Auditor-General's Office, *Delivering HealthSMART – Victoria's Whole-of-Health ICT Strategy*, April 2008, pp.29–31, 34–8

495    Minister for Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, December 2008, p.24

496    Ms F Thorn, Department of Health, correspondence to the Committee, received 21 December 2009, p.4

497    Victorian Auditor-General's Office, *Delivering HealthSMART – Victoria's Whole-of-Health ICT Strategy*, April 2008, p.7

The Auditor-General stated that without a detailed business case including a baseline analysis, it was difficult to demonstrate that the program's benefits would exceed the costs or that the program would provide value-for-money.<sup>498</sup> Without this information it is difficult for the Department to demonstrate that the program has been effective.

The Minister of Finance advised that the agencies would develop their own business cases and that these would help to identify the local costs and benefits of the program.<sup>499</sup> The Committee shares the Auditor-General's view that business cases should provide baseline data against which the efficacy of a program can be measured. It was disappointing to note that the Department advised that, of the agencies which it has looked at for program review so far, *'none had benchmark information available prior to their HealthSMART implementations.'*<sup>500</sup>

The Department of Health has advised the Committee that it has developed a business realisation framework which consists of both developing benefits management plans prior to the remaining implementations and using *'a retrofit process'* to build benefits management plans for completed or underway implementations. The Department explained that:<sup>501</sup>

*The outcome of both approaches will provide a comprehensive view across the Program of expected benefits, the timing of when the benefits are expected to be realised and the degree to which success can be measured...*

*[Each benefits management plan] will identify specific benefits, the business driver it supports, its means of verification, the current baseline value, the target value, a benefit owner and a timeframe for measurement.*

Importantly, the benefits identified through this process are linked back to whole-of-program benefits:<sup>502</sup>

*Benefits identified at the agency level will also be linked back to a HealthSMART business driver which in turn will substantiate how effective HealthSMART has been in delivering expected benefits. In some cases agency level benefits will align with agency specific business drivers which may exist outside of the HealthSMART drivers. These latter benefits will also be captured and reported.*

Whilst the Committee considers these actions to be positive steps, it is concerned that the measures for success established through these processes are robust and meaningful. The Auditor-General noted that, in the work done by the time of the audit, baseline measures had not been established for certain components of the system, and in some cases existing key performance indicators focused on outputs rather than outcomes or benefits.<sup>503</sup> The Department of Health has advised that it considers baselines for some components difficult to define.<sup>504</sup>

498 *ibid.*, p.37

499 Minister for Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, December 2008, p.24

500 Ms F Thorn, Department of Health, correspondence to the Committee, received 21 December 2009, p.6

501 *ibid.*

502 *ibid.*

503 Victorian Auditor-General's Office, *Delivering HealthSMART – Victoria's Whole-of-Health ICT Strategy*, April 2008, p.52

504 Ms F Thorn, Department of Health, correspondence to the Committee, received 21 December 2009, p.7

The Committee encourages the Department to take whatever steps are necessary to ensure that its measures for success for all components are developed appropriately, including defined quantitative outcomes.

In order to accurately review and report on the program, it is also essential to identify the true costs involved, which include the agencies' costs. This information would also enable the Department to understand better the cost-related issues faced by agencies.<sup>505</sup> The Auditor-General noted that these were not being tracked centrally nor necessarily by each agency.<sup>506</sup> The Department has indicated that it is still not monitoring these costs and is yet to finalise a method to do so.<sup>507</sup>

**Recommendation 27: The Department of Health work together with agencies to identify agencies' actual true cost contributions in implementing HealthSMART. This information, including total costs, should be publicly reported.**

### **2.2.5 Authorisation for changes**

The Auditor-General also commented that increases to the program budget had not, in his view, been authorised by the Government through the appropriate channels. A component of recommendation 3.2 was that the Department should seek authorisation for changes to system implementation and budget targets through the central agency amendment process.<sup>508</sup>

The Department of Human Services disagreed with the Auditor-General about the necessity of this at the time of the review.<sup>509</sup> Since the audit, the Department has provided additional funding to project teams and revised implementation dates. Prior approval for these changes has been sought from the relevant departmental steering committee and the Board of Health Information Systems.<sup>510</sup> Changes have not been referred to the Government as recommended by the Auditor-General.

### **2.2.6 Whole-of-life asset management**

The Auditor-General found that there had been a past pattern of under-investment in ICT infrastructure and that this created a risk that agencies would '*not be able to keep their infrastructure up to date and may not fully benefit from the investments made through the HealthSMART program.*'<sup>511</sup> Consequently, the audit recommended that the Department of Human Services adopt a whole-of-life asset management approach to ICT investment so that agencies' ICT infrastructure needs could be addressed.

---

505 Mr D Pearson, Victorian Auditor-General's Office, correspondence to the Committee, received 15 December 2009, p.1

506 Victorian Auditor-General's Office, *Delivering HealthSMART – Victoria's Whole-of-Health ICT Strategy*, April 2008, p.31

507 Ms F Thorn, Department of Health, correspondence to the Committee, received 21 December 2009, p.4

508 Victorian Auditor-General's Office, *Delivering HealthSMART – Victoria's Whole-of-Health ICT Strategy*, April 2008, p.30

509 *ibid.*, pp.4, 30

510 *ibid.*

511 *ibid.*, p.41

The Department of Health informed the Committee that it now takes a whole-of-life approach to ICT investments within the scope of HealthSMART, based on a five-year technology refresh. The Department also explained that replacing obsolete technology has been facilitated by increasing the amount of centralised infrastructure.<sup>512</sup>

More broadly, this issue is being considered as part of the development of the Whole of Health ICT Strategy 2009-13.<sup>513</sup>

The Committee is pleased to see that this recommendation has been implemented.

## 2.2.7 Program monitoring and review

The audit found that adequate governance structures had been established for the project and that sound program management and risk management processes had been put in place. However, the Auditor-General stated that governance could be strengthened through timely Gateway reviews and regular internal audits.<sup>514</sup> At the time of the audit, only one Gateway review had been conducted on one component of the HealthSMART program.<sup>515</sup>

The Department of Human Services responded to the recommendation at the time of the audit by *‘supporting audit recommendations to further strengthen governance.’*<sup>516</sup> The Department of Treasury and Finance undertook to liaise with the Department of Human Services *‘to assess the opportunities for future [Gateway] reviews of this program’*<sup>517</sup> and in 2008 the Department of Human Services was developing a schedule for future reviews.<sup>518</sup>

In December 2008, the Minister for Finance also reported that the Department of Human Services *‘will develop a program of work with its internal audit unit that will complement the activities it expects to undertake with the Gateway unit.’*<sup>519</sup>

In correspondence from the Department of Health, however, the Committee was informed that:<sup>520</sup>

*No internal audits of the Program have been conducted. The Department considers that the complex and specific nature of the Program is better reviewed via the expertise brought via Gateway reviews and other specialist groups. The Department also considers that the Board of Health Information Systems, consisting of senior health service, DoH and central agency staff, is appropriate to govern the Program.*

512 Ms F Thorn, Department of Health, correspondence to the Committee, received 21 December 2009, p.5

513 Minister for Finance, *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2007-08*, December 2008, p.25

514 Victorian Auditor-General’s Office, *Delivering HealthSMART – Victoria’s Whole-of-Health ICT Strategy*, April 2008, pp.46–52

515 *ibid.*, p.48

516 *ibid.*, p.9

517 *ibid.*, p.9

518 Minister for Finance, *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2007-08*, December 2008, p.25

519 *ibid.*

520 Ms F Thorn, Department of Health, correspondence to the Committee, received 21 December 2009, p.5

The Department of Health informed the Committee that only two Gateway reviews have taken place since the audit – one Gate 5 review of just the Clinical Systems component (and not the other four components) and a mid-program review focusing on the implementation methodology and its use by the Finance and Materials Management Systems.<sup>521</sup> This makes a total of two Gateway reviews across the five components and one of the program.

The Committee notes that the Auditor-General considered the Board of Health Information Systems to be effective.<sup>522</sup> At the same time, however, the Committee agrees with the Auditor-General's findings and recommendations about the importance of independent reviews. A key element of the Gateway review process is that review teams are independent from the project and, in the case of high-risk projects, independent from the Department. Their independent findings are designed to provide assurance to the senior responsible owner that the project or program can progress to the next stage. Gateway reviews are supposed to occur at multiple key decision points, providing an ongoing independent check on a program.<sup>523</sup> The Committee considers that the lack of these regular, independent reviews on all aspects of the program represents less robust program governance than is desirable.

Moreover, the Committee considers that these reviews should take place given that the approval for the program required it to be subject to Gateway reviews.<sup>524</sup>

**Recommendation 28: The Department of Health undertake the remaining Gateway reviews at the appropriate points for the remaining components of the HealthSMART program, including Gate 6 (benefits evaluation) for the completed components.**

**Recommendation 29: The Department of Treasury and Finance put in place processes that strengthen requirements for agencies to conduct Gateway reviews.**

The Committee also understands that the Department has not used internal audits as a review mechanism for this program. The Department should note the Department of Treasury and Finance's advice that Gateway reviews are designed to complement internal process and that they do not replace the need for audits of a number of key areas.<sup>525</sup>

**Recommendation 30: The Department of Health appoint its internal audit unit to monitor progress on the ongoing performance evaluation of the HealthSMART program, including ensuring that robust performance measures are in place.**

---

521 *ibid.*

522 Victorian Auditor-General's Office, *Delivering HealthSMART – Victoria's Whole-of-Health ICT Strategy*, April 2008, pp.46–8

523 Department of Treasury and Finance, *Review Team*, <<http://www.gatewayreview.dtf.vic.gov.au/CA256EF40083ACBF/0/CC7A9947B844E256CA256F56000B96D8?OpenDocument>>, accessed 5 February 2010; Department of Treasury and Finance, *Gateway Review Process: Overview*, Version 4, October 2009, pp.2–3

524 Victorian Auditor-General's Office, *Delivering HealthSMART – Victoria's Whole-of-Health ICT Strategy*, April 2008, p.48

525 Department of Treasury and Finance, *Gateway Review Process: Overview*, Version 4, October 2009, pp.2–3

**Recommendation 31:** The Department of Health undertake all Gateway reviews and internal audits on all appropriate ICT projects in the future.

**Recommendation 32:** Within two years of the roll-out of all components of HealthSMART, the Auditor-General undertake an audit to assess the extent of benefits realised by the program, including the success of the integration of all system components comprising HealthSMART and the effectiveness of ongoing program monitoring.



# CHAPTER 3: VICTORIA'S PLANNING FRAMEWORK FOR LAND USE AND DEVELOPMENT

## 3.1. Introduction

Planning is about the use and development of land. The objectives of planning in Victoria are set out in the *Planning and Environment Act 1987*. The Act is enabling legislation and does not precisely define the scope of planning, how it should be done or the detailed rules that should apply to land use and development. These and other more detailed matters are dealt with by subordinate instruments under the Act, such as the Victoria Planning Provisions, planning schemes, regulations and Ministerial Directions.<sup>526</sup>

The Act provides for the Minister to prepare a statewide reference document containing a comprehensive set of standard planning provisions called the Victoria Planning Provisions (VPP). Planning schemes, which control land use and development within municipalities, are constructed using the appropriate provisions in the VPP.

The Government is currently reviewing the *Planning and Environment Act 1987* with a view to modernising Victoria's planning system and ensuring that the Act responds to contemporary planning issues.

The Department of Planning and Community Development (DPCD) is responsible for land-use planning and environment assessment in Victoria. This includes managing the regulatory framework and providing advice on planning policy, urban design and strategic planning, as well as information on land development and forecasting.

To give effect to the planning objectives of the Act, there are broadly two types of planning: strategic planning and statutory planning.

### **Strategic planning**

The VPP include the State Planning Policy Framework (SPPF), which must be incorporated into all planning schemes in Victoria. The purpose of including the SPPF in planning schemes is to inform planning authorities and responsible authorities of those aspects of State level planning policy which they are to take into account and give effect to in planning and administering their respective areas. The SPPF is dynamic, and is revised as the Government develops and refines policy to reflect the changing needs of the community.

The SPPF provides policy guidelines to assist planning authorities in identifying relevant plans and strategies. The documents referred to are wide ranging, and as diverse as the *Renewable Energy Action Plan*, *Victorian Cycling Strategy*, *Victorian Coastal Strategy*, *Safer Design Guidelines for Victoria*, *Precinct Structure Planning Guidelines* and *Code of Practice for Timber Production*.<sup>527</sup>

---

526 Department of Planning and Community Development, *Modernising Victoria's Planning Act – A discussion paper on opportunities to improve the Planning and Environment Act 1987*, March 2009, p.10

527 Department of Planning and Community Development, *Victoria Planning Provisions*, <<http://www.dse.vic.gov.au/planningschemes/VPPs>>, accessed 12 April 2010

The most significant strategic planning policy is *Melbourne 2030*, released in 2002, which is a 30 year plan to manage population growth and change across metropolitan Melbourne and the surrounding regions as well as growth areas in regional Victoria. The main intention of *Melbourne 2030* is to continue to protect the liveability of the established areas and to increasingly concentrate major change in strategic redevelopment sites such as activity centres and underdeveloped land. *Melbourne 2030* is designed to provide context for other sectoral plans in areas like transport and housing.<sup>528</sup>

In 2008, *Melbourne @ 5 million* was released as an update to *Melbourne 2030* to take into account the faster than anticipated increase in the projected population of Melbourne. *Melbourne @ 5 million* sets out policy initiatives that are complementary to the directions of *Melbourne 2030*. Its focus is on developing a multi-centre city by creating six new Central Activities Districts, supported by employment corridors that link activity centres, universities, research and technology precincts, medical precincts, and areas with high employment. It proposes expanding the outer Melbourne Urban Growth Boundary to accommodate new dwellings and maintain housing affordability.<sup>529</sup>

The VPP also make provision for strategic planning at the local level. The Local Planning Policy Framework sets a local and regional strategic policy context for a municipality. It includes a Municipal Strategic Statement (MSS), which is a statement of the key strategic planning, land use and development objectives for a municipality, and the strategies and actions for achieving those objectives. The MSS is intended to be continually refined as a council develops and revises its strategic directions in response to the changing needs of the community. The Local Planning Policy is also part of the Local Policy Framework. It is one of the tools available for implementing objectives and strategies in the MSS. It states what the responsible planning authority will do in specified circumstances or the responsible authority's expectation of what should happen in those circumstances.<sup>530</sup>

### **Statutory planning**

This refers to the tools, mechanisms and processes established by the *Planning and Environment Act 1987* for controlling land use and development. The Act sets out procedures for preparing and amending the VPP and planning schemes, obtaining permits under schemes, settling disputes, enforcing compliance with planning schemes, and other administrative procedures.<sup>531</sup>

---

528 Department of Planning and Community Development, *Melbourne 2030 Strategy*, October 2002

529 Department of Planning and Community Development, *Melbourne 2030: a planning update – Melbourne@5 million*, December 2008

530 Department of Planning and Community Development, *Victoria Planning Provisions*, < <http://www.dse.vic.gov.au/planningschemes/VPPs>>, accessed 12 April 2010

531 Victorian Auditor-General's Office, *Victoria's Planning Framework for Land Use and Development*, May 2008, p.17

### **3.1.1 Audit of Victoria's Planning Framework for Land Use and Development**

The broad objective of the audit undertaken by the Auditor-General in 2008 was to assess the effectiveness, economy and efficiency of Victoria's planning framework for land use and development at the whole-of-state and local levels. The audit examined whether:<sup>532</sup>

- at the whole-of-state level:
  - the key elements of planning schemes are clear and assist robust and consistent decision-making.
  - adequate arrangements are in place to measure and report the performance of the state's planning framework.
- at the local council level:
  - the requisite policies and procedures are in place, including adequate quality assurance arrangements to align council-level decisions with the *Planning and Environment Act 1987*, the State Planning Policy Framework and their own planning schemes.
  - the processing of planning permit applications and planning scheme amendments complies with the Act and with their own planning schemes.

The Auditor-General made extensive findings. Amongst his main findings were:

- the intended purpose and relationships between the key VPP components of planning schemes are transparent, logical and consistent with the objectives of the planning framework established under the Act;
- the underlying architecture of the VPP framework is sound, however, a number of challenges and issues associated with its implementation have emerged which are impeding the effective and efficient operation of planning schemes;
- existing arrangements within DPCD do not allow for comprehensive measurement and monitoring of the overall performance of the planning system;
- councils did not adequately comply with the Act when amendments were made to applications before a council decision; and
- considerable improvement in the quality assurance provided by senior council planning staff over the accuracy and processing of permit applications is required.

---

532    *ibid.*, p.19

The Auditor-General commented:<sup>533</sup>

*These findings require remedial action both at a local council level and, due to their extent and significance, at the statewide level via a multi-pronged system-wide approach coordinated by DPCD in partnership with local government and key stakeholder groups. This approach should adopt the specific goal of raising the standard of statutory planning in councils and therefore the overall performance of Victoria's planning system.*

The Auditor-General made 25 recommendations focused on the following areas:<sup>534</sup>

- measuring the performance of the state's planning framework;
- council management of the planning scheme amendment process;
- council management of the planning permit process; and
- statewide approach to improving statutory planning in councils.

In response to the audit findings, DPCD welcomed the key finding that the underlying architecture of Victoria's planning system is sound. It acknowledged that the Department had an important role to oversight the operation and reform of the planning system. It responded that DPCD agreed in-principle with the recommendations in the report, and would work closely with the local government sector and other key stakeholders to develop an agreed framework for an improved performance measurement and reporting regime as recommended in the report.<sup>535</sup>

DPCD noted that the review of the *Planning and Environment Act 1987* would provide further opportunities to streamline and simplify planning processes and to improve reporting and quality assurance opportunities. The Department advised that the recommendations included in the Auditor-General's report would be an important input into the review of the Act.<sup>536</sup>

### **3.1.2 Scope of the Committee's review**

As part of this follow-up review, the Committee sought written information from DPCD on the status of the actions the Department had advised the Auditor-General it would undertake in response to his recommendations.

The Committee requested that DPCD take carriage of providing further comments on behalf of the local government sector, including for those cases where recommendations were directed at councils in general and the Department's response to the report had stated '*these recommendations are noted*'.<sup>537</sup> The Committee advised DPCD that it was particularly interested in how DPCD had worked with the local government sector to achieve the outcomes recommended by the Auditor-General.

---

533 *ibid.*, p.6

534 *ibid.*, pp.6–11

535 *ibid.*, pp.11–12

536 *ibid.*, p.11

537 Public Accounts and Estimates Committee, correspondence to the Secretary, Department of Planning and Community Development, 18 November 2009

The Committee requested guidance from the Auditor-General on the prioritisation of his recommendations. The Auditor-General responded that recommendations 4.1, 4.2, 4.3, 5.1 and 7.1 were considered significant and were afforded a high priority rating.<sup>538</sup> The Committee therefore focused on the action taken to implement these recommendations.

## **3.2. Measuring the performance of the State's planning framework**

### **3.2.1 Recommendation 4.1 – Measuring the performance of the State's planning system**

The audit found that existing arrangements within DPCD do not allow for comprehensive measurement and monitoring of the overall performance of the planning system. Performance measurement arrangements have not been developed to assess the impact of recent changes to the legislative and regulatory framework designed to improve the effectiveness and efficiency of statutory processes. There are no performance standards in place for DPCD regions to measure the effectiveness and efficiency of their advisory and statutory support services to councils.<sup>539</sup>

The audit recommended that a more comprehensive framework for measuring the performance of the State's planning system should be developed by DPCD in conjunction with key stakeholders. The framework should include key performance indicators, targets and reporting arrangements for assessing:<sup>540</sup>

- the achievement of planning outcomes at the local and whole-of-state levels;
- the effectiveness and efficiency of key planning permit and planning scheme amendment processes, including the performance of councils and DPCD in the administration of those processes;
- the administrative impact on councils arising from their compliance with statutory processes and the extent to which implemented reforms have achieved their objectives and/or reduced such impacts;
- the effectiveness of the full suite of VPP provisions for ensuring certainty and consistency in decision-making on an ongoing basis, including the degree to which any amendments made have improved the operation of the provisions;
- the extent to which councils have fulfilled their obligations under the Act as planning and responsible authorities; and
- DPCD's overall performance in managing and supporting the state's planning framework.

DPCD advised that it supported this recommendation. The Department stated that a framework for measuring the performance of the planning system would be developed in consultation with local government, planning industry and the community.<sup>541</sup>

---

538 Mr D Pearson, Auditor-General, correspondence to the Committee, received 15 December 2009

539 Victorian Auditor-General's Office, *Victoria's Planning Framework for Land Use and Development*, May 2008, pp.37–8

540 *ibid.*, p.48

541 *ibid.*, p.49

In seeking an update on the development of the framework, the Committee was advised by DPCD that as part of the current review of the *Planning and Environment Act 1987*, it is proposed to introduce a legislative requirement for stakeholders involved in planning activities to report annually to the Minister for Planning. The Minister, DPCD, planning authorities, responsible authorities and referral authorities would be required to meet this reporting obligation. The reporting requirements would be specified in regulations.

DPCD further advised that following the legislative amendments, it would work in partnership with local government and other stakeholders to develop an effective monitoring and reporting framework in the context of the recommendations made by the Auditor-General. This would be implemented through regulations. Subject to Parliamentary approval of the legislative amendments, a 12–18 month timeframe had been set for completing the framework.<sup>542</sup>

The Department advised that the monitoring and reporting framework will be reviewed over time to ensure its effectiveness and to identify refinements to the framework.<sup>543</sup>

The Committee notes that as part of the review of the *Planning and Environment Act 1987*, DPCD prepared a paper seeking public comment by 12 February 2010 on proposed amendments to the Act. In relation to monitoring and reporting, it was proposed that:<sup>544</sup>

*Key stakeholders will be required to report on their planning activities annually. This is in line with the Victorian Auditor General's Office (VAGO) recommendation of an annual review of planning functions to ensure compliance with the Act. The Minister, the Department, planning authorities, responsible authorities and referral authorities will be required to meet this obligation.*

*The introduction of an annual report will create consistency in reporting across the State, and ensure relevant data is gathered which will enable State and local governments to monitor strategic objectives and outcomes, and provide for continuous improvement to statutory processes.*

*The introduction of an effective monitoring and reporting framework for the planning system will be developed in partnership with local government and other stakeholders to ensure that requirements are not onerous, and that the framework results in real improvements to the planning system. The reporting requirements will reflect the work currently being undertaken by the Municipal Association of Victoria (MAV), in partnership with the Department, to improve local government planning processes.*

The Committee welcomes DPCD's commitment to introducing an effective monitoring and reporting framework for Victoria's planning system and to ensuring that reporting requirements are mandated through legislation.

---

542 Mr T Quach, Manager, Corporate Reporting, Department of Planning and Community Development, correspondence to the Committee, received 2 February 2010, p.1

543 *ibid.*

544 Department of Planning and Community Development, *Modernising Victoria's Planning Act – Commentary on the draft Bill*, December 2009, p.57

Noting the Auditor-General's comment that the development and management of a performance measurement framework will be a significant undertaking with potential resource implications, the Committee is of the view that DPCD should commence the process of consulting stakeholders and developing the framework as soon as possible. While the reporting elements of the proposed framework may be subject to legislative approval, considerable progress can be made in developing performance indicators and targets for the key areas identified for assessment by the Auditor-General so that the framework can be finalised without delay following the approval of amendments to the *Planning and Environment Act 1987*.

**Recommendation 33: The Department of Planning and Community Development commence the development of a comprehensive performance measurement framework for the state's planning system as soon as possible to ensure its timely implementation following legislative amendments to the Planning and Environment Act 1987.**

### **3.2.2 Recommendation 4.2 – Stakeholder feedback**

While DPCD currently consults with relevant peak bodies, councils and other key parties as required, the audit found that there was room for more regular round table forums with stakeholders. This consultation process would allow dialogue and feedback on the current operation of the planning framework, including areas and strategies for improvement, and how best to address emerging issues and trends.<sup>545</sup>

The audit recommended that to support and complement the operation of the performance measurement framework, DPCD should establish an ongoing program of stakeholder consultation to explore more specific issues such as the operation associated with parts of the Act, statutory processes and the VPP.<sup>546</sup>

The Committee inquired if DPCD had formalised an ongoing program for obtaining stakeholder feedback, apart from the processes built into reviews of the planning system. The Department responded that it had an Engagement Strategy for consulting stakeholders on major reviews. It conducted an annual online survey of the 2,700 subscribers to the weekly electronic publication, *Planning Matters*. Stakeholders also had the opportunity to provide online submissions on other planning issues.<sup>547</sup>

The Committee was also aware that the Minister undertook regular consultations with municipalities either on a statewide basis through peak bodies or on a regional basis.

**Recommendation 34: As part of developing a comprehensive performance measurement framework, the Department of Planning and Community Development consult stakeholders through a program of round table forums, and consider a system for providing feedback to stakeholders.**

545 Victorian Auditor-General's Office, *Victoria's Planning Framework for Land Use and Development*, May 2008, p.47

546 *ibid.*, p.49

547 Mr T Quach, Manager, Corporate Reporting, Department of Planning and Community Development, correspondence to the Committee, received 2 February 2010, p.1

### **3.2.3 Recommendation 4.3 – Progressing the performance measurement framework**

The audit recommended that DPCD should develop a comprehensive strategy with detailed timelines for the further development and implementation of the performance measurement framework.<sup>548</sup>

In its initial response to the Auditor-General, the Department advised that its implementation of a performance measurement framework would be facilitated with the development of ePlanning capabilities. Currently, the Department's Planning Permit Activity Report (PPAR) provides automated reporting on planning permit application performance. The Permit Applications Online project was currently under development and included PPAR compatible reporting ability. DPCD advised that as the system was further developed and rolled out, the Department would identify opportunities to build in further monitoring of the system.<sup>549</sup>

In its update to the Committee in February 2010, DPCD advised that SPEAR Planning, a central online web based system that enables the lodgement, tracking, referral and decision of planning permits to be undertaken online, is now fully available to all councils. The system can provide a sample of performance management but has the potential to provide more comprehensive performance monitoring when the system is taken up by a majority of councils.<sup>550</sup>

As noted in its comments in respect of recommendation 4.1, the Committee is concerned by the possibility of extended delays in introducing a comprehensive performance measurement framework for the planning system. The Committee is encouraged by the potential of SPEAR Planning, and urges DPCD to continue to develop the performance management capacity of the system, and encourage its take-up by all councils. The Committee also supports the Auditor-General's recommendation that the Department prepare detailed timelines for the further development and implementation of the framework.

**Recommendation 35: The Department of Planning and Community Development continue to develop the performance measurement capacity of its online system, and prepare detailed timelines for the further development and implementation of the performance measurement framework.**

### **3.2.4 Recommendation 4.4 – Performance targets for the planning scheme amendment process**

The audit recommended that DPCD should review and revise the existing performance targets for the planning scheme amendment process so that they accurately reflect the elapsed time for decisions to be made on authorisations and approvals.

---

548 Victorian Auditor-General's Office, *Victoria's Planning Framework for Land Use and Development*, May 2008, p.49

549 *ibid.*, p.50

550 Mr T Quach, Manager, Corporate Reporting, Department of Planning and Community Development, correspondence to the Committee, received 2 February 2010, p.2

The Department advised the Committee that revisions of the performance targets would be considered as part of the *Planning and Environment Act 1987* review, under which amendments to the planning scheme amendment process are proposed.<sup>551</sup>

### 3.3. Council management of the planning scheme amendment process

#### 3.3.1 Recommendation 5.1 – Planning scheme amendment processes: timeframes, practices, indicators, reporting and corrective action

The audit found that planning scheme amendments are often complex, but the time taken to complete individual steps in the amendment process was excessive.<sup>552</sup>

The audit recommended that DPCD, in consultation with stakeholders, should review the planning scheme amendment process to:<sup>553</sup>

- identify optimal timeframes and practices for administering each major stage by all parties, taking into account the varying complexity of different amendments;
- develop relevant and appropriate key performance indicators for each major stage, including a system of public reporting against those indicators by councils and DPCD; and
- establish mechanisms to enable action to be taken to address significant and/or consistent failures by relevant parties to meet key performance targets.

DPCD advised the Auditor-General that it was currently reviewing the planning scheme amendment process, including a revision to the practice note and standard documentation. This review took into account aspects of the recommendations of the audit for the amendment process. It advised that the Department would work with the local government sector, including the Municipal Association of Victoria (MAV), on a statewide approach to implement issues raised by the audit. The impending review of the *Planning and Environment Act 1987* would provide an opportunity to explore changes to address the recommendations.<sup>554</sup>

In response to the Committee's request for an update on developments in this area and an account of the mechanisms in place to take corrective action if councils failed to meet key performance targets, DPCD advised that the *Planning and Environment Act 1987* review was proposing to establish a system for monitoring and reporting which would be rolled out after enactment. The Department advised that an increase in the transparency of reporting would encourage councils' continued improvement. The Department noted that it was difficult to define under-performance, as a council may have taken a longer period of time in order to achieve a more superior outcome.<sup>555</sup>

---

551     ibid.

552     Victorian Auditor-General's Office, *Victoria's Planning Framework for Land Use and Development*, May 2008, p.51

553     ibid.

554     ibid., p.60

555     Mr T Quach, Manager, Corporate Reporting, Department of Planning and Community Development, correspondence to the Committee, received 2 February 2010, p.3

The Committee acknowledges the commitment given by DPCD to continue to develop education and training courses through its PLANET program which teaches councils about effective planning scheme amendment processing.<sup>556</sup>

Again, the Committee is concerned that work on improving planning scheme amendment processes, developing key performance indicators and a system of reporting against those indicators might be delayed pending legislative approval of proposed amendments to the *Planning and Environment Act 1987*. The Committee notes that the relevant provisions of the draft Bill which refer to monitoring and reporting contain very little that is prescriptive.<sup>557</sup> It is the Committee's view that there is scope for the Department to begin working on the detail of improving planning amendment processes now to enable their timely implementation following legislative approval of amendments to the Act.

**Recommendation 36: The Department of Planning and Community Development commence development of key performance indicators and a system of reporting against those indicators to help improve council performance in processing planning scheme amendments.**

### **3.3.2 Recommendation 5.4 – Defining ‘materially affected’ and guidelines for facilitating consistency across councils**

The audit found that councils generally complied with the Act in relation to the administration of notification procedures for parties considered materially affected by a planning amendment. However, the basis upon which councils decided to notify these parties was not transparent or adequately documented. The Auditor-General recommended that DPCD, in consultation with councils, should develop a clear definition of the term ‘materially affected’, including guidelines for making determinations to facilitate consistency across councils.<sup>558</sup>

DPCD advised the Committee that proposed amendments to the *Planning and Environment Act 1987* include a new requirement for certification of planning scheme amendments by the Secretary of the Department before an amendment is exhibited. Amongst other matters, this new step will enable the Secretary to specify any public notice requirements for the amendment. The need for further guidance on public notification will be considered as part of the review of the *Planning and Environment Act 1987*.<sup>559</sup>

---

556 *ibid.*

557 Planning and Environment Amendment (General) Bill 2009 (Exposure Draft), Proposals 18, 21

558 Victorian Auditor-General's Office, *Victoria's Planning Framework for Land Use and Development*, May 2008, p.51

559 Mr T Quach, Manager, Corporate Reporting, Department of Planning and Community Development, correspondence to the Committee, received 2 February 2010, p.3

### **3.3.3 Recommendation 5.6 – Developing a standard report template for council officers**

The audit found that council officer reports did not always cover in sufficient depth planning scheme amendment matters following exhibition. The Auditor-General recommended that DPCD, in consultation with councils, should develop a standard report template so that the requirements of the Act, issues raised by submitters, and relevant planning scheme provisions were consistently and comprehensively discussed in council officer reports.<sup>560</sup>

The Committee notes information provided by the Department that work undertaken as part of the review of the *Planning and Environment Act 1987* will form part of the preparation of standard report templates in future. The Committee was also advised that the development of standard report templates may result from the Planning Process Improvement Project currently being undertaken by the MAV in partnership with DPCD.<sup>561</sup>

### **3.3.4 Recommendation 5.7 –Introducing peer reviews**

The Auditor-General recommended that DPCD should assist councils to develop and implement procedures requiring targeted, risk-based peer reviews of officer reports against defined standards before transmission to council, to provide assurance that all relevant matters had been included and comprehensively addressed, and that evidence of this was documented.<sup>562</sup>

The Committee acknowledges DPCD's involvement in the MAV's Planning Process Improvement Project which, among other things, is examining peer review of reports and sign-offs within councils.<sup>563</sup>

### **3.3.5 Recommendations 5.2, 5.3, 5.5, 5.8, 5.9, 5.10 – Actions for Councils**

The Auditor-General made six recommendations that called for action to be taken by councils to improve the planning scheme amendment process.

The Committee was advised by DPCD that in relation to these recommendations as follows:

- assessing the planning scheme amendment against the requirements of Section 12 of the *Planning and Environment Act 1987* (**recommendation 5.2**), reviewing quality assurance processes (**recommendation 5.3**) and developing policies and standards for notification (**recommendation 5.5**):
  - a standard council model for assessments may evolve from the review of the planning scheme amendment process as part of the *Planning and Environment Act 1987* review;<sup>564</sup>

---

560 Victorian Auditor-General's Office, *Victoria's Planning Framework for Land Use and Development*, May 2008, pp.69–70

561 Mr T Quach, Manager, Corporate Reporting, Department of Planning and Community Development, correspondence to the Committee, received 2 February 2010, pp.3–4

562 Victorian Auditor-General's Office, *Victoria's Planning Framework for Land Use and Development*, May 2008, p.70

563 Mr T Quach, Manager, Corporate Reporting, Department of Planning and Community Development, correspondence to the Committee, received 2 February 2010, p.4

564 Mr T Quach, Manager, Corporate Reporting, Department of Planning and Community Development, correspondence to the Committee, received 2 February 2010, p.6

- maintaining documentation associated with the panel process for planning scheme amendments and making panel reports publicly available within statutory timeframes (**recommendation 5.8**):
  - documentation relating to amendments should be held by council while documentation relating to the hearing process is held by DPCD; and
  - reports received from planning panels are made publicly available by Planning Panels Victoria within statutory timeframes.<sup>565</sup>
- reviewing quality assurance arrangements relating to the adoption, submission to, and approval of amendments by the Minister (**recommendation 5.9**):
  - the MAV Planning Process Improvement Project will support this recommendation;
- ensuring that a number of controls connected with the collection of fees are implemented (**recommendation 5.10**):
  - the adoption of SPEAR Planning by councils will ensure that all steps outlined by the Auditor-General are undertaken in a transparent and consistent manner.

### **3.4. Council management of the planning permit process**

#### **3.4.1 Recommendation 6.5 - Assessing the concept of 'material detriment'**

The audit found that most councils complied with the Act and the planning scheme in giving notice of an application where it was considered there was material detriment to parties affected by the application. However, the rationale for decisions concerning detriment was neither transparent nor adequately documented in most cases.

The Auditor-General recommended that to facilitate consistency across councils, DPCD, in consultation with councils, should identify the factors to be taken into account when assessing material detriment and develop guidelines for making such determinations.<sup>566</sup>

The Committee notes DPCD's advice that the need for guidance on public notification is another area being considered as part of the *Planning and Environment Act 1987* review.<sup>567</sup>

The Committee supports the Auditor-General's recommendation, and is of the view that DPCD, in consultation with councils, will need to develop appropriate guidelines for making determinations concerning detriment.

#### **3.4.2 Recommendations: 6.1, 6.2, 6.3, 6.4, 6.6, 6.7, 6.8, 6.9, 6.10 – Actions for Councils**

The Auditor-General made nine recommendations that called for action to be taken by councils to improve the management of the planning permit process.

---

565     ibid.

566     Victorian Auditor-General's Office, *Victoria's Planning Framework for Land Use and Development*, May 2008, p.79

567     Mr T Quach, Manager, Corporate Reporting, Department of Planning and Community Development, correspondence to the Committee, received 2 February 2010, p.4

The Committee was advised by DPCD that in relation to these recommendations as follows:

- reviewing the adequacy of their pre-application procedures and records management involved in the planning permit process (**recommendation 6.1**):
  - the DPCD/MAV Planning Process Improvement Project will review, benchmark and improve processes across all councils;<sup>568</sup>
- keeping accurate records and registers relating to planning permits (**recommendation 6.2**):
  - these are acknowledged requirements of local councils under the *Planning and Environment Act 1987*;<sup>569</sup>
- strengthening their quality assurance processes associated with the planning permit process (**recommendation 6.3**):
  - the adoption of SPEAR Planning by councils, which is encouraged by DPCD, will ensure that all steps outlined by the Auditor-General are undertaken in a transparent and consistent manner;<sup>570</sup>
- implementing targeted training and quality assurance processes associated with amendments made to planning permit applications before a decision is made (**recommendation 6.4**) and planning scheme provisions for referral (**recommendation 6.7**):
  - the PLANET program offers councils training in these particular areas;<sup>571</sup>
- developing policies and standards for notification processes and decisions concerning planning permits (**recommendation 6.6**):
  - this will also be considered in the *Planning and Environment Act 1987* review;<sup>572</sup>
- reviewing their internal assessment processes to ensure that staff have adequate knowledge to identify and consider all relevant matters under the Act and planning scheme applicable to different types of applications (**recommendation 6.8**):
  - in 2009, the PLANET program offered approximately 15 courses on planning scheme operations and eight courses on strategic planning, which were well attended by the local government sector;<sup>573</sup>

---

568 *ibid.*, p.7

569 *ibid.*

570 *ibid.*, pp.7–8

571 *ibid.*, p.8

572 *ibid.*

573 *ibid.*, p.9

- ensuring proper consideration is documented and given to a range of matters when assessing planning permit applications (**recommendation 6.9**):
  - DPCD, through support to the to the MAV Planning Process Improvement Project, will review current council procedures, and benchmark and promote best practice to improve performance;<sup>574</sup>
- reviewing quality assurance processes (**recommendation 6.10**):
  - the comments outlined in the responses to recommendations 6.7, 6.8 and 6.9) cover this matter.<sup>575</sup>

### **3.5. Statewide approach to improve statutory planning in councils**

#### **3.5.1 Recommendation 7.1 – Implementing a multi-pronged strategy**

The audit found that the extent and significance of concerns relating to the processing of planning permit applications suggested that a multi-pronged system-wide strategy, coordinated by DPCD in partnership with local government and key stakeholder groups was needed to raise the overall standard of statutory planning in councils.

The Auditor-General recommended that the strategy should consist of the following three actions:<sup>576</sup>

- amending the Regulations to prescribe the matters which, as a minimum, must be addressed in officer reports when making assessments and decisions on matters concerning planning permits and planning scheme amendments;
- training and accreditation for councils' planning officers so that they have the minimum standard of knowledge and skills required to administer statutory planning functions. This should include management training for senior staff to enable them to effectively discharge their quality assurance responsibilities; and
- annual external review of councils' management of planning functions to ascertain their level of compliance with the Act and planning scheme. The results of these reviews should be reported directly to council and the minister, and be made publicly available.

The Auditor-General advised the Committee that he ranked this recommendation as a high priority.<sup>577</sup>

DPCD informed the Committee that the MAV Planning Process Improvement Project was established in response to the Auditor-General's report. DPCD is a partner with MAV in this project, and has funded a position in MAV to scope the program and roll it out across councils. The program, which is due to be launched in April 2010, will involve:

---

574 *ibid.*

575 *ibid.*

576 Victorian Auditor-General's Office, *Victoria's Planning Framework for Land Use and Development*, May 2008, p.113

577 Mr D Pearson, Auditor-General, correspondence to the Committee, received 15 December 2009

- a guided annual review of planning processes (both of quality and efficiency) with participant councils;
- a network of participants to share learnings and experiences;
- an annual conference; and
- benchmarking between councils.

The program will allow the MAV and DPCD to monitor the progress of councils and undertake specific improvement ideas.

Participation in the Planning Process Improvement Project will require councils to undertake an annual review of progress.

DPCD further advised that as part of the further implementation of ePlanning, Planning Permit Activity Reporting data is assisting councils to review management and processes by providing detailed information of all major permit activity, timing and decisions.

As indicated in the Department's advice to the Committee in relation to recommendation 4.1, as part of the review of the *Planning and Environment Act 1987*, it is proposed that a legislative requirement will be introduced for stakeholders involved in planning activities to report to the Minister for Planning on an annual basis.<sup>578</sup>

The Committee welcomes these positive initiatives. It commends DPCD's partnership with the MAV in establishing the Planning Process Improvement Project in response to the Auditor-General's report, and considers it will be a valuable long-term approach to improving the standards of statutory planning in councils.

The Committee considers that in addition to councils undergoing an annual self-assessment process through this program, based on a risk analysis DPCD should identify individual councils to be the subject of an independent external review.

**Recommendation 37:**     **In addition to councils undergoing a self assessment process, the Department of Planning and Community Development should identify individual councils to be the subject of an independent external review to ascertain whether the Auditor-General's recommendations have been adequately applied to their planning processes.**

---

578     Mr T Quach, Manager, Corporate Reporting, Department of Planning and Community Development, correspondence to the Committee, received 2 February 2010, pp.4–5



## CHAPTER 4: COORDINATING SERVICES AND INITIATIVES FOR ABORIGINAL PEOPLE

### 4.1. Introduction

The Government released the *Victorian Indigenous Affairs Framework* (VIAF) in October 2006. The aim of the Framework is to improve the life expectancy and quality of life for indigenous people in the State through a ‘whole-of-government’ approach to service delivery.

Whole-of-government policy implementation can be a challenge. There are a number of key factors to successful implementation including effective governance; the need for support from the executive; effective coordination between agencies; and continuous monitoring and performance evaluation.

The Auditor-General’s review sought to determine how well four government agencies (i.e. the Department of Planning and Community Development, the Department of Justice, the Department of Human Services and the Department of Education and Early Childhood Development) coordinated services and initiatives for indigenous Victorians under the VIAF. In particular whether:<sup>579</sup>

- roles, responsibilities and accountabilities were clearly defined and understood;
- inter-agency risks were identified and managed;
- adequate arrangements were in place to ensure the efficient use of resources;
- performance monitoring was undertaken to assess progress made;
- meaningful inter-agency communication and consultation took place;
- effective communication and consultation occurred with community stakeholders.

The Auditor-General noted the importance of the VIAF in seeking to reduce the relative disadvantage of indigenous Victorians but concluded that the arrangements surrounding implementation of the Framework had not been well established and there appeared to be minimal regard for improvements in coordinating the activities of government agencies. Also, the Auditor-General found that the responsibilities of the agencies involved were unclear and the risks associated with adopting a ‘whole-of-government’ approach had not been adequately identified.<sup>580</sup>

The Auditor-General made four recommendations focused on improving the governance arrangements in place within indigenous affairs and the approach to planning for indigenous affairs. These recommendations were directed at the Department of Planning and Community Development (the DPCD) as the lead agency for aboriginal affairs in the State with the exception of one recommendation directed at the Ministerial Taskforce for Aboriginal Affairs, which is a subcommittee of the Social Development Committee of Cabinet.

---

579 Victorian Auditor-General’s Office, *Coordinating Services and Initiatives for Aboriginal People*, June 2008, p.2

580 *ibid.*, Foreword, p.v

The DPCD's response as contained in the *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08* indicated that it considered some of the recommendations to be a matter for the Government to determine and that work in respect to other recommendations was already underway at the time of the audit.<sup>581</sup>

This chapter seeks to provide an update on the extent to which the recommendations made by the Auditor-General in his report have been actioned by the Department. In undertaking this follow-up review, the Committee sought written advice from the DPCD in relation to the implementation of the Auditor-General's recommendations. In addition, the Committee requested comment from the Auditor-General regarding the responses provided by the Department to the recommendations made. These comments and advice have been included in the following sections where appropriate.

## **4.2. Governance arrangements in indigenous affairs**

For the delivery of government programs and services where the policy issues are complex and interrelated, 'whole-of-government' approaches are being adopted to improve the effectiveness of policy implementation.

The Auditor-General noted that the success of these arrangements is dependent upon how well they have been designed and whether the associated funding, administrative and governance arrangements suit the scale, nature and complexity of the issues to be addressed.<sup>582</sup>

### **4.2.1 Roles and responsibilities within the governance and administrative framework**

The Ministerial Taskforce on Aboriginal Affairs was established to provide leadership in the administration of Indigenous affairs and comprised ministers with portfolios involved in tackling Indigenous disadvantage. The Taskforce is currently chaired by the Deputy Premier and includes the following members. The:<sup>583</sup>

- Minister for Aboriginal Affairs;
- Minister for Education;
- Minister for Children and Early Childhood Development;
- Minister for Health;
- Minister for Community Services;
- Minister for Finance; and
- Minister for Skills and Workforce Participation.

---

581 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, December 2008

582 Victorian Auditor-General's Office, *Coordinating Services and Initiatives for Aboriginal People*, June 2008, p.16

583 Department of Planning and Community Development, *The Ministerial taskforce on Aboriginal Affairs*, <<http://www.dpcd.vic.gov.au/web14/dvcmain.nsf/>>, accessed 1 March 2010

In addition to the Taskforce, the Auditor-General noted the existence of a Secretaries' Group for Aboriginal Affairs, which supports and advises the Taskforce, a Secretariat, which provides administrative support to the Taskforce and, a Secretaries' Group together with a Senior Officers' Group, which supports the work of the Secretaries' Group.

The Auditor-General reviewed documentation detailing the responsibilities of each of these groups and concluded that there was a need for the roles and responsibilities to be more clearly articulated and communicated across government.<sup>584</sup>

Further, the Auditor-General stated that the location of the Ministerial Taskforce on Aboriginal Affairs' Secretariat within the DPCD is distant from central agency coordination and funding processes and that this does not reflect the Central agency type role it undertakes. As such, the Auditor-General recommended that the location of the Secretariat within the DPCD be reconsidered by the Ministerial Taskforce on Aboriginal Affairs to maximise its effectiveness.

The Auditor-General also recommended that the DPCD clarify the roles and responsibilities of the Ministerial Taskforce on Aboriginal Affairs, Secretaries' Group for Aboriginal Affairs, Senior Officers' Group, Ministerial Taskforce on Aboriginal Affairs Secretariat and the Premier's Aboriginal Advisory Committee to ensure they are clearly and consistently understood. In addition, he recommended that the responsibilities of each group be publicly documented.<sup>585</sup>

#### **4.2.2 Location of the Secretariat to the Ministerial Taskforce on Aboriginal Affairs**

The DPCD advised the Committee that the role and membership of the Ministerial Taskforce on Aboriginal Affairs and the Premier's Advisory Council are described in the Government's Indigenous Affairs Report which is produced annually.<sup>586</sup>

In relation to the Auditor-General's recommendation for the relocation of the Secretariat of the Ministerial Taskforce for Aboriginal Affairs, the DPCD responded that the Taskforce reports directly to the Secretary of the DPCD. In addition, the location of the Task Force Secretariat within a line department enables it to draw on the resources of the DPCD and is consistent with the Department's whole-of-government role in relation to Victorian indigenous affairs. This role is outlined in the DPCD's Annual Report.<sup>587</sup>

#### **4.2.3 Administrative placement of Aboriginal Affairs in Government**

The Government has undertaken two reviews of the administration of indigenous affairs in Victoria in the past eight years.

- *Review of administrative arrangements relating to indigenous issues* – undertaken by the Department of Premier and Cabinet in 2001-02. This review recommended strengthening the role of Aboriginal Affairs Victoria and establishing a taskforce of departmental secretaries to provide leadership and drive the policy agenda.

---

584 Victorian Auditor-General's Office, *Coordinating Services and Initiatives for Aboriginal People*, June 2008, pp.21-4

585 *ibid.*, p.27

586 Mr T Quach, Manager, Corporate Reporting, Department of Planning and Community Development, correspondence to the Committee, received 2 February 2010, p.10

587 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, December 2009, p.70

- *Indigenous affairs Review* – undertaken in 2005-06 by the Departments of Premier and Cabinet, Treasury and Finance, and Planning and Community Development. The review made a number of recommendations including establishing a Ministerial Taskforce and strengthening and clarifying the role of Aboriginal Affairs Victoria.

In his report, the Auditor-General commented that many of the issues identified in these two reviews had not been addressed despite endorsement by the Government of almost all of the recommendations flowing from the reviews.<sup>588</sup>

The Auditor-General advised the Committee that the 2002 review of administrative arrangements had identified 'lack of authority' as an issue and recommended that aboriginal affairs be moved to the Department of Premier and Cabinet. This recommendation was endorsed but never actioned. In the 2006 review, the lack of authority to drive change was again highlighted.<sup>589</sup>

The Committee notes that despite recommendations made, in the 2002 and 2006 reviews and by the Auditor-General in 2008, to strengthen the authority surrounding indigenous affairs in the State, administration of the area has remained within a line agency.

In response to enquiries made to the Department by the Committee, the Department advised that the Ministerial Taskforce on Aboriginal Affairs is a subcommittee of the Social Development Committee of Cabinet and the Secretariat supporting the Taskforce remains in the DPCD in line with the Department's role in leading policy development for specific communities across Victoria. The Committee was directed to the Department's 2009 Annual Report outlining the DPCD's role in relation to whole-of-government activities and priorities.<sup>590</sup>

According to the DPCD, the Partnership and Coordination Framework, contained in the VIAF, provides the authorising environment for community and government policy leadership and these two groups comprise a part of that coordination framework. Further, the Taskforce Secretariat is an administrative unit which supports the work of the Taskforce not an entity within the VIAF Partnership and Coordination Framework.<sup>591</sup>

The Committee considers that adequate ministerial policy leadership and profile is provided by the Ministerial Taskforce on Aboriginal Affairs and the Premier's Advisory Council, and the location of the Secretariat support to the Taskforce within the DPCD does not, per se, diminish or dilute the authority, influence or effectiveness of the Taskforce in implementing the VIAF.

---

588 Victorian Auditor-General's Office, *Coordinating Services and Initiatives for Aboriginal People*, June 2008, p.15

589 Mr D Pearson, Auditor-General, correspondence to the Committee, received 15 December 2009, p.1

590 Mr T Quach, Manager, Corporate Reporting, Department of Planning and Community Development, correspondence to the Committee, received 2 February 2010, p.10

591 *ibid.*

#### **4.2.4 Managing the risks of ‘whole-of-government’ working arrangements**

The Auditor-General stated in his report that the risks associated with ‘joined-up’ or ‘whole-of-government’ working arrangements need to be identified and managed. He cited the common types of risks associated with ‘joined-up’ working arrangements to include:<sup>592</sup>

- Parties not working towards shared or commonly understood goals;
- The lack of appropriate resources, including skilled staff;
- Unclear leadership; and
- Lack of accountability, where roles and responsibilities are unclear.

The Auditor-General found that the agencies involved had not identified the risks and opportunities associated with the whole-of-government arrangements in place for implementation of the VIAF. He recommended that the DPCD, as the ‘lead’ agency should identify the risks associated with the whole-of-government approach being used to implement the VIAF and develop associated risk-management arrangements as part of the indigenous affairs governance framework, to manage those risks.<sup>593</sup>

#### **4.2.5 Current risk management arrangements within the administration of indigenous affairs**

The Department advised the Committee that departments with responsibility for elements of the VIAF take individual responsibility for their own risk management.<sup>594</sup> According to the Auditor-General, this maintains a ‘silo’ approach to management of what is a whole-of-government strategy. In the Auditor-General’s view the risks need to be managed ‘centrally’, ideally by the coordinator of the initiative, namely the DPCD.<sup>595</sup>

In addition to the organisational risks which the DPCD advises are managed by each of the individual departments involved in implementation, the Committee considers that it is important to identify and manage any risks associated with the whole-of-government policy implementation approach adopted. This form of risk management includes contingency plans for dealing with any potential barriers to implementation (e.g. the capacity of agencies to deliver and, the existence of clearly defined roles, responsibilities and outcomes) and can help to reduce the overall risk of delays in implementation and assist in producing more successful outcomes.

Based on the information provided, there seems to be insufficient risk management by the DPCD associated with the whole-of-government implementation of the VIAF. As such, it is the Committee’s view that the DPCD needs to develop a risk management strategy which clearly identifies and evaluates the risks associated with a whole-of-government approach to implementation of the VIAF together with processes to reduce the chance of the risks identified occurring and contingency plans in the event of any of the risks eventuating.

---

592 Victorian Auditor-General’s Office, *Coordinating Services and Initiatives for Aboriginal People*, June 2008, pp.25–6

593 *ibid.*, p.27

594 Mr T Quach, Manager, Corporate Reporting, Department of Planning and Community Development, correspondence to the Committee, received 2 February 2010, p.10

595 Mr D Pearson, Auditor-General, correspondence to the Committee, received 15 December 2009, pp.2–3

**Recommendation 38: The Department of Planning and Community Development considers developing a risk management strategy and a plan to mitigate identified risks, which covers the whole-of-government approach being taken to implement indigenous programs and initiatives across Victorian government agencies.**

### **4.3. Indigenous affairs planning**

The Auditor-General stated in his report that planning for indigenous affairs is complicated by the fact that various portfolios have different objectives associated with their particular Indigenous affairs responsibilities.<sup>596</sup> For example, the Department of Health delivers services and initiatives aimed at improving indigenous health. The Department of Education and Early Childhood Development implements actions aimed at improving, the literacy and numeracy outcomes of Indigenous children and, maternal health outcomes. The Department of Justice is seeking to reduce the incidence of family violence in the indigenous population and improve justice outcomes.

The Auditor-General stated that while each of these departments have developed their own plans and strategies for achieving certain goals set out in the VIAF, some issues do not necessarily fit within the boundaries of a single department and therefore an integrated approach to planning is required.<sup>597</sup>

#### **4.3.1 Strategic planning**

The Auditor-General reviewed the planning documents associated with the VIAF and found that the work plan of the Ministerial Taskforce for Aboriginal Affairs was not linked to a strategic plan and did not prioritise tasks or detail how tasks would be undertaken. Under the joint planning framework outlined in the VIAF, Departments were required to jointly develop action plans for 22 strategic change indicators. Also, the VIAF established planning processes for local Indigenous networks and place-based initiatives. The Auditor-General concluded that the absence of an overarching strategic plan for the VIAF meant that the relationship between the various planning processes in place were unclear.<sup>598</sup>

The Auditor-General found that the quality of many of the draft action plans developed by departments was deficient in terms of missing or incomplete information and whilst these draft action plans were due to be finalised and approved by the Taskforce by May 2008, the Auditor-General found that this had not occurred.<sup>599</sup>

The Auditor-General recommended that the DPCD develop strategic and implementation plans for the VIAF and review planning processes within DPCD and across portfolio departments involved in implementing the VIAF, to ensure alignment of the planning processes and provide for effective implementation of the areas identified for action in the VIAF.<sup>600</sup>

---

596 Victorian Auditor-General's Office, *Coordinating Services and Initiatives for Aboriginal People*, June 2008, p.30

597 *ibid.*, p.3

598 *ibid.*, p.33

599 *ibid.*, p.34

600 *ibid.*, p.29

The Department advised the Committee that departmental action plans have been developed against all strategic indicators in the VIAF and that these plans identify ‘critical cross-government actions that need to be taken to improve outcomes.’ The Department advised that major departmental strategies are either in place or are almost finalised covering each of the strategic areas of highest priority in the VIAF.

In addition, the Department advised that an internal strategic plan brings together key strategies, performance measures and actions across government. Despite a request from the Committee to the DPCD for a copy of any implementation and strategic plan, none was provided.

The DPCD advised the Committee that it is intending to release a revised strategic plan which will integrate key elements of the COAG *National Integrated Strategy for Closing the Gap in Indigenous Disadvantage* with the VIAF during 2010.<sup>601</sup>

### **4.3.2 Recent policy developments**

#### **Council of Australian Governments National Indigenous Reform Agreement**

In 2007-08, the Council of Australian Governments (COAG) agreed to a number of targets aimed at closing the gap in indigenous disadvantage. The COAG National Indigenous Reform Agreement, agreed to in November 2008, commits all jurisdictions to achieving the targets relating to health and mortality, early education participation, literacy and numeracy rates, Year 12 or equivalent completion, and employment outcomes.<sup>602</sup> Following this, a series of *Closing the Gap* initiatives have been developed to make progress in achieving specified targets. These initiatives include the:<sup>603</sup>

- *National Partnership on Closing the Gap in Indigenous Health Outcomes* – aims to reduce Indigenous chronic disease through targeted primary health care services. The *2009-10 Victorian Budget* included \$47 million over four years.
- *National Partnership on Indigenous Early Childhood Development* – will establish two Indigenous Children and Family Welfare Centres in Victoria to deliver integrated early learning, childcare and family support programs. The *2009-10 Victorian Budget* included \$22 million over six years for this initiative.

In addition, the *2009-10 Victorian Budget* included \$9.7 million over four years for a range of other initiatives aimed at improving the life and wellbeing of indigenous Victorians such as, maintenance of services for the ‘Stolen Generation’, programs aimed at increasing workforce participation rates of indigenous Victorians and, projects aimed at building individual and community leadership.<sup>604</sup>

---

601 Mr T Quach, Manager, Corporate Reporting, Department of Planning and Community Development, correspondence to the Committee 2 February 2010, p.11

602 Council of Australian Governments, *National Indigenous Reform Agreement, Intergovernmental Agreement on Federal Financial Relations*, July 2009, p.8, <[http://www.coag.gov.au/coag\\_meeting\\_outcomes/2009-07-02/docs](http://www.coag.gov.au/coag_meeting_outcomes/2009-07-02/docs)>, accessed 16 March 2010

603 Department of Treasury and Finance, *Budget Paper No.3, 2009-10 Service Delivery*, May 2009, p.39

604 *ibid.*, pp.39–40

## **2010 Annual Statement of Government Intentions**

The Committee notes that the *Annual Statement of Government Intentions* released by the Victorian Government in February 2010, states that a *Victorian Indigenous Affairs Strategic Plan* will be issued in 2010 which will encompass a revised VIAF and will incorporate commitments made in the COAG Closing the Gap agreements.<sup>605</sup>

The Government states that the new Plan will confirm targets for 2013, 2018 and 2023 across each of the strategic areas of action. In addition to this new Plan, the Government has advised that it will release the *Victorian Indigenous Economic Development Strategy* to improve the economic outcomes for aboriginal Victorians.<sup>606</sup>

### **4.3.3 Investment planning**

Given that improving outcomes for indigenous people involves a long-term commitment by Government, the Auditor-General's report included comment on the importance of long-term funding and resource planning.<sup>607</sup>

In February 2008, the Ministerial Taskforce for Aboriginal Affairs completed a review of the funding arrangements for Indigenous affairs including an analysis of investment allocations made in State Budgets over the period 2000-01 to 2007-08. The Auditor-General noted that the conclusions drawn by the DPCD from the analysis were that investment in Indigenous affairs has been ad hoc, short-term and not always adequately targeted for sustained improvement.<sup>608</sup>

The Auditor-General noted that in recent years the Government has established a joint funding process for annual budget allocations which has been an important step towards the achievement of the strategic areas for action set out in the VIAF. The Auditor-General concluded, however, that without appropriate strategic and implementation plans, it is unclear how projects are identified and the extent of collaborative implementation, timeframes and accountability. He recommended that the DPCD should prepare an 'investment map' which identifies the funding requirements associated with implementation of the VIAF and how allocations match up with priorities and potential outcomes. The Auditor-General noted that the DPCD had developed a proposed investment framework for the VIAF in May 2008.

The Department advised the Committee that an Investment Framework and review of the investment base is currently under discussion. The Department also advised that under the COAG Indigenous Affairs Reform Agenda, jurisdictions are required to report on spending on Indigenous affairs and this work has overtaken previous work. In July 2009, Governments agreed to additional reporting associated with implementation of the COAG *Closing the Gap* reforms.<sup>609</sup>

---

605 Victorian Government, *2010 Annual Statement of Government Intentions*, February 2010, p.57

606 *ibid.*

607 Victorian Auditor-General's Office, *Coordinating Services and Initiatives for Aboriginal People*, June 2008, p.34

608 *ibid.*, pp.34-5

609 Mr T Quach, Manager, Corporate Reporting, Department of Planning and Community Development, correspondence to the Committee, received 2 February 2010, p.12

### 4.3.4 Conclusion

Whilst the Department has listed a range of strategies developed by various departments to address Indigenous welfare issues, a comprehensive strategy for implementing the VIAF, as recommended by the Auditor-General, has not been developed.

Advice issued by the Government in its *Annual Statement of Government Intentions*, indicates the VIAF will be superseded during 2010 by the *Victorian Indigenous Affairs Strategic Plan*. The Committee considers that once the Plan has been released, a work plan or implementation strategy to support and coordinate a whole-of-government approach to actions and initiatives outlined in the new Strategic Plan should be developed by the DPCD.

In addition, the Committee considers that an investment map or investment framework as recommended by the Auditor-General should be prepared by Aboriginal Affairs Victoria (within the DPCD) to identify funding needs under the new *Strategic Plan* and to match the funding available to implement the Plan with intended outcomes/targets. Such an investment framework would assist in prioritising actions and allocating resources in the most efficient and effective manner.

**Recommendation 39: The Department of Planning and Community Development should develop a work plan and investment framework to support and coordinate the effective implementation of the Government's forthcoming Victorian Indigenous Affairs Strategic Plan.**

## 4.4. Monitoring performance in indigenous affairs

Performance monitoring is an essential part of any program or initiative. It provides:

- information on the success of the program;
- information required to improve performance where needed; and
- accountability over public resources and outcomes.

In the case of whole-of-government programs and activities, data collection and performance reporting processes are needed across agencies to assess the extent to which common policy goals and objectives are being achieved.

### 4.4.1 Monitoring VIAF performance

Many of the programs contributing to the achievement of the VIAF goals are departmental programs that are managed within a specific department. The Auditor-General noted that the performance data collected by departments generally related to the outputs (e.g. the number of persons attending a program or the number of times a program or activity had been undertaken) rather than the outcomes or impacts of the programs or activities delivered.<sup>610</sup>

---

610 Victorian Auditor-General's Office, *Coordinating Services and Initiatives for Aboriginal People*, June 2008, p.42

Further, the Auditor-General found that a number of limitations, relating to the quality, accuracy, consistency and timeliness of data available to departments, impact on the effective monitoring of the achievement of VIAF goals. He noted in his report that departments had not developed joint datasets nor had they jointly identified their data needs in relation to monitoring performance under the VIAF.

The Auditor-General stated that there is a need for those departments involved with implementation of the VIAF to work together to build a clear understanding of data needs and ensure the collection of longitudinal data on the welfare of Indigenous Victorians over a period of time to provide meaningful information on the achievement of VIAF goals and to evaluate the effectiveness of joint departmental programs and activities.<sup>611</sup>

The Auditor-General reported that a performance reporting framework for the VIAF was due for completion in 2008 and would include:<sup>612</sup>

- goals related to each 'Strategic Area for Action';
- measures for each of the 'Strategic Change Indicators'; and
- measures that identify progress made in addressing those risk and protective factors that affect disadvantage.

The Auditor-General noted that the DPCD reports annually on indigenous affairs and that up until recently that report had focused on activity-based achievements rather than outcomes or improvements in Indigenous health and wellbeing.<sup>613</sup>

The Committee reviewed the 2008-09 Indigenous Affairs Report tabled in December 2009. The Report provides a comprehensive summary of the key actions taken by the State Government over the period and measures performance against each of the Strategic Change Indicators listed under the VIAF Strategic Areas for Action as follows:<sup>614</sup>

- improve maternal health and early childhood health and development;
- improve literacy and numeracy;
- improve Year 12 completion or equivalent qualification and develop pathways to employment;
- prevent family violence and improve justice outcomes;
- improve economic development, settle native title claims and address land access issues; and
- build indigenous capacity.

---

611 *ibid.*, p.43

612 *ibid.*, p.42

613 *ibid.*, p.43

614 Aboriginal Affairs Victoria, Department of Planning and Community Development, *Victorian Government Indigenous Affairs Report 2008-09*, November 2009, p.7

Given that the Government has announced that a new Strategic Plan for Indigenous Affairs will supersede the VIAF in 2010, the Committee looks forward to an evaluation by the DPCD to assess the effectiveness of activities, services and programs delivered across the whole-of-government, and outcomes achieved, for Aboriginal Victorians under the VIAF. Information resulting from such an evaluation should be included in the 2009-10 Annual Report of the DPCD.

The long term nature of policy initiatives directed at addressing indigenous disadvantage also makes it essential for long term data collection needs to be determined up front by the DPCD so that the agencies involved can develop and establish relevant and compatible data sets and collection procedures which provide meaningful information by which to gauge change over the longer term i.e. generational change. Longitudinal data analysis is more useful for evaluating the impacts of policy initiatives over time. Certain data can also assist in improved targeting of programs and activities and therefore more effective use of available resources. The Committee considers that shared knowledge and understanding of data already available across State and Commonwealth agencies in regard to measuring indigenous wellbeing would also be useful.

**Recommendation 40:**     **The Department of Planning and Community Development should include details in its 2009-10 Annual Report on the success of actions taken under the Victorian Indigenous Affairs Framework, including the outcomes achieved to date.**

**Recommendation 41:**     **The Department of Planning and Community Development should oversee and coordinate the data collection requirements of those agencies providing indigenous programs and services to ensure that the appropriate data is available to measure and report on the performance of the Government's forthcoming Victorian Indigenous Affairs Strategic Plan.**

**Recommendation 42:**     **The Department of Planning and Community Development should investigate and communicate to other relevant government agencies any currently available data which can assist in measuring progress made towards reducing indigenous disadvantage in Victoria.**



# CHAPTER 5: IMPLEMENTATION OF THE CRIMINAL JUSTICE ENHANCEMENT PROGRAM

## 5.1. Introduction

The Criminal Justice Enhancement Program (CJEP) is an information and communication technology project designed to support the criminal justice system in Victoria, especially facilitating the sharing of information between agencies. It was originally approved in 1998 with funding of \$14.5 million and an expected completion date of November 2000. The project's scope was subsequently expanded, with the budget increased to \$29.9 million and the expected completion date moved several times.<sup>615</sup>

CJEP sought to improve the way that information connected with criminal justice was recorded and managed throughout the entire process, from managing police information about accused people and handling briefs of evidence, to case management in the courts, right through to managing sentencing information and managing offenders in the corrections system. It was designed to facilitate information sharing between multiple agencies, including Victoria Police, the Office of Public Prosecutions, Victoria Legal Aid, the County Court and Corrections Victoria. It was anticipated that CJEP would enable a number of processes to be handled efficiently, effectively and quickly.<sup>616</sup>

The Department of Justice was initially responsible for the project and delivered all components except one by December 2005. Responsibility for the remaining component – the Electronic Brief/Progressive Disclosure Project (E\*Brief) – was handed over to Victoria Police in 2007 after Victoria Police advised the steering committee that the initial user interface did not meet its standards and proposed that it develop its own user interface.<sup>617</sup>

### 5.1.1 Auditor-General's findings

The Auditor-General reviewed the progress and management of the program in May 2003<sup>618</sup> and conducted an audit into the implementation of the program in June 2008.<sup>619</sup> The 2008 audit found that the project had delivered benefits, but had not been implemented on time or on budget and that one project, E\*Brief, was still not operating at that time.

The audit's objective was '*to assess whether the implementation of CJEP was well managed*' through looking at the project delivery, governance structures, monitoring and reporting frameworks, information security and privacy arrangements, and ongoing management and support structures.<sup>620</sup>

---

615 Victorian Auditor-General's Office, *Implementation of the Criminal Justice Enhancement Program (CJEP)*, June 2008, pp.1–2, 19

616 *ibid.*, pp.11–13

617 *ibid.*, pp.19–21

618 Victorian Auditor-General's Office, *Report on Public Sector Agencies: Results of Special Reviews*, May 2003

619 Victorian Auditor-General's Office, *Implementation of the Criminal Justice Enhancement Program (CJEP)*, June 2008

620 *ibid.*, p.16

The Auditor-General made eleven recommendations around the following themes:

- completing the E\*Brief project;
- monitoring CJEP's performance and benefits;
- ongoing management and support of CJEP; and
- information security connected with CJEP.

The Department of Justice agreed with all of the report's recommendations except two (regarding the CJEP Governance Board resuming responsibility for the E\*Brief project and developing a business case to justify internal support for CJEP).<sup>621</sup>

As part of this follow-up review, the Committee sought written information from the Department of Justice and Victoria Police on the implementation of the recommendations made by the Auditor-General. The Committee also sought written comments from the Auditor-General regarding the audit findings and implementation of the recommendations. These responses have been included where appropriate.

## **5.2. Review findings**

### **5.2.1 Completing the E\*Brief project**

The E\*Brief project was designed to:<sup>622</sup>

*...streamline the production and dissemination of brief documents, to facilitate pre-court communication between parties, and to encourage accused persons to seek legal advice and representation earlier in the process. The E\*Brief module has several functions but is primarily intended to be a mechanism by which brief documents can be electronically prepared, authorised and disclosed to other agencies and parties in the criminal justice system.*

The E\*Brief project was one of the original components of CJEP and the Auditor-General considered it to be '*central to the achievement of CJEP's objectives and the realisation of its benefits.*'<sup>623</sup>

The first and second versions of the software were trialled by Victoria Police but rejected as unsuitable. In 2007, Victoria Police undertook to create a new electronic solution as part of a broader project called the Brief Integration Project (BIP) that also looked at developing new work practices and new legislation. In 2007, the Auditor-General was advised by Victoria Police that this project would be completed by late 2008.<sup>624</sup>

---

621 *ibid.*, p.8

622 *ibid.*, p.20

623 *ibid.*, p.21

624 Mr S Overland, Victoria Police, correspondence to the Committee, received 17 December 2009, p.1

The Auditor-General considered that a contributing factor to the problems was that Victoria Police's “‘high level” commitment has not always been backed up by effective action’ and so he recommended that Victoria Police commit to the completion of E\*Brief.<sup>625</sup>

In response to the audit, Victoria Police affirmed its commitment to developing electronic brief software.<sup>626</sup>

Victoria Police advised the Committee that BIP, the project which includes the development of electronic brief software, has contributed to law reform and piloted new police work practices and, as at December 2009, was in the initial phases of scoping and planning the electronic solution.<sup>627</sup> Victoria Police was unable at that time to provide a final timeline or projected final cost for that element of the project.<sup>628</sup>

The Committee notes that the Auditor-General considered that one of the problems delaying the earlier implementation of E\*Brief was due to some inconsistencies between work practices and the software.<sup>629</sup> The Committee considers that Victoria Police has taken a reasonable approach with BIP by developing the software as part of a project also looking at work practice and legislative change. Victoria Police has explained that it has been a conscious decision to improve processes and legislation first and to determine requirements afterwards in the light of the new legislation and practices.<sup>630</sup>

However, the Committee notes that Victoria Police expects to be in a position to make informed future decisions by June 2010, and the Committee strongly recommends that detailed and realistic timelines and costs are prepared by that time.

**Recommendation 43: Victoria Police commit to a schedule and budget for the completion of the Brief Integration Project by mid-2010. The Criminal Justice Enhancement Program Governance Board should monitor the project’s progress on this schedule and ensure that Victoria Police complete the project in a timely manner.**

The Auditor-General also considered that the importance of the E\*Brief/BIP component of CJEP meant that it was important for the CJEP Governance Board to resume responsibility to ensure that the component was delivered in line with the CJEP vision and to ensure that the benefits of CJEP are fully realised.<sup>631</sup>

625 Victorian Auditor-General’s Office, *Implementation of the Criminal Justice Enhancement Program (CJEP)*, June 2008, pp.23–4

626 *ibid.*, p.9

627 Mr S Overland, Victoria Police, correspondence to the Committee, received 17 December 2009, p.1

628 *ibid.*, p.2

629 *ibid.*

630 *ibid.*

631 Victorian Auditor-General’s Office, *Implementation of the Criminal Justice Enhancement Program (CJEP)*, June 2008, p.23

The Department of Justice rejected this recommendation, as it considered that the reporting arrangements between Victoria Police and the CJEP Governance Board were sufficient.<sup>632</sup> Both the Department of Justice and Victoria Police confirm that Victoria Police has been reporting on the project to the CJEP Operational Management Committee monthly and to the CJEP Governance Board quarterly.<sup>633</sup> The Department of Justice explained that:<sup>634</sup>

*Both the CJEP Operational Management Committee and the Governance Board have representation from all affected criminal justice agencies... [and] regularly test the extent to which the CJEP objectives are being reflected in the Victoria Police BIP project with their members...*

*The BIP project reports to the CJEP Management Committee and Governance Board specifically on the extent to which the project is taking account of the CJEP objectives.*

Victoria Police also noted that it has subcontracted the Department of Justice's Integrated Justice Systems Unit, which provides support services for CJEP, to ensure that the software is developed in line with the CJEP vision and works with the Department of Justice's IT infrastructure.<sup>635</sup>

The Committee considers that it is appropriate for Victoria Police to administer the BIP given that the project is also looking at police process changes with regular reporting to the CJEP Operational Management Committee and the Governance Board continued.

### **5.2.2 Monitoring CJEP's performance and benefits**

The Auditor-General found that the performance indicators developed by the Department were not sufficiently robust and often required qualitative judgements rather than quantifiable data. Moreover, there was a lack of reporting against the performance indicators that had been established. Consequently, the Auditor-General recommended that the Department establish measures of a strategic nature with baseline data and report against them in its annual reports.<sup>636</sup>

Table 5.1 provides details of the Department's current performance measures for CJEP. The Department further explained that '*Baseline data was not determined at the beginning of the CJEP program except where a new service has been established, for example, E\*Filing.*'<sup>637</sup>

---

632 *ibid.*, p.8

633 Mr S Overland, Victoria Police, correspondence to the Committee, received 17 December 2009, p.2; Ms P Armytage, Department of Justice, correspondence to the Committee, received 17 December 2009, p.1

634 *ibid.*, p.2

635 Mr S Overland, Victoria Police, correspondence to the Committee, received 17 December 2009, p.3

636 Victorian Auditor-General's Office, *Implementation of the Criminal Justice Enhancement Program (CJEP)*, June 2008, pp.41-3

637 Ms P Armytage, Department of Justice, correspondence to the Committee, received 17 December 2009, p.3

**Table 5.1: Expected benefits of CJEP and associated performance measures**

| Expected benefit  | Performance measure  |
|---|--|
| Development of secure links between DOJ, Victoria Police and Private Prison providers                 | Number of transactions successfully transmitted across the secure link.  |
| Better risk management of prisoners   | Timeliness of information shared between relevant agencies.<br>Qualitative analysis by relevant officers of the quality and timeliness of risk related information.  |
| More timely case disposition in the County Court  | Percentage increase in the throughput of cases in the County Court utilising the Case List Management System.  |
| Productivity gains across the criminal justice agencies   | Extent of avoidance of re-keying of information into separate systems and avoidance of effort associated with manual processes.<br>Community time savings when dealing with the courts.<br>Usage of the internet based Court Connect system as a source of information.<br>Extent of take up of E*Filing of civil matters in the County Court. |
| Reduced preliminary court hearings associated with better access to prosecution briefs by the defence | Reductions in the number of mention briefs.<br>Reduction in time from offence date to final resolution date.   |

Source: Ms P Armytage, Department of Justice, correspondence to the Committee, received 17 December 2009, pp.2–3

The Committee believes that these measures could be made more robust and comprehensive. For example, while measuring the number of successful transactions transmitted is a useful measure, it would be enhanced by information on the security of transactions. A good outcome would be increased information sharing or increased security of information. As noted by the Auditor-General, the lack of baseline data may also mean that measures such as ‘timeliness of information shared between relevant agencies’ could become more subjective than objective. The Committee notes the Department’s view that some indicators which are difficult to measure should be retained because of their importance<sup>638</sup>, but suggests that these be supplemented with indicators that can be measured in order to ensure an objective view of the project can be taken.

**Recommendation 44: The Department of Justice consider revising its performance measures for the Criminal Justice Enhancement Program in line with the Auditor-General’s recommendations.**

638 Victorian Auditor-General’s Office, *Implementation of the Criminal Justice Enhancement Program (CJEP)*, June 2008, p.81

The Auditor-General also recommended that performance measures be reported against in the Department's annual reports and the Minister for Finance indicated that this would happen 'where appropriate'.<sup>639</sup> No such reporting occurred in the Department's 2008-09 Annual Report. The Department indicated that performance reporting has been made only to the CJEP Operational Management Committee.<sup>640</sup> The Committee does not consider that to be a substitute for the accountability of public reporting.

**Recommendation 45: The Department of Justice provide details of the progress of the Criminal Justice Enhancement Program and its success against performance measures in future annual reports.**

### 5.2.3 Ongoing management and support of CJEP

Since 2005, post-implementation support of CJEP has been undertaken by the Department's own Integrated Justice Systems Unit. The Auditor-General considered that the decision to provide support through an internal unit had not been adequately justified and recommended that a comprehensive and fully costed business case be developed to justify the budget of the service and whether or not it should be outsourced instead.<sup>641</sup>

The Department rejected this recommendation, stating that the unit was effective and competitive with the external market, and that there were advantages to housing the unit internally in addition to costs.<sup>642</sup> Given the Department's disagreement with the recommendation, the Auditor-General has emphasised the importance of the Department ensuring that the arrangements continue to represent value for money.<sup>643</sup> The Department informed the Committee that:<sup>644</sup>

*While no formal reappraisals have taken place, the internal group providing the service (the Integrated Justice Systems Unit) regularly reports the cost of its services to the Operational Management Committee. These costs are based on industry standard function point counts and the effort to produce a given quantity of function points. The costs derived from this analysis are at the low end of industry standards.*

The Department informed the Committee that the unit currently has an annual budget of \$5.6 million. The Committee considers it important that the Department ensure that the Integrated Justice Systems Unit represent value-for-money through comparisons with industry costs. It notes the costing information provided above but it also notes that work has not been done to calculate a possible alternative cost through outsourcing. Now that the post-implementation phase is in its fifth year, the Committee believes it is appropriate to do a formal cost comparison.

---

639 Minister for Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, December 2008, p.45

640 Ms P Armytage, Department of Justice, correspondence to the Committee, received 17 December 2009, p.3

641 Victorian Auditor-General's Office, *Implementation of the Criminal Justice Enhancement Program (CJEP)*, June 2008, pp.57-61

642 *ibid.*, p.8

643 Mr D Pearson, Auditor General, correspondence to the Committee, received 15 December 2009, p.2

644 Ms P Armytage, Department of Justice, correspondence to the Committee, received 17 December 2009, p.4

**Recommendation 46:** The Department of Justice undertake a formal comparison through an independent pricing review by appropriate experts at regular intervals, comparing the costs of the internal unit to the costs of outsourcing to ensure that the Department is getting value for money.

The Committee also notes that, though the costs of the Integrated Justice Systems Unit are reported to the CJEP Operational Management Committee, they are not publicly reported. The Committee considers that it would also be appropriate to report the ongoing support costs.

**Recommendation 47:** The Department of Justice report on the ongoing support costs of the Criminal Justice Enhancement Program in future annual reports.

Also regarding the ongoing management of CJEP, the Auditor-General noted that a memorandum of understanding between the Department and the participating agencies was being used to ensure agreement about the program's governance structure. At the time of the audit, all of the agencies had signed off on the memorandum with the exception of Victoria Legal Aid, which had some concerns.<sup>645</sup>

Victoria Legal Aid has still not signed off on the memorandum of understanding, but is also not yet using CJEP and will not do so until the BIP is developed. The Minister for Finance and the Department of Justice have both indicated that Victoria Legal Aid will sign off on the memorandum when it becomes an active user of the system.<sup>646</sup>

The Committee is pleased to see this commitment and advises the Department to make sure that there will be no difficulties getting the memorandum signed off by the appropriate time.

The Auditor-General also identified that there were no risk management strategy, risk register or risk plans specifically monitoring and managing risks associated with CJEP.<sup>647</sup> The Department of Justice advised that it has included risks associated with CJEP in its corporate and divisional risk management processes and that the Integrated Justice Systems Unit is in the process of identifying high-level risks.<sup>648</sup>

The Committee considers it important that program-specific risks be identified, monitored and managed.

**Recommendation 48:** The Department of Justice develop a risk management strategy, risk register and risk plans specifically for the Criminal Justice Enhancement Program, to be monitored and periodically reviewed by the Criminal Justice Enhancement Program Governance Board.

---

645 Victorian Auditor-General's Office, *Implementation of the Criminal Justice Enhancement Program (CJEP)*, June 2008, p.58

646 Minister for Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, December 2008, p.46; Ms P Armytage, Department of Justice, correspondence to the Committee, received 17 December 2009, p.3

647 Victorian Auditor-General's Office, *Implementation of the Criminal Justice Enhancement Program (CJEP)*, June 2008, p.59

648 Ms P Armytage, Department of Justice, correspondence to the Committee, received 17 December 2009, p.5

## 5.2.4 Information security connected with CJEP

The CJEP software contains a substantial quantity of highly sensitive personal information which is shared between a number of agencies. Information security is therefore crucial and the Auditor-General made eight recommendations connected with information security.<sup>649</sup>

Information from the Department of Justice indicates that three of the eight recommendations have been fully implemented and significant progress has occurred on a further three.<sup>650</sup>

Of the other two recommendations, one was that the Department should establish a single configuration management database. In 2008, the Minister for Finance advised that, '*A configuration management database is scheduled for implementation in DOJ by June 2009.*'<sup>651</sup> However, in December 2009, the Department explained that:<sup>652</sup>

*The Department has not developed a single configuration management database, it has invested in business intelligence capability and an IT knowledge base. These two systems together form the basis for a configuration management database. It is intended that the database will eventually reside in the business intelligence system.*

The Auditor-General considered that the lack of single, formal configuration management database '*increases the risk of information technology assets, containing sensitive programs and data, not being correctly configured to manage security threats.*'<sup>653</sup> The Committee therefore encourages the Department of Justice to complete this work as soon as possible, ensuring that data regarding all IT assets associated with CJEP can be accessed from a single point, whether it be through business intelligence software or otherwise.

One of the recommendations regarding information security appears not to have been adequately implemented by the Department. The Auditor-General recommended that performance measures be established to monitor the management of information security and suggested a number of suitable measures.<sup>654</sup> The Auditor-General has noted the importance of the CJEP Information Security and Privacy Committee being able to assure the CJEP Governance Board both that security measures are in place and that they are operating effectively.<sup>655</sup> For this assurance to be possible, the system must be monitored in such a way that the success or failure of measures identifying and dealing with security threats is clear.

---

649 Victorian Auditor-General's Office, *Implementation of the Criminal Justice Enhancement Program (CJEP)*, June 2008, pp.63–77

650 Ms P Armytage, Department of Justice, correspondence to the Committee, received 17 December 2009, pp.5–6; see also Minister for Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2007-08*, December 2008, pp.46–8

651 *ibid.*, p.48

652 Ms P Armytage, Department of Justice, correspondence to the Committee, received 17 December 2009, p.6

653 Victorian Auditor-General's Office, *Implementation of the Criminal Justice Enhancement Program (CJEP)*, June 2008, p.76

654 *ibid.*, pp.74–5

655 Mr D Pearson, Auditor General, correspondence to the Committee, received 15 December 2009, p.3

The Minister for Finance advised that a security plan incorporating all of the measures recommended by the Auditor-General was due to be completed by November 2008.<sup>656</sup> The Department has indicated that the information security performance measures it has developed relate to ‘*the number of audits conducted and the number of breaches or potential breaches identified.*’<sup>657</sup> While this is part of the measures suggested, it is not clear to the Committee if all the performance indicators suggested by the Auditor-General have now been included.

**Recommendation 49:     The Department of Justice expand the performance indicators for information security in the Criminal Justice Enhancement Program to also cover matters such as those suggested by the Auditor-General.**

---

656     Minister for Finance, *Response by the Minister for Finance to the Auditor-General’s Reports issued during 2007-08*, December 2008, p.47

657     Ms P Armytage, Department of Justice, correspondence to the Committee, received 17 December 2009, p.6



## APPENDIX 1: LIST OF WITNESSES AT PUBLIC HEARINGS

| Date and time                      | Witnesses  | Audit  |
|------------------------------------|--|--|
| <b>Wednesday 23 September 2009</b> |  |  |
| 9.30am to 11.00am                  | <b>Victorian Auditor-General's Office</b><br>Mr D Pearson, Auditor-General<br>Mr A Greaves, Assistant Auditor-General<br>Mr C Sheard, Acting Director            | <ul style="list-style-type: none"> <li>• <i>Managing Patient Safety in Public Hospitals</i></li> <li>• <i>Planning for Water Infrastructure in Victoria</i></li> </ul> |
| 11.00am to 11.45am                 | <b>Victorian Managed Insurance Authority</b><br>Mr S Marshall, Chief Executive Officer<br>Mr P Ryan, General Manager<br>Ms L Cox, Manager<br>Mr P Cohen, Manager | <ul style="list-style-type: none"> <li>• <i>Managing Patient Safety in Public Hospitals</i></li> </ul>   |
| 1.00pm to 3.00pm                   | <b>Department of Health</b><br>Ms F Thorn, Secretary<br>Professor C Brook, Executive Director<br>Mr L Wallace, Executive Director                                | <ul style="list-style-type: none"> <li>• <i>Managing Patient Safety in Public Hospitals</i></li> </ul>   |
| 3.00pm to 5.00pm                   | <b>Department of Sustainability and Environment</b><br>Mr G Wilson, Secretary<br>Mr D Downie, General Manager<br>Mr G Turner, Director                           | <ul style="list-style-type: none"> <li>• <i>Planning for Water Infrastructure in Victoria</i></li> </ul>   |



## APPENDIX 2: ACRONYMS AND ABBREVIATIONS

---

|         |  |
|---------|--|
| ACCC    | Australian Competition and Consumer Commission   |
| AusPSIs | Australian Patient Safety Indicators             |
| BIP     | Brief Integration Project                        |
| BPR     | Business Progress Reporting                      |
| CJEP    | Criminal Justice Enhancement Program             |
| CEO     | Chief Executive Officer                          |
| CFO     | Chief Financial Officer                          |
| CMAs    | Catchment Management Authorities                 |
| COAG    | Council of Australian Governments                |
| CRSWS   | Central Region Sustainable Water Strategy        |
| DHS     | Department of Human Services                     |
| DPCD    | Department of Planning and Community Development |
| E*Brief | Electronic Brief/Progressive Disclosure Project  |
| ESC     | Essential Services Commission                    |
| IIS     | Incident Information System                      |
| ICT     | Information and Communication Technology         |
| MAV     | Municipal Association of Victoria                |
| MSS     | Municipal Strategic Statement                    |
| NVIRP   | Northern Victoria Irrigation Renewal Project     |
| PPAR    | Planning Permit Activity Report                  |
| PPP     | Private Public Partnership                       |
| PROV    | Public Record Office Victoria                    |
| RDA     | Retention and Disposal Authority                 |
| SFMPs   | Stream Flow Management Plans                     |
| SPPF    | State Planning Policy Framework                  |
| VAGO    | Victorian Auditor-General's Office               |
| VCEC    | Victorian Competition and Efficiency Commission  |

|       |   |
|-------|---|
| VERS  | Victorian Electronic Records Strategy       |
| VHIMS | Victorian Health Incident Management System |
| VIAF  | Victorian Indigenous Affairs Framework      |
| VMIA  | Victorian Managed Insurance Authority       |
| VPP   | Victoria Planning Provisions                |
| VWT   | Victorian Water Trust                       |