
Government Responses to the Recommendations of

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE'S

115th Report to the Parliament - *Report on the 2011-12 Financial and Performance Outcomes*

DEPARTMENT OF TREASURY AND FINANCE

Pursuant to Section 36 of the *Parliamentary Committees Act 2003*, this paper provides a response to the recommendations contained in the Public Accounts and Estimates Committee's (PAEC) 115th Report.

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

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

Row 1: Indicates the title of this paper.

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

Column 1: Contains PAEC's recommendations as published in its 115th Report – Part Two.

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

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

PAEC recommendation	Response	Action taken to date and commitment to further action
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Recommendation 1, p16, Chapter 2: Overall financial outcomes		
<p>The Department of Treasury and Finance provide additional information outside the audited financial statements disclosing the impact of all one-off transactions in aggregate on the operating result of the general government sector and the public sector as a whole (the 'State of Victoria'), as is currently done for one-off Commonwealth grants for asset investment.</p>	<p>Support in principle</p>	<p>The Government supports the publication of appropriate management narrative on the impact on reported financial outcomes of significant transactions, to assist in an understanding and assessment of such outcomes.</p> <p>The Department of Treasury and Finance will continue to use this principle for developing appropriate narrative for the Annual Financial Report.</p>
Recommendation 2, p19, Chapter 2: Overall financial outcomes		
<p>The Department of Treasury and Finance clarify the level of net debt relative to which the planned reduction will be assessed.</p>	<p>Not Support</p>	<p>The Government's medium term fiscal strategy provides a framework to ensure the State's finances can withstand unexpected adverse fiscal or economic events and that the State can continue providing high quality infrastructure and services. The Government considers that its medium term fiscal strategy is clear, and that the Committee can assess the Government's progress by reference to: the final net debt outcomes being consistent with budget estimates and the projections of net debt over the forward estimates (which show net debt reducing after 2014-15); and comparisons with net debt levels prevailing at the time of adoption of the strategy where relevant.</p>

PAEC recommendation	Response	Action taken to date and commitment to further action
Recommendation 3, p30, Chapter 3: Revenue		
<p>Where reforms that have significant effects on the State's finances are not detailed in the budget papers, the Department of Treasury and Finance should include the following details in the Annual Financial Report:</p> <p>(a) details of the reform;</p> <p>(b) how the reform affects the State's finances;</p> <p>(c) the effects of the reform on relevant sectors; and</p> <p>(d) whether the effect is one-off or recurring.</p>	Support	The Government supports the provision of further information in the Annual Financial Report on Government reforms where they have significant effects on the State's finances and where they have not been previously detailed in the budget papers.
Recommendation 4, p38 Chapter 4: Borrowings, debt and liabilities		
<p>The Department of Treasury and Finance should include in the budget papers:</p> <p>(a) a list of individual PPP projects that are anticipated to be commissioned during the year;</p> <p>(b) an estimate of the contribution to borrowings and net debt resulting from each PPP project that is anticipated to be commissioned during the year.</p>	Support	The Government supports the additional disclosure in future budget papers of the contribution made to borrowings and net debt by public private partnership projects expected to be commissioned during the relevant budget year.
Recommendation 5, p38 Chapter 5: Output expenditure and delivery		
<p>The Department of Treasury and Finance should disclose in the Annual Financial Report the actual contribution to borrowings and net debt made by individual PPP projects that were commissioned during the year.</p>	Support	The Government supports the additional disclosure in future Annual Financial Reports of the actual contribution made to borrowings and net debt by public private partnership projects commissioned during the year.

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Recommendation 6, p49 Chapter 5: Output expenditure and delivery		
In future Annual Financial Reports for the State, the Department of Treasury and Finance explain significant variances between budget estimates and actual results for operating expenses by government purpose classification.	Not Support	<p>Estimates of operating expenses by government purpose classification are included in the Budget Papers and, for actual outcomes, in the State's Annual Financial Report (AFR) - consistent with the requirements of Australian Accounting Standards. The AFR also includes a note to the financial statements, namely "Explanations of material variances between budget and actual outcomes" (refer to Note 31 in the 2011-12 AFR) to explain material variances between the original budget and actual outcomes for the four key financial statements of the general government sector. The explanations of variances for the comprehensive operating statement are provided on the basis of type of expense consistent with the main disclosures included in the audited financial report. The format is also consistent with the commentary included in the other chapters in the AFR.</p> <p>The Department of Treasury and Finance is of the view that the variance information by nature (expense) as published in Note 31 of the Annual Financial Report remains appropriate and provides sufficient variance information to users to understand and interpret the key financial statements of the annual financial report, being a general purpose financial report.</p>
Recommendation 7, p55 Chapter 5: Output expenditure and delivery		
The Government clarify who is ultimately responsible for performance measures, targets and the expected outcomes published in the budget papers.	Support	Performance measures (including targets and expected outcomes) are approved by responsible Ministers. The Minister for Finance is responsible for the review and publication of performance measures, targets and expected outcomes in the budget papers.
Recommendation 8, p55 Chapter 5: Output expenditure and delivery		
The Department of Treasury and Finance ensure that its guidance is clear, consistent and unambiguous regarding who is ultimately responsible for performance measures, targets and the expected outcomes published in the budget papers.	Support	<p>See response to recommendation 7.</p> <p>The Department of Treasury and Finance will continue to review and seek to improve the quality of its guidance material to ensure responsibilities are clear.</p>

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Recommendation 9, p58 Chapter 5: Output expenditure and delivery

<p>Where measures to significantly reduce spending are introduced in budget papers or budget updates through means other than savings or efficiency initiatives, these measures be clearly identified and detailed descriptions be provided.</p>	<p>Support in principle</p>	<p>The <i>2013-14 Budget, Budget Paper No. 3, Service Delivery (BP3)</i>, specifies significant efficiency and expenditure reduction measures (refer page 62) that clearly identify savings decisions.</p> <p>There are other instances where output initiatives are funded from within existing resources, typically through reprioritisation, and this is shown at a departmental-level in the output initiative tables in chapter one of BP3.</p>
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Recommendation 10, p62 Chapter 5: Output expenditure and delivery

<p>The Government ensure that appropriate oversight mechanisms are in place to monitor whether or not departments successfully achieve the productivity savings agreed to in enterprise bargaining agreements. This should include public reporting of quantified productivity improvements where possible.</p>	<p>Support in Principle</p>	<p>The Government ensures the productivity savings used to fund enterprise bargaining agreements are fiscally sustainable and result in measurable improvements in service delivery, workforce productivity and reform to comply with the Government's Public Sector Workplace Relations Policies 2012.</p> <p>The Government does not currently require public reporting of quantifiable productivity improvements specifically relating to enterprise bargaining agreements.</p> <p>The Department of Treasury and Finance will continue to review and seek opportunities to enhance the way productivity savings are monitored to improve workplace efficiency.</p>
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Recommendation 11, p64 Chapter 5: Output expenditure and delivery

<p>As reductions in staff numbers continue, the State Services Authority monitor and report to the Government on whether the proportions of public service employees in the different classifications are efficient and appropriate to service delivery needs.</p>	<p>Support in Principle</p>	<p>The <i>Public Administration Act 2004</i> vests responsibility for advice on matters relating to Departmental employment arrangements to Departmental Secretaries. The SSA will continue to support Departments by monitoring overall staff numbers in different classifications.</p>
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Recommendation 12, p70 Chapter 5: Asset investment		
<p>The Department of Treasury and Finance modify its system so that it is able to identify what proportions of relevant line items in the financial statements are related to public private partnership projects.</p>	<p>Not Support</p>	<p>The Government does not support this highly specific disclosure in the State’s general purpose Annual Financial Report, given public private partnership projects are but one form of service delivery used by government for a diverse range of operations. For this reason, the Government does not support the collation of this specific information in its financial management system.</p> <p>The Government however supports such disclosures in the Annual Reports of the relevant entities that are directly responsible and accountable for such arrangements and, in this regard, will consider possible enhancements to the Model Departmental Report for such information to be presented in future annual reports of entities.</p> <p>It should be noted that the State’s Annual Financial Report already provides information on commitments for future expenditure arising from public private partnership contracts of commissioned and uncommissioned projects. This information is disclosed through a disclosure note – “Commitments Note 33 Commitments – Public Private Partnerships”.</p>
Recommendation 13, p71 Chapter 5: Asset investment		
<p>The Department of Treasury and Finance in the Annual Financial Report, or alternatively departments in the individual annual reports, disclose the expenditure made during the year specifically on the provision of assets through operating public private partnership arrangements.</p>	<p>Support</p>	<p>The Government does not support this disclosure in the State’s general purpose Annual Financial Report, given public private partnership projects are but one form of service delivery used by government for a diverse range of operations.</p> <p>The Government does support such disclosures in the Annual Reports of the relevant entities that are directly responsible and accountable for such arrangements and, in this regard, will consider possible enhancements to the Model Departmental Report for such information to be presented in future annual reports of entities.</p>
Recommendation 14, p77 Chapter 5: Asset investment		
<p>Explanations in future Annual Financial Reports for variances note general trends where these are material, as well as the impact of the largest projects.</p>	<p>Support in principle</p>	<p>The Government notes the Committee’s comments regarding the desirability of greater disclosure of the capital investment program, and will review the level of current disclosure to examine future enhancement opportunities.</p>

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Recommendation 15, p78 Chapter 6: Asset investment

<p>For projects that do not have disclosed estimated expenditure figures, the Department of Treasury and Finance disclose these figures in the Budget Update following the establishment of a budget.</p>	<p>Support in Principle</p>	<p>The Government supports this recommendation in principle. The Government already discloses the estimated expenditure figures for such projects in the subsequent budget estimates publications where this information is no longer commercially sensitive.</p>
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Recommendation 16, p80 Chapter 6: Asset investment

<p>Projects that are included in the 'completed projects' lists in the budget papers that are not actually completed at the time the list is compiled but are expected to be completed by the end of the financial year should be marked as such.</p>	<p>Support</p>	<p>The Government supports this recommendation. All projects practically completed at the date of publication of the budget paper will be highlighted in the <i>2013-14 Budget, Budget Paper No. 4, State Capital Program (BP4)</i>, confirming that practical completion has been achieved. Where projects are due to be practically completed by the end of the financial year, but have not yet achieved practical completion when the budget is published, it will be noted in BP4 that they are due to be completed by end of the financial year.</p> <p>As noted by PAEC, BP4 lists projects which are expected to be completed by the end of the financial year. Projects which are subsequently not completed are explained by a footnote in the subsequent year to ensure transparency.</p>
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Recommendation 17, p91 Chapter 7: Government responses to previous reports		
<p>The Government address the issues identified with the implementation of the recommendations in Table 7.1 of this report.</p>	<p>Support</p>	<p>Table 7.1, Recommendation 14: The SSA will provide a more detailed explanation in a public report such as the <i>State of the Public Sector in Victoria</i>.</p> <p>Table 7.1, Recommendation 20: Previous responses noted the Government has been considering clarification of the definition of consultants that it inherited from the time of the previous government. The Government has agreed a new definition, which is effective from 1 July 2013 and will be reflected in 2013-14 annual reports. The new definition may affect the number of contracts classified as consultancies. The Government intends for the savings from reductions in consultancies to be applied as outlined in its policy statement.</p> <p>Table 7.1, Recommendation 35: The Department of Transport, Planning and Local Infrastructure and the Department of Treasury and Finance support in-principle change to the existing output performance measure 'Progress of Regional Rail Link' to indicate that it measures the proportion of funding spent.</p> <p>Table 7.1, Recommendation 36: <i>(the response is still to be approved by the Minister for Police and Emergency Services)</i> The measure 'reduction in crime against the person' referred to in recommendation 36, has been replaced in 2013-14 Budget Paper Number 3 (p.176) with two newly introduced performance measures. The new performance measure 'crimes against the person – family violence related crime (rate per 100,000 population)' has a target that reflects Victoria Police priorities and informs the public about public confidence to report family related crime. The other new performance measure is 'crimes against the person – excluding family violence related crime (rate per 100,000 population). The two measures and their respective targets address the concerns raised by the Committee in PAEC's 115th Report. Furthermore, they provide the community with more clarity in relation to the nature of 'crime against the person', assist the community to gain a greater understanding about drivers that underpin reported crime statistics, and they reflect Victoria Police priorities.</p>

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Recommendation 18, p91 Chapter 7: Government responses to previous reports

<p>In future responses to Committee recommendations, where the Government's view of the cause of a problem differs from that expressed in the Committee's report in support of a recommendation, the Government should indicate why it does not accept the Committee's view.</p>	<p>Support</p>	<p>The Government supports the recommendation that where the Government's view of the cause of a problem differs from that expressed by the Committee, the Government will indicate why it does not support the view of the Committee.</p>
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