



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

107TH REPORT TO THE PARLIAMENT

Review of the 2009-10 and 2010-11 Annual Reports

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Parliament of Victoria
Public Accounts and Estimates Committee

Review of the 2009-10 and 2010-11 Annual Reports

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- Better understanding of public sector performance in 2009-10 and 2010-11
 - Better understanding of the 2009-10 and 2010-11 annual reports
 - Better understanding of issues relating to accountability/annual reporting in general
 - Guidance on how to prepare an annual report
 - Other *(please specify)*
-

Please outline any suggestions you have that would make future reports more useful for you:

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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE — 57TH PARLIAMENT

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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 seven 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.

ACRONYMS AND ABBREVIATIONS

AASB	Australian Accounting Standards Board
DOT	Department of Transport
DTF	Department of Treasury and Finance
ESTA	Emergency Services Telecommunications Authority
FRD	Financial Reporting Direction
GST	Goods and Services Tax
IMT	incident management team
Standing Directions	<i>Standing Directions of the Minister for Finance under the Financial Management Act 1994</i>

CHAIRMAN'S FOREWORD

The annual reports of government departments and agencies are an essential component of the State's accountability mechanisms. They provide crucial information about entities' performance, which can inform the Government's decision-making. They also provide transparency about the Government's performance to the Parliament and the community.

In addition to the Committee's examination of annual reports of government departments and agencies previously, this year the Committee has developed a report entirely focussed on what information is included and presented in annual reports.

The Committee will still produce a report on the Government's financial and performance outcomes, which will look at the information contained in the annual reports (among other sources) to identify what was achieved. By creating a dedicated report looking at these topics by themselves, the Committee has been able to examine annual reports in greater detail and has been able to make recommendations about both individual entities' reports and the Government's guidance materials.

Overall, there are three major findings that have come from this investigation.

The first is that there is a great deal of variety in the way that entities prepare the 'report of operations' sections of their annual reports. Some produce lengthy and detailed reports of operations, providing substantial information about their activities. Others provide only the minimum amount of information required by Government directions. Some reports of operations are structured around the outputs from the budget papers, some around corporate objectives and some around service delivery areas. Some entities include a report on the progress towards identified outcomes (that is, the impact of their activities in the community). Others do not.

The second major finding is that, while most reviewed entities complied with most of the Government's directions for annual reports, there was a significant degree of non-compliance for some directions. The Committee considers that there is some work to be done by central agencies to ensure that all entities are aware of the requirements and that the guidance materials are clear and not unnecessarily complex.

The third major finding of the Committee is that there is scope for some additional areas of reporting to be mandated by the Government. As part of its inquiry, the Committee identified a set of better-practice criteria for annual reporting, based on work done by various auditors-general and other bodies. In comparing the existing guidance to these criteria, the Committee has identified a number of areas of better practice that are not currently covered by the guidance. In investigating the actual annual reports, the Committee noted that all of these criteria are being met already by at least some entities, but that compliance with some criteria is neither mandated or universal.

The more detailed analysis, findings and recommendations in this report are presented in the hope that they will assist departments and agencies to provide more informative and useful annual reports in future years, and will assist the Government in meeting its aim of increasing transparency and accountability.

On behalf of the Committee, there are a number of people that I would like to thank for their assistance in producing this report. Some of the information in this report has been drawn from entities' responses to the Committee's 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire. I would like to express my appreciation of the efforts of the Presiding Officers, Premier, Deputy Premier, Treasurer, Assistant Treasurer,

Attorney-General, ministers, departmental secretaries and their staff in preparing responses to this questionnaire.

I would also like to extend thanks, on behalf of myself and the Committee, to the staff of the Secretariat for their important work in the preparation of this report.

A handwritten signature in black ink that reads "Philip R. Davis". The signature is written in a cursive, flowing style.

Philip R. Davis MP
Chairman

FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE

CHAPTER 2 BETTER PRACTICE IN ANNUAL REPORTING

Section 2.2 *Guidance for the Victorian public sector*

<p>FINDING</p> <p>Annual reports provide accountability for government entities' performance and facilitate scrutiny and decision-making by the Parliament, stakeholders and the community. A range of published government specifications and better-practice criteria exist to ensure that annual reports can fulfil these roles, including:</p> <ul style="list-style-type: none"> – the Financial Management Act; – the Standing Directions (issued by the Minister for Finance); – the Financial Reporting Directions (issued by the Minister for Finance), along with 'guidance notes' to some Directions; – the Budget and Financial Management Guidances (issued by the Department of Treasury and Finance); and – the Model Report (produced by the Department of Treasury and Finance). 	<p>page 9</p>
<p>FINDING</p> <p>To produce an annual report that complies with all government directions, it is necessary to consult all of these documents. There is overlap between the documents and the documents elaborate the requirements of each other without a strict hierarchy. The Committee considers that this may be a cause of the non-compliance by some entities.</p>	<p>page 9</p>
<p>RECOMMENDATION 1</p> <p>The Department of Treasury and Finance undertake a review of the Standing Directions, the Financial Reporting Directions, the guidance notes to the Financial Reporting Directions, the Budget and Financial Management Guidances and the Model Report to identify any opportunities to consolidate and simplify the guidance materials.</p>	<p>page 9</p>
<p>FINDING</p> <p>There appears to be a contradiction between the Model Report and the FRDs in that the Model Report suggests that certain FRDs apply to Victoria Police and the Parliament, whereas the FRDs themselves do not include these entities in their statements of application. The Model Report's suggestion also goes against the separation of powers between the Government and the Parliament, with the Parliament as an independent and sovereign entity, that is established by the Victorian Constitution.</p>	<p>page 10</p>

<p>RECOMMENDATION 2</p> <p>The Government ensure consistency between the FRDs and the Model Report regarding which FRDs Victoria Police is required to comply with.</p>	page 11
<p>RECOMMENDATION 3</p> <p>The Department of Treasury and Finance amend the Model Report to recognise the sovereignty and independence of Parliament under the constitutional principle of the separation of powers and remove the Parliament of Victoria from the list of 'applicable reporting entities'.</p>	page 11
<p>FINDING</p> <p>The Committee considers that it can be difficult for entities other than departments to identify which Financial Reporting Directions they have to comply with and that it would be helpful if the Department of Treasury and Finance could supply clearer guidance.</p>	page 11
<p>RECOMMENDATION 4</p> <p>The Department of Treasury and Finance publish, and update annually as appropriate, a document that lists all government entities required to produce annual reports, identifying for each which Financial Reporting Directions apply.</p>	page 12

Section 2.3 *The Committee's review criteria*

<p>FINDING</p> <p>The Committee has developed seven key elements that contribute to high-quality annual reports, each with a number of criteria, which it uses to assess annual reports. Many of the Committee's criteria are required by Victorian Government guidance materials. However, some important elements are not covered. A more complete list of better-practice criteria would be more appropriately developed and owned by the Department of Treasury and Finance.</p>	page 14
<p>RECOMMENDATION 5</p> <p>All government entities consider the criteria set out in Table 2.1 when producing future annual reports.</p>	page 14
<p>RECOMMENDATION 6</p> <p>The Department of Treasury and Finance review the better-practice criteria set out by the Committee in Table 2.1. For any criterion not currently included in the guidance material, the Department consider incorporating it into one of its products.</p>	page 14

Section 2.4 Previous PAEC recommendations about annual reports

<p>FINDING</p> <p>Over the course of the 56th Parliament, a number of areas for improvement were repeatedly identified by the former Public Accounts and Estimates Committee. These areas continue to be problematic.</p>	<p>page 21</p>
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CHAPTER 3 OVERALL FINDINGS

Section 3.1 Introduction

<p>FINDING</p> <p>The Committee has assessed the annual reports for 2009-10 and 2010-11 for 21 departments and agencies against the requirements of selected Financial Reporting Directions, the Government's tabling deadlines and the Committee's own criteria. The State's emergency services agencies have also been assessed on three topics particularly relevant to them. The Committee found varying levels of compliance between the different agencies in each of these assessments.</p>	<p>page 23</p>
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Section 3.2 Review of Financial Reporting Directions

<p>FINDING</p> <p>Overall, the level of compliance with the Financial Reporting Directions in the annual reports of the 21 entities reviewed has been satisfactory. However, there are some areas where there are significant levels of non-compliance, especially with respect to FRD 10 and some components of FRD 22B.</p>	<p>page 25</p>
<p>RECOMMENDATION 7</p> <p>The Department of Treasury and Finance investigate the reasons for non-compliance with the full requirements of the Financial Reporting Directions. The investigation should identify what additional actions, such as targeted training or guidance material, are required to improve levels of compliance with all aspects of FRDs.</p>	<p>page 25</p>
<p>RECOMMENDATION 8</p> <p>The Victorian Auditor-General's Office consider reviewing the compliance of annual reports with non-financial Financial Reporting Directions to ensure that all entities fully comply.</p>	<p>page 25</p>
<p>FINDING</p> <p>Overall, only four of the 21 reviewed entities (19 per cent) adequately completed the FRD 10 disclosure in 2009-10, while six entities (29 per cent) adequately completed the disclosure in 2010-11.</p>	<p>page 26</p>

<p>FINDING</p> <p>Departments and agencies completed disclosures in line with FRD 21A. However, the FRD does not currently require entities to disclose details of contractors in executive roles.</p>	<p>page 27</p>
<p>RECOMMENDATION 9</p> <p>FRD 21A be amended to require entities to disclose the number of contractors holding executive positions, and for the remuneration of these contractors to be included within the executive remuneration disclosure.</p>	<p>page 27</p>
<p>FINDING</p> <p>Financial Reporting Direction 22B requires entities to report on indicators for their occupational health and safety performance, but does not mandate the use of particular indicators. As a result, entities use a substantial variety of different performance indicators. In some cases, the Committee considers that the indicators used are not adequate. The variety of indicators used and the lack of historical data in many cases also reduce stakeholders' capacity to interpret the results.</p>	<p>page 30</p>
<p>RECOMMENDATION 10</p> <p>FRD 22B should be altered to specifically require reporting of at least the following matters in relation to occupational health and safety:</p> <ul style="list-style-type: none"> (a) the number of reported hazards/incidents for the year per 100 full-time equivalent staff members; (b) the number of 'lost time' standard claims for the year per 100 full-time equivalent staff members; (c) the average cost per claim for the year (including payments to date plus an estimate of outstanding claims costs as advised by WorkSafe); and (d) a minimum of two prior years' data on these indicators, and explanations for significant variations from one year to the next. 	<p>page 30</p>
<p>FINDING</p> <p>There has been an improvement in departments' reporting of occupational health and safety indicators since 2008-09, but the Committee considers the reporting by the fire agencies to be inadequate.</p>	<p>page 30</p>
<p>FINDING</p> <p>There are generally high levels of compliance with the FRD 22B requirements regarding consultancies, with 19 of reviewed entities (90 per cent) complying in 2009-10 and 18 entities (86 per cent) complying in 2010-11. However, a large proportion of complying entities did not indicate whether or not the figures they reported were exclusive of GST.</p>	<p>page 32</p>

<p>FINDING</p> <p>Although the Government declared an intention prior to the election of reporting expenditure on consultancies with a total value under \$100,000 and on contractors, the relevant Financial Reporting Directions have not been amended to require this reporting.</p>	page 32
<p>RECOMMENDATION 11</p> <p>The Government amend the Financial Reporting Directions to require the disclosure in departments' annual reports of expenditure within the year on consultancies with a total value under \$100,000 and on contractors.</p>	page 32
<p>FINDING</p> <p>Only 12 (57 per cent) of reviewed entities met the full requirements of FRD 22B and the Model Report regarding the summaries of financial information in 2009-10 and 2010-11. The remaining entities either did not include all information indicated by the Model Report (three entities) or failed to provide data for the four prior years, as required by the FRD (nine entities).</p>	page 33
<p>FINDING</p> <p>The majority of the reviewed entities (19 of 21, or 90 per cent) complied with the requirements of FRD 30A regarding the use of colour photographs in 2010-11.</p>	page 34

Section 3.3 *Timeliness of reporting*

<p>FINDING</p> <p>All reviewed entities met the Financial Management Act deadline for tabling the 2009-10 and 2010-11 annual reports. However, 2 entities (10 per cent) did not meet the Premier's Circular deadline for 2009-10 and 8 entities (38 per cent) did not meet the deadline set in the Premier's Circular for 2010-11.</p>	page 35
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Section 3.4 *Assessment of the annual reports against the Committee's better-practice criteria*

<p>FINDING</p> <p>Based on the Committee's better-practice criteria for reporting to Parliament, which are more demanding than the Government's requirements for annual reports, there is room for improvement in the reporting of most entities. However, at least some entities are already complying with each of the Committee's criteria.</p>	page 36
<p>FINDING</p> <p>Eight of the 21 entities reviewed (38 per cent) included comprehensive 'year in review' sections, meeting all of the Committee's better-practice criteria.</p>	page 36

<p>FINDING</p> <p>While all entities provided some details of their goals and objectives for the year, only 10 of the 21 entities (48 per cent) linked their key activities to their goals and objectives for the year. In some cases, objectives were only provided in notes to the financial statements or in appendices and not in the reports of operations.</p>	page 37
<p>FINDING</p> <p>All reviewed entities have provided details of their income and expenditure in financial statements. All departments have provided details of their expenditure broken down by outputs. However, only two of the 11 departments (18 per cent) included progress reports on their key asset initiatives.</p>	page 39
<p>FINDING</p> <p>In addition to reporting on any outcomes-based performance measures from the budget papers, six of the 21 entities (29 per cent) included details of outcomes which they have achieved in their annual reports.</p>	page 40
<p>FINDING</p> <p>The Department of Planning and Community Development's reports are unique amongst those reviewed in having a section specifying the Department's contribution to whole-of-government initiatives. The Committee considers this to be a valuable addition.</p>	page 40
<p>FINDING</p> <p>All 11 departments reported on their actual results compared to the performance targets set in the budget papers. However, explanations provided for variances between performance targets and actual results were not always satisfactory.</p>	page 41
<p>RECOMMENDATION 12</p> <p>The Government's guidance be modified to require reference to performance measures from the budget papers to be part of the report of operations, with full details in appendices.</p>	page 41
<p>FINDING</p> <p>Nineteen of the 21 entities (90 per cent) had planning documents publicly available for download. However, there was significant variation with respect to how well integrated the goals, objectives and targets of these plans were within the annual reports.</p>	page 43
<p>RECOMMENDATION 13</p> <p>Where an organisation has a planning document (such as a corporate plan, business plan or strategic plan), this document be publicly available via its website.</p>	page 43

<p>RECOMMENDATION 14</p> <p>Entities be required to explicitly quote the strategic goals, objectives and targets set out in their planning and policy documents in annual reports, along with reports of the organisation's progress for the year towards those goals, objectives and targets.</p>	<p>page 43</p>
<p>FINDING</p> <p>Five of the six emergency services agencies report their results against performance measures in their annual reports. Four of those agencies contribute to performance measures that were set in the budget papers. There was some variety in terms of how the agencies dealt with these measures.</p>	<p>page 44</p>
<p>RECOMMENDATION 15</p> <p>The Government change its guidance to require entities whose performance contributes, either wholly or in part, to performance measures reported by a parent department, to report their performance on these performance measures in their own annual reports. This reporting should include targets, variances and reasons for significant variances.</p>	<p>page 44</p>
<p>FINDING</p> <p>Only 2 of the 21 entities (10 per cent) included historical data regarding actual results on performance measures in their annual reports.</p>	<p>page 45</p>
<p>RECOMMENDATION 16</p> <p>All entities be required to provide at least three rolling years' actual results data for performance measures in their annual reports, explaining significant trends over time.</p>	<p>page 45</p>
<p>FINDING</p> <p>Victoria Police has done a particularly good job of providing historic context for its activities, including explaining changes from prior years as well as future expectations for key initiatives and projects.</p>	<p>page 45</p>
<p>RECOMMENDATION 17</p> <p>The Department of Treasury and Finance update the Model Report to recommend that entities provide information for their key initiatives and projects about changes from previous years and expectations for the future, using Victoria Police's annual report as a model.</p>	<p>page 46</p>
<p>FINDING</p> <p>The Committee notes significant variations between entities in terms of how much information is provided in annual reports, and significant decreases from previous years in the cases of the Department of Business and Innovation and Department of Transport.</p>	<p>page 47</p>

<p>FINDING</p> <p>The annual reports were generally clearly written and presented. The Committee considers that a number of entities could improve their reports through the use of indices and the improvement of their tables of contents.</p>	<p>page 48</p>
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Section 3.5 *Matters specific to the emergency services agencies' reports*

<p>FINDING</p> <p>Training expenses for professional staff vary greatly across the emergency services agencies, as do the proportions of training supplied by internal or external providers. An investigation into these variations and how effective training processes are across these agencies may provide benefits in terms of ensuring that effective and value-for-money training is taking place. Reporting training costs would increase the transparency of these agencies with respect to this important function.</p>	<p>page 54</p>
<p>RECOMMENDATION 18</p> <p>The Department of Justice conduct an investigation into training costs in the emergency services agencies within its responsibility, to find out why costs (especially for professional staff) differ, as well as the possible impacts of differences.</p>	<p>page 54</p>
<p>RECOMMENDATION 19</p> <p>The Department of Treasury and Finance work with the Department of Justice to develop measures that can be used by all emergency services agencies to meaningfully report on the levels of training provided to their workforces in a year and the levels of skills existing in their workforces. Emergency services agencies should be required to include their performance on these measures in future annual reports.</p>	<p>page 55</p>
<p>FINDING</p> <p>The emergency services agencies that have workforce inclusion policies have generally not published evidence of their achievements in these areas in their annual reports.</p>	<p>page 56</p>
<p>RECOMMENDATION 20</p> <p>The Government adjust its guidance to require an entity which has a workforce inclusion policy to have at least one measurable target, and to report statistics on that measure in its annual report.</p>	<p>page 56</p>
<p>FINDING</p> <p>Emergency services agencies have generally acknowledged the Victorian Bushfires Royal Commission recommendations and included information on action taken as a result of them.</p>	<p>page 57</p>

CHAPTER 4 DETAILED REVIEW OF DEPARTMENTS' AND SELECTED AGENCIES' REPORTS

Section 4.2 Departments

<p>FINDING</p> <p>The 2009-10 and 2010-11 annual reports for the Department of Business and Innovation contain information on results the Department has achieved in the wider community. The Annual Report 2010-11 also includes more extensive explanations of variances between expected and actual performance compared to previous years. However, discussion overall in the reports is not sufficiently extensive to convey a comprehensive understanding of the Department's activities to the Parliament, the Victorian community and other stakeholders.</p>	page 61
<p>RECOMMENDATION 21</p> <p>The Department of Business and Innovation in future annual reports:</p> <p>(a) provide quantity and detail of disclosure that is in proportion to the significance of the subjects being discussed; and</p> <p>(b) report on all measures in the corporate plan.</p>	page 61
<p>FINDING</p> <p>The Department of Education and Early Childhood Development's Annual Report 2010-11 is well structured, focused on qualitative community outcomes as well as departmental outputs. Clear demonstration of the relationship between outputs and outcomes and quantified reporting of progress towards outcomes would make this an excellent report.</p>	page 63
<p>RECOMMENDATION 22</p> <p>The Department of Education and Early Childhood Development in future annual reports:</p> <p>(a) extend the discussion of the outcomes for the Department by quantifying the identified outcomes, enabling a demonstration of the Department's progress towards these outcomes;</p> <p>(b) include explanations for variances in the budget portfolio outcomes; and</p> <p>(c) discuss asset investment projects.</p>	page 63
<p>FINDING</p> <p>The Department of Health's Annual Report 2010-11 refers clearly to planning documents and includes a satisfactory amount of information. The Department has implemented the former Committee's recommendation that information about asset investment projects be included. The report would be improved with a more extensive table of contents, additional information about asset investment projects and a break-down of performance between metropolitan and regional/rural areas.</p>	page 65

<p>RECOMMENDATION 23</p> <p>The Department of Health in future annual reports:</p> <ul style="list-style-type: none"> (a) include additional details about the progress of asset projects for the Department; (b) include separate results for metropolitan and non-metropolitan areas for performance measures; and (c) improve the formatting of the table of contents and appendices. 	page 65
<p>FINDING</p> <p>The Department of Human Services has improved the structure of its annual report in 2010-11. Due to results not being available at the date of publication, results for some departmental performance measures are not reported in annual reports. This is not in the interest of promoting better practice in comprehensiveness and transparency. The 2010-11 report mentions a fatality without providing any details.</p>	page 67
<p>RECOMMENDATION 24</p> <p>The Department of Treasury and Finance amend FRD 22B to include mandatory discussion of any fatalities in the occupational health and safety sections of annual reports. The discussion should include the circumstances that led to the fatality and actions taken to prevent recurrences.</p>	page 67
<p>RECOMMENDATION 25</p> <p>The Department of Human Services in future annual reports:</p> <ul style="list-style-type: none"> (a) include any performance measure results that are published after the printing of the previous report in the next year's annual report; and (b) include information concerning any newly reported fatalities. 	page 67
<p>FINDING</p> <p>The Department of Justice provides good information on its performance measures, including historical data. The Department has included extensive information about its activities, but this information is not clearly linked with the Department's outputs listed in the budget papers.</p>	page 68
<p>RECOMMENDATION 26</p> <p>The Department of Justice in future annual reports:</p> <ul style="list-style-type: none"> (a) better integrate its report of operations by structuring the report more strictly with regard to outputs; and (b) include a report on the progress of asset investment projects. 	page 68

<p>FINDING</p> <p>The Department of Planning and Community Development's annual reports are good examples of integrated reporting, structured around performance measures in the budget papers. The Department reports on its contribution to whole-of-government priorities. The Department has developed a set of indicators in planning documents showing outcomes of its actions in the community but these are not reported on in its annual reports. Quantifying these indicators and reporting against them in annual reports would improve the focus on outcomes and constitute better annual reporting.</p>	<p>page 69</p>
<p>RECOMMENDATION 27</p> <p>The Department of Planning and Community Development in future annual reports:</p> <p>(a) include a brief section outlining the changes to outputs and output groups over the last few years, including changes of names; and</p> <p>(b) report against quantified outcome indicators relating to outcomes identified in planning documentation.</p>	<p>page 70</p>
<p>FINDING</p> <p>Annual reports for the Department of Premier and Cabinet are structured in accordance with budget outputs, with each work unit in the Department supporting a particular output. In several cases, discussion of variances between target and actual did not adequately explain the root cause of the variance.</p>	<p>page 71</p>
<p>RECOMMENDATION 28</p> <p>The Department of Premier and Cabinet in future annual reports:</p> <p>(a) clarify the organisational chart; and</p> <p>(b) provide a description of outputs and a proper explanation for each variation from target for performance measures that addresses the root cause of the variation.</p>	<p>page 72</p>
<p>FINDING</p> <p>The Department of Primary Industries has structured its reports of operation clearly around its service groups. However it is not clear how these relate to the outputs listed in the budget papers. In a positive development, the 2010-11 report includes a section on outcomes, with newly developed quantified outcome indicators in its annual report.</p>	<p>page 73</p>
<p>RECOMMENDATION 29</p> <p>The Department of Primary Industries in future annual reports:</p> <p>(a) quantify its strategic performance indicators and report their results over time.</p>	<p>page 73</p>

<p>FINDING</p> <p>The Department of Sustainability and Environment has provided a detailed description of its activities, integrated with the outputs as set out in the budget papers. However, the Department did not clearly articulate its corporate objectives for 2010-11.</p>	<p>page 74</p>
<p>RECOMMENDATION 30</p> <p>The Department of Sustainability and Environment in future annual reports:</p> <ul style="list-style-type: none"> (a) reference planning documents in annual reports to demonstrate progress towards departmental goals and strategy; and (b) improve the explanations for variations between target and actual results for performance measures. 	<p>page 75</p>
<p>FINDING</p> <p>The Department of Transport is one of few departments to disclose information on its asset projects. The Department has also included an outcomes performance report. However, while the Department has fulfilled the statutory requirements for its 2010-11 annual report, the report itself does not represent better practice in reporting, as it does not convey sufficient information to be useful for most stakeholders.</p>	<p>page 78</p>
<p>RECOMMENDATION 31</p> <p>The Department of Transport in future annual reports:</p> <ul style="list-style-type: none"> (a) provide a comprehensive and clearly set out overview in the early part of the annual report, including details of the Department's structure, key features, mission, values and responsibilities; (b) include a detailed discussion of the Department's activities in the report of operations, as was provided prior to 2010-11; (c) structure the report of operations by outputs or outcomes or a departmental division; (d) include a section that establishes links between the outputs given in the budget papers and the outcomes for the Department stated in its planning documentation; and (e) where the Department does not, for any reason, intend to report against outcome performance indicators included in the current departmental plan, any omissions should be discussed and reasons given. 	<p>page 78</p>
<p>FINDING</p> <p>The Department of Treasury and Finance's annual report would be improved by the Department more clearly setting out its goals for the year, instead of relying on a description of its structure and the outputs in the budget papers. Similarly, the Department in its 2010-11 report has not provided details of its achievements for the year, beyond the presentation of its performance measures, nor provided sufficient underlying reasons for some variances.</p>	<p>page 80</p>

<p>RECOMMENDATION 32</p> <p>The Department of Treasury and Finance in future annual reports:</p> <p>(a) provide a comprehensive report of operations showing events for the year and tasks, achievements and future directions for departmental divisions;</p> <p>(b) set out variations in output performance measures in the same table as targets and actual results;</p> <p>(c) provide underlying reasons for variances; and</p> <p>(d) extend the index at the front to include appendices.</p>	<p>page 80</p>
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Section 4.3 **Parliamentary Departments**

<p>FINDING</p> <p>The Parliament is the only entity that has finances published in the Statement of Finances budget paper but does not report actual results on the same basis of consolidation through a 'budget portfolio outcomes' statement. However, in the interests of consistency, the Committee considers that it would be helpful if the Parliament chose to comply with Financial Reporting Direction 8B and provide a 'budget portfolio outcomes' statement consolidated on the same basis as in the budget papers.</p>	<p>page 81</p>
<p>FINDING</p> <p>Reports of operations for the three Parliamentary Departments contain extensive information on their activities. The annual reports for the three Parliamentary Departments, however, could be better coordinated.</p>	<p>page 83</p>
<p>RECOMMENDATION 33</p> <p>The Parliamentary Departments in future annual reports:</p> <p>(a) prepare the three annual reports as three similarly structured documents.</p>	<p>page 83</p>

Section 4.4 **Independent officers of Parliament**

<p>FINDING</p> <p>Information presented in the reports of the Office of the Ombudsman is extensive and comprehensive. Data presented in the annual reports are well analysed. However, the annual report does not provide a clear overview of the Office.</p>	<p>page 84</p>
<p>RECOMMENDATION 34</p> <p>The Office of the Ombudsman in future annual reports:</p> <p>(a) include a section in the early pages of Part 2 of the report setting out the Office's structure, key features, mission, values and key responsibilities.</p>	<p>page 84</p>

<p>FINDING</p> <p>The annual report for the Victorian Auditor-General’s Office is well structured, focusing on outputs while presenting extensive discussion of its activities. The report includes a qualitative outcomes report, which is a focus for discussion but does not include quantified targets.</p>	<p>page 85</p>
<p>RECOMMENDATION 35</p> <p>The Victorian Auditor-General’s Office in future annual reports:</p> <ul style="list-style-type: none"> (a) move to outcomes measures that can be quantified and tracked over time, where possible; and (b) highlight variances in the output performance measure tables themselves, including a reference to where variances are discussed. 	<p>page 85</p>
<p>FINDING</p> <p>The Victorian Electoral Commission provides useful information showing historical trends in its annual reports. The Commission contributes to budget performance measures that are reported by the Department of Justice, but it does not separately report its contribution to all measures. The Commission does not include in its annual report progress towards single-year goals set in its corporate plan, although it does structure the report of operations in such a way that the reader can understand how the Commission’s activities contribute to longer-term objectives and goals.</p>	<p>page 86</p>
<p>RECOMMENDATION 36</p> <p>The Victorian Electoral Commission in future annual reports:</p> <ul style="list-style-type: none"> (a) provide results against all budget performance measures in the annual report, including targets and actual results, discussion and reasons for variances; and (b) include in its annual reports the results of the single-year quantified measures identified in its corporate plan. 	<p>page 86</p>

Section 4.5 *Emergency services agencies*

<p>FINDING</p> <p>Ambulance Victoria contributes to budget performance measures that are reported by the Department of Health. Ambulance Victoria reports these measures in its own annual report, along with additional performance measures, including two outcomes measures. Additional reporting recommended by the Auditor-General has not yet been included in Ambulance Victoria’s annual report.</p>	<p>page 88</p>
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<p>RECOMMENDATION 37</p> <p>Ambulance Victoria in future annual reports:</p> <p>(a) discuss variances against targets for all performance measures presented in annual reports;</p> <p>(b) include a section in the annual report showing progress towards the supported recommendations from the Auditor-General's report into Access to Ambulance Services; and</p> <p>(c) include a table of contents in future annual reports.</p>	<p>page 89</p>
<p>FINDING</p> <p>The Country Fire Authority's annual reports contain excellent information on the Authority's responses to the Victorian Bushfires Royal Commission, showing considerable accountability. The Authority also contributes to output performance measures that are reported by the Department of Justice. However, the Department's annual report does not separately report the Authority's contributions to all of the relevant measures. Insufficient occupational health and safety figures are provided in the Country Fire Authority's annual reports.</p>	<p>page 90</p>
<p>RECOMMENDATION 38</p> <p>The Country Fire Authority in future annual reports:</p> <p>(a) structure the report of operations with respect to objectives defined in the new corporate plan when it is released;</p> <p>(b) include reporting and discussion of all relevant performance measures that are reported by the parent department, the Department of Justice;</p> <p>(c) adjust the organisational chart to more clearly show lines of reporting; and</p> <p>(d) include an occupational health and safety section structured as per the Model Report.</p>	<p>page 90</p>
<p>FINDING</p> <p>Call-taking and dispatch service performance indicators applying to the Emergency Services Telecommunications Authority are not reported in a public document, despite being identified as key indicators by the Authority. Diagrams used in the annual reports have not always been clear and errors in the financial statements each year have meant that data from previous years have had to be revised. Some claims would benefit from additional context or evidence.</p>	<p>page 93</p>
<p>RECOMMENDATION 39</p> <p>The Emergency Services Telecommunications Authority should include performance results for the speed of answering emergency calls and the speed of dispatch of the relevant emergency services in future annual reports. Results should include 50th and 90th percentile data, as well as average times.</p>	<p>page 93</p>

<p>RECOMMENDATION 40</p> <p>The Emergency Services Telecommunications Authority in future annual reports:</p> <ul style="list-style-type: none"> (a) include restatements and corrections of past financial statements as an appendix to the next annual report where required; (b) improve the presentation of its organisational chart; and (c) where key performance measures are being recorded for the Office of the Emergency Services Commissioner, they also be reported publicly in the Emergency Services Telecommunications Authority's annual report. 	<p>page 94</p>
<p>FINDING</p> <p>The Metropolitan Fire and Emergency Services Board provides details of actions carried out in response to the recommendations of the Victorian Bushfires Royal Commission. The Board contributes to output performance measures that are reported by its parent department, the Department of Justice. However, it only reports its contributions to some of these measures, detracting from transparency. Occupational health and safety figures presented in the annual reports are not sufficient to give a clear picture of conditions or trends in the Board.</p>	<p>page 95</p>
<p>RECOMMENDATION 41</p> <p>The Metropolitan Fire and Emergency Services Board in future annual reports:</p> <ul style="list-style-type: none"> (a) include occupational health and safety information using the Model Report as guidance; and (b) include a report and discussion of all relevant performance measures set out in the budget papers. 	<p>page 96</p>
<p>FINDING</p> <p>The Victoria Police's annual reports are overall excellent documents. Contributions to the Department of Justice's performance measures from the budget papers have been presented and variances explained in the annual report. Quantified goals for Victoria Police have been set in planning documents for the year and reported against. The annual report is focused on outcomes in the wider community as well as the outputs of Victoria Police.</p>	<p>page 97</p>
<p>RECOMMENDATION 42</p> <p>Victoria Police in future annual reports:</p> <ul style="list-style-type: none"> (a) discuss variances from cost performance targets, in addition to non-cost performance targets; and (b) include an acronym glossary. 	<p>page 97</p>

<p>FINDING</p> <p>Reports of the Victoria State Emergency Service's year's activities and future plans are extensive. The Victoria State Emergency Service contributes to budget performance measures that are reported by the Department of Justice, but it does not separately report its contributions. Comprehensive discussion of trends in occupational health and safety figures is not presented in the annual report.</p>	<p>page 99</p>
<p>RECOMMENDATION 43</p> <p>The Victoria State Emergency Service in future annual reports:</p> <ul style="list-style-type: none"> (a) report its results on the relevant performance measures in the budget papers, including targets, actual outcomes and reasons for variances; (b) provide reasons for significant variations in occupational health and safety results from previous years' figures; and (c) include updated occupational health and safety figures for 2010-11 in its 2011-12 annual report. 	<p>page 99</p>

CHAPTER 1: INTRODUCTION

1.1 Background

Annual reports are the primary means by which government entities communicate their performance each year to the Parliament and the community. Both departments and other public sector bodies (agencies) are required to produce annual reports. Each department's and agency's annual report is required to provide details of both:

- its financial performance and position; and
- general information about its operations for the year, including what it has been created to do, what it has actually done, how it has performed compared to targets and details of its workforce.

Annual reports are an essential part of the transparency and accountability mechanisms established to monitor whether or not government funds are spent effectively and in accordance with the Government's objectives. The communication of clear, comprehensive and precise information in annual reports is therefore critical to the Parliament's and community's capacity to accurately assess and understand the performance of government entities. For these reasons, the Public Accounts and Estimates Committee reviews annual reports each year to identify any improvements that can be made to assist the Parliament's and community's understanding of what government entities have achieved in the previous year.

In previous terms of Parliament, the former Committee's review of annual reports was included as a chapter within the Report on the Financial and Performance Outcomes (and, prior to that, within the Report on the Budget Outcomes). The current Committee considers that the review of annual reports is worthy of a more detailed analysis and has subsequently decided to produce this *Review of the 2009-10 and 2010-11 Annual Reports* as a stand-alone report with a more in-depth analysis.

1.2 The annual accountability cycle

The accountability cycle for government funds in Victoria commences each year with the budget papers. These provide estimates and targets for the expenditure and performance of the public sector for the year ahead. Estimates and targets are provided for individual departments, the general government sector as a whole and other components of the public sector.

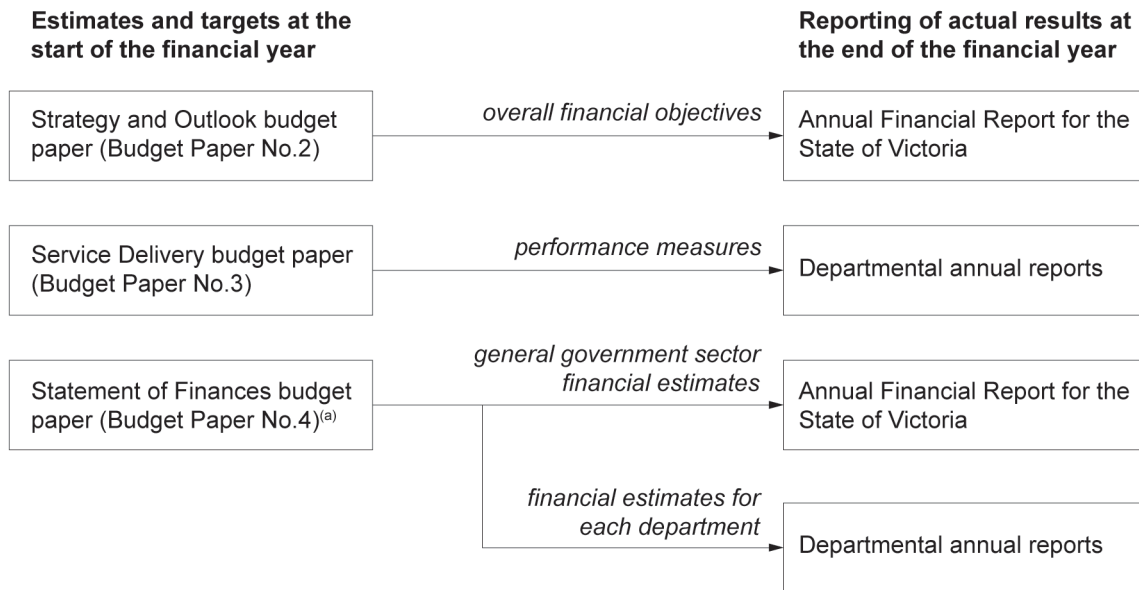
The Annual Financial Report for the State of Victoria provides details each year about the actual results achieved by the general government sector and the public sector as a whole. The report includes consolidated information about the financial performance and position of these sectors. It also provides a comparison to the outcomes of the prior year and an explanation of material variations between the budget estimates and actual outcomes. The Financial Report for the State of Victoria reports on the actual performance compared to the estimates and objectives set out in the Strategy and Outlook budget paper (Budget Paper No.2) and, for the general government sector, the more detailed estimates in the Statement of Finances budget paper (Budget Paper No.4 in 2009-10 and 2010-11).

The annual reports of departments also contribute to completing the cycle of accountability by detailing the actual results compared to the departmental financial statements in the Statement of Finances budget paper (Budget Paper No.4 in 2009-10 and 2010-11) and actual results

compared to the performance targets detailed in the Service Delivery budget paper (Budget Paper No.3). The information provided by departments is supplemented in agencies’ annual reports, which detail their finances and achievements in the year.

Together, the Financial Report for the State and the departments’ annual reports provide stakeholders with information about the Government’s performance in a financial year compared to its estimates and targets as detailed in budget papers. The relationship between the budget papers and these annual reports can be seen in Figure 1.1.

Figure 1.1 Relationship between the budget papers and annual reports



Note: (a) published as Budget Paper No.5 in the 2011-12 Budget

Source: Public Accounts and Estimates Committee

This relationship is established and specified by a range of government directives, including the *Financial Management Act 1994* and Standing Directions and Financial Reporting Directions issued by the Minister for Finance (see Section 2.2 of this report for further details).

1.3 Scope of the review of annual reports

This review is focused on:

- what information is presented in departments’ and selected agencies’ annual reports, including whether information required by government directions and better practice has been included; and
- the manner in which the information is presented, including whether it is clear and readily enables analysis.

The review’s purpose is to examine whether there are any ways that these key accountability mechanisms could be improved.

The actual data provided in the annual reports will be analysed as part of the Committee's forthcoming *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*. That report will also discuss the content of the Financial Reports for the State of Victoria for 2009-10 and 2010-11.

For the review of annual reports, the Committee has focused on the reports of 21 government entities for the years 2009-10 and 2010-11. These entities include the 11 Government departments:

- the Department of Business and Innovation (formerly the Department of Innovation, Industry and Regional Development);
- the Department of Education and Early Childhood Development;
- the Department of Health;
- the Department of Human Services;
- the Department of Justice;
- the Department of Planning and Community Development;
- the Department of Premier and Cabinet;
- the Department of Primary Industries;
- the Department of Sustainability and Environment;
- the Department of Transport; and
- the Department of Treasury and Finance.

The review also includes the reports of the Parliament and the three independent officers of Parliament:

- the Parliamentary Departments, which produce three reports – one for each of the Department of the Legislative Assembly, the Department of the Legislative Council and the Department of Parliamentary Services;
- the Office of the Ombudsman;
- the Victorian Auditor-General's Office; and
- the Victorian Electoral Commission.

The departments, Parliament and independent officers of Parliament are considered each year by the Committee in its review of annual reports. The Committee's inquiry also focuses every year on the annual reports of a group of non-departmental agencies and corporations for more in-depth analysis (such as health service providers or transport agencies). This group is changed every year so that, over time, all agencies' reports can be subject to detailed scrutiny on a rotational basis. In the current inquiry, the Committee has decided to focus on Victoria's six emergency services organisations:

- Ambulance Victoria;
- the Country Fire Authority;

- the Emergency Services Telecommunications Authority;
- the Metropolitan Fire and Emergency Services Board;
- Victoria Police; and
- the Victoria State Emergency Service.

This group of agencies has been selected because the last years have been important years for most of these agencies. Recent years have seen large natural disasters in Victoria and most of these agencies have received significant increases in funding during the last two years. The Committee therefore considers it opportune to examine these agencies' accountability mechanisms.

1.3.1 Matters outside the scope of this review

This review is focused specifically on the way that information has been presented in the annual reports and what information has or has not been included. This review does not analyse the data contained within the reports – that analysis will take place in the *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*. The outcomes report is also expected to deal more systematically with the way in which the annual reports present information about actual results compared to performance measures and financial estimates in the budget papers.

This review is also restricted to the entities listed in Section 1.3 above and does not examine the reports of the many other entities that are part of the public sector in Victoria. The review is focused primarily on 2009-10 and 2010-11, though with some comparison to 2008-09. The timeframe for this inquiry has not allowed comparisons with other jurisdictions to be made, except in Chapter 2 which examines better-practice criteria. The Committee considers that a comparison with practice in other jurisdictions may indicate areas for potential improvement in Victoria and will consider undertaking such a comparison in future reviews of annual reports.

1.4 The review process

The majority of information used in this review has come from the Committee's work examining the annual reports. In some cases, this has been supplemented by responses to questions that the Committee asked departments through its Financial and Performance Outcomes Questionnaire. This questionnaire was sent to all departments, the Parliamentary Departments and the Victorian Auditor-General's Office in two parts in October and November 2011. The Committee gratefully acknowledges the ministers, departmental secretaries and departmental staff who provided responses to the questionnaire. Further discussion of this questionnaire will be provided in the Committee's *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*.

1.5 Cost

The cost of this inquiry was approximately \$38,600.

CHAPTER 2: BETTER PRACTICE IN ANNUAL REPORTING

2.1 Introduction

The annual reports of Victorian Government departments and agencies are required to provide information for each financial year on the entities' operations, financial performance and financial position. As discussed in Chapter 1 of this report, the annual reports are part of the accountability cycle that begins with the budget papers before the start of each financial year and ends with entities' annual reports and the Financial Report for the State issued at the end of the financial year.

Annual reports are a key element of accountability for government entities' performance, enabling the performance of each entity to be ascertained by the Parliament, stakeholders and the community.

The information presented in annual reports can also serve to inform decision-making by the Parliament. As explained by the Australian National Audit Office:¹

Performance reports provide a foundation for planning and budgeting by providing succinct information on past results as a guide to priorities and changes required for the future.

To ensure that annual reports serve their purpose well, the Victorian Government specifies particular information that must be included in annual reports. The Government also often details specific ways in which information should be presented. The requirements vary between different Government entities. These are discussed further in Section 2.2 below.

In addition to the requirements specified by the Government, there is a substantial literature pertaining to better practice in annual reporting, which is discussed in Section 2.3.

This chapter provides a summary of the guidance in place for Victorian Government entities. It also details the Committee's particular areas of interest in examining entities' annual reports. Based on the Government's requirements and better-practice principles, the Committee has developed a number of criteria which it looks for in annual reports. These are outlined in Section 2.3. Chapters 3 and 4 of this report will examine a range of entities' annual reports for 2009-10 and 2010-11 with respect to compliance with the State Government's guidance materials and the Committee's own criteria to identify potential areas for improvement.

2.2 Guidance for the Victorian public sector

The annual reports of Victorian public sector entities are governed by a variety of documents established and maintained by the Victorian Government, including:

- the *Financial Management Act 1994*;
- the *Standing Directions of the Minister for Finance under the Financial Management Act 1994*;

¹ Australian National Audit Office, *Better Practice Guide: Better Practice in Annual Performance Reporting*, April 2004, p.4

- a variety of Financial Reporting Directions issued by the Minister for Finance;
- business rules published in the *Budget and Financial Management Guidances* by the Department of Treasury and Finance;² and
- the Model Report for Victorian Government Departments (produced by the Department of Treasury and Finance).³

The Victorian Government also imposes some requirements through other legislation. This includes acts such as the *Freedom of Information Act 1982* and the *Whistleblowers Protection Act 2001*, which place requirements on most public bodies. In some cases (such as the *Water Act 1989*), legislation requires particular disclosures to be made in the annual reports of only selected bodies.

From time to time, additional requirements are also imposed through Premier's Circulars.

In addition, Victorian public sectors agencies are required to comply with the Australian Accounting Standards and other mandatory professional reporting requirements.⁴

2.2.1 The main products

The *Financial Management Act 1994* (s.45) specifies that departments and public bodies must provide on an annual basis:

- financial statements; and
- a report of operations.

These two components are usually presented together in an entity's annual report.⁵ However, they generally appear as separate sections and much of the guidance treats the two sections differently. A particularly significant difference is that most public entities are required to submit their financial statements to the Auditor-General for auditing,⁶ whereas there is no such requirement for the report of operations. For this reason, the Committee's current inquiry is focused more on the reports of operations than the financial statements, as the Auditor-General has already subjected the financial statements to independent scrutiny.

The Financial Management Act provides little detail of what the financial statements and report of operations should include. Instead, Section 8 of the Act provides that, under regulations, the Minister for Finance can issue related directions. Indeed, the Minister has to date issued a number of Standing Directions and Financial Reporting Directions.

2 Not publicly accessible - only accessible to Victorian Government reporting agencies.

3 Published on the Department of Treasury and Finance's website – 'Model Reports', <www.dtf.vic.gov.au/CA25713E0002EF43/pages/budget-and-financial-management-financial-reporting-policy-model-reports>, accessed 25 January 2012

4 *Standing Directions of the Minister for Finance under the Financial Management Act 1994* (updated June 2011), Standing Direction 4.2(a)

5 *ibid.*, s.4.2, p.73

6 *Financial Management Act 1994*, s.45(2)

The *Standing Directions of the Minister for Finance under the Financial Management Act 1994* (Standing Directions) cover a range of financial matters, including reporting. The Standing Directions indicate that their purpose is to support the *Financial Management Act 1994* by:⁷

... specifying matters that must be complied with by Government Departments and public bodies to:

- *Implement and maintain appropriate financial management practices; and*
- *Achieve a consistent standard of accountability and financial reporting.*

Regarding annual reports, the Standing Directions state that:⁸

The annual report is the principal medium through which Public Sector Agencies discharge their accountability to the Parliament, Government and the people of Victoria. The annual report should assist these users in making decisions about the utilisation of resources in the relevant entities. Annual reports therefore should provide both general and financial information about the operations and performance of Public Sector Agencies, together with assessments of results and financial position.

The Standing Directions consequently contain requirements for annual reports including:⁹

- standards that must be accorded with;
- financial data to be included (including that a comparison must be made between actual performance and the financial statements detailed in the budget papers); and
- information to be included in the report of operations, stating that it should include:
 - general information about the entity and its activities;
 - operational highlights of the past year;
 - future initiatives; and
 - a comparison of the actual results compared to performance targets set in the budget papers.

The Financial Reporting Directions (FRDs) cover a wide variety of topics that should be detailed in annual reports. These include both financial matters and operational matters. The FRDs vary in terms of their level of specificity. Some provide significant detail about what should be included, the basis of calculations and how specific information should be presented. Other FRDs are less specific, simply stating that certain topics must be discussed. Some of the FRDs apply to all Government entities, whereas others are restricted to a particular group, such as departments, public sector superannuation schemes or water

7 *Standing Directions of the Minister for Finance under the Financial Management Act 1994* (updated June 2011), s.4, p.69

8 *ibid.*, s.4.2, p.73

9 *ibid.*, s.4.2, pp.73-5

corporations. In some cases, the Government has also produced ‘guidance notes’ for the FRDs, providing more detailed descriptions of the requirements in the FRD.

The extent of departments’ and agencies’ compliance with FRDs is discussed further in Chapter 3 of this report.

Additional guidance is provided to Government entities through the *Budget and Financial Management Guidances*, which provide detailed business rules on various aspects of budgeting and financial management, including financial and performance reporting.

Each year, the Department of Treasury and Finance also produces a Model Report for Victorian Government Departments. The Model Report brings together all of the requirements for annual reporting for departments, including the legislative requirements, directions and guidance discussed above, along with other requirements such as the Australian Accounting Standards, Premier’s Circulars and better practice as advised by this Committee. The Model Report is designed to be ‘*the State’s primary compliance guide*’¹⁰ and departments are required to comply with it.¹¹ Other public sector entities are not required to comply with it but ‘*are encouraged to use the Model, where applicable*’.¹²

Usefully, the Model Report includes not only descriptions of what is required, but also includes guidance for interpreting the requirements and presents sample text and tables to illustrate good disclosure. In the case of the report of operations, the text and tables are provided as a guide; for the financial statements, departments are required to present their information in the same format as the Model Report.¹³

2.2.2 Areas for improvement

Section 3.2 of this report identifies a number of areas where entities failed to comply with the Government’s directions. In some cases, they failed to comply with certain aspects of directions, but in other cases entire directions were ignored.

The Committee considers that one reason for entities’ non-compliance may be that navigating through the different products can be a difficult task. In general, the Standing Directions provide higher-level guidance than the FRDs and the Budget and Financial Management Guidances. The Committee has noted some cases, though, where the guidance in the Standing Directions is more detailed than related guidance in the FRD.¹⁴ In other cases, words are cited almost verbatim in both sets of directions.¹⁵ The Model Report very helpfully identifies all of the requirements in one document for departments, with references to the original source(s) of the direction to enable readers to see the requirements in more detail. The Model Report does not, however, eliminate the need for entities to consult the other documents, as there

10 Department of Treasury and Finance, *2010-11 Model Report for Victorian Government Departments*, March 2011, p.i

11 *Standing Directions of the Minister for Finance under the Financial Management Act 1994* (updated June 2011), Standing Directions 4.2(f) and (i); Department of Treasury and Finance, *2010-11 Model Report for Victorian Government Departments*, March 2011, p.5

12 Department of Treasury and Finance, *2010-11 Model Report for Victorian Government Departments*, March 2011, p.5

13 *ibid.*

14 e.g. Standing Direction 4.2(k), which provides more specific guidance about the requirement in FRD 22B to provide a ‘summary of the entity’s operational and budgetary objectives, including performance against the objectives’; and Standing Direction 4.2(m), which provides more details about the ‘budget portfolio outcomes’ statement than FRD 8B

15 e.g. Standing Direction 4.2(l) and FRD 8B

are many details of the Standing Directions and FRDs that it does not replicate. At the same time, though, the Model Report does elaborate on some aspects of the directions, providing more detailed requirements than are found in any other sources. This function is also fulfilled by 'guidance notes' to some FRDs that have been produced by the Government with more detailed specifications of the directions in the FRDs.

The result of this system is that any person wishing to prepare an annual report is required to consult all of the different government guidance materials in order to know what is necessary to fully comply with the Government's requirements. This is a complicated and time-consuming task and this fact may in part account for some of the non-compliance with directions that the Committee has observed. The Committee considers that if these documents were consolidated and simplified, reducing the amount of overlap and the number of documents that need to be consulted, compliance may be easier for entities.

FINDING:

Annual reports provide accountability for government entities' performance and facilitate scrutiny and decision-making by the Parliament, stakeholders and the community. A range of published government specifications and better-practice criteria exist to ensure that annual reports can fulfil these roles, including:

- the Financial Management Act;
- the Standing Directions (issued by the Minister for Finance);
- the Financial Reporting Directions (issued by the Minister for Finance), along with 'guidance notes' to some Directions;
- the Budget and Financial Management Guidances (issued by the Department of Treasury and Finance); and
- the Model Report (produced by the Department of Treasury and Finance).

FINDING:

To produce an annual report that complies with all government directions, it is necessary to consult all of these documents. There is overlap between the documents and the documents elaborate the requirements of each other without a strict hierarchy. The Committee considers that this may be a cause of the non-compliance by some entities.

RECOMMENDATION 1:

The Department of Treasury and Finance undertake a review of the Standing Directions, the Financial Reporting Directions, the guidance notes to the Financial Reporting Directions, the Budget and Financial Management Guidances and the Model Report to identify any opportunities to consolidate and simplify the guidance materials.

An example of the confusion inherent in these different guidance materials comes from the Model Report's declaration of which entities are required to comply with it. The Model Report declares that:¹⁶

16 Department of Treasury and Finance, *2010-11 Model Report for Victorian Government Departments*, March 2011, p.5

All Victorian Government departments are required, under Standing Direction 4.2 ... to comply with the Model when preparing and tabling their annual reports in Parliament. For the purposes of the Model, the applicable reporting entities are:

- *the Departments of Education and Early Childhood Development, Health, Human Services, Transport, Business and Innovation, Justice, Premier and Cabinet, Primary Industries, Sustainability and Environment, Treasury and Finance, and Planning and Community Development; and*
- *the Parliament of Victoria and Victoria Police.*

The Model Report is based on compliance with all FRDs that departments are expected to comply with, including those that exclusively apply to departments. The inclusion of the Parliament of Victoria and Victoria Police as ‘applicable reporting entities’ therefore suggests that the Department of Treasury and Finance considers that these entities should comply with the FRDs as departments. This, however, contradicts some of the FRDs themselves, which limit their application to ‘*all entities defined as a department under Section 3 of the Financial Management Act 1994*’.¹⁷ As neither the Parliament nor Victoria Police are departments as defined under Section 3 of the Financial Management Act,¹⁸ there appears to be some contradiction between the different products.

The Committee also considers the inclusion of the Parliament of Victoria as an ‘applicable reporting entity’ to be inappropriate because the entrenched separation of powers within the Victorian *Constitution Act 1975* means that the Government cannot compel the Parliament with respect to any matter, including annual reporting. The Committee considers that this division is not always apparent in the Victorian system, where the Parliament’s appropriations are determined by the Government, with objectives and performance measures for the Parliamentary Departments established in the budget papers by the Government. The Committee may return to tackling this wider issue of the separation of the Government and the Parliament with respect to funding in a future inquiry.

With respect to annual reporting, the Committee considers that the Government might set guidelines for the Parliamentary Departments to consider but should not attempt to mandate requirements. It is for the Parliament to choose whether or not to follow any such guidelines. However, it is the Committee’s view that the guidance for public bodies is generally an appropriate standard for the Parliamentary Departments to follow and that they should consider following these standards except where there are good reasons not to.

FINDING:

There appears to be a contradiction between the Model Report and the FRDs in that the Model Report suggests that certain FRDs apply to Victoria Police and the Parliament, whereas the FRDs themselves do not include these entities in their statements of application. The Model Report’s suggestion also goes against the separation of powers between the Government and the Parliament, with the Parliament as an independent and sovereign entity, that is established by the Victorian Constitution.

17 e.g. FRD 12A, 13, 15B; cf. FRD 8B, 24C

18 For further discussion on the applicability of the FRDs to the Parliamentary Departments, see Parliamentary Departments, response to the Committee’s 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 14 December 2011, p.6.

RECOMMENDATION 2:

The Government ensure consistency between the FRDs and the Model Report regarding which FRDs Victoria Police is required to comply with.

RECOMMENDATION 3:

The Department of Treasury and Finance amend the Model Report to recognise the sovereignty and independence of Parliament under the constitutional principle of the separation of powers and remove the Parliament of Victoria from the list of ‘applicable reporting entities’.

While the Model Report can serve as a useful starting point for identifying departments’ requirements, there is no equivalent for entities other than departments. As discussed further in Section 3.2 of this report, a number of the emergency services agencies did not comply in any way with some of the FRDs that applied to them. In addition to the examples cited in that section, the Committee also notes that the Emergency Services Telecommunications Authority failed to comply with FRD 25A by neither specifying the applicable contents nor declaring that no contracts were relevant.

When questioned about its failure to comply with FRD 30A, the Country Fire Authority indicated to the Committee that this was because, ‘*There was a lack of clarity regarding whether to follow FRD 30A because in recent years there has been inconsistency of its use across agencies.*’¹⁹ The Committee considers that confusion about whether or not particular FRDs apply to an agency may be a cause for non-compliance in other cases too.

While there is ultimately little ambiguity surrounding whether or not a particular FRD applies to a specific agency, the determination of applicability can require some research and technical knowledge. Each FRD contains a section identifying which categories of entity it applies to, but these sections typically refer to legislation such as Section 3 of the *Financial Management Act 1994* or Part 3 of the *Public Administration Act 2004*. One must then examine the legislation to determine the applicability to any particular agency. In some cases, one may also need to refer to the Register of Instruments maintained by the State Services Authority, which provides details of which categories different Government entities are established as.²⁰

In addition to the work consolidating and simplifying the guidance material, the publication of an unambiguous document showing, for each agency, which FRDs it must comply with would make the task of determining what information must be included in agencies’ annual reports easier.

FINDING:

The Committee considers that it can be difficult for entities other than departments to identify which Financial Reporting Directions they have to comply with and that it would be helpful if the Department of Treasury and Finance could supply clearer guidance.

19 Country Fire Authority, response to the Committee’s 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 18 January 2012, p.5

20 State Services Authority, ‘Machinery of Government’, <www.ssa.vic.gov.au/about-us/register-of-instruments/machinery-of-government.html>, accessed 21 November 2011

RECOMMENDATION 4:

The Department of Treasury and Finance publish, and update annually as appropriate, a document that lists all government entities required to produce annual reports, identifying for each which Financial Reporting Directions apply.

2.2.3 The Australian Accounting Standards

The requirements of annual reports are determined not only by the State Government's directions, but also by the standards set by the Australian Accounting Standards Board. The Australian Accounting Standards Board and other institutions have been established in order to create standards which:²¹

... require the provision of financial information that:

- (a) allows users to make and evaluate decisions about allocating scarce resources; and*
- (b) assists directors to discharge their obligations in relation to financial reporting; and*
- (c) is relevant to assessing performance, financial position, financing and investment; and*
- (d) is relevant and reliable; and*
- (e) facilitates comparability; and*
- (f) is readily understandable...*

The standards established by the Board relate to matters covered in the financial statements section of annual reports, and detail both the content and the formatting required in financial statements.

The Committee notes that the objectives of these standards are similar to the objectives identified in the Victorian Government's Standing Directions.

2.2.4 Better-practice criteria

There is also a significant amount of literature, both in Australia and internationally, that has been developed regarding better practice in performance reporting. A number of auditors-general in Australia have developed better-practice guides for government entities based on this literature.²²

Better practice in annual reporting is also promoted by the Australasian Reporting Awards. Australasian Reporting Awards Limited is an independent not-for-profit organisation that originated from the private sector and now looks at both public and private sector annual

21 Australian Securities and Investments Commission Act 2001, s.224

22 e.g. Australian National Audit Office, *Better Practice Guide: Better Practice in Annual Performance Reporting*, April 2004; Audit Office of New South Wales, *Reporting Performance: A Guide to Preparing Performance Information for Annual Reports*, 2000; Queensland Audit Office, *Better Practice Guide: Output Performance Measurement and Reporting*, February 2006

reports each year.²³ The Australasian Reporting Awards publishes criteria which it considers to be better practice, identifies the best annual reports each year, conducts seminars and provides feedback to entrants on their reports.²⁴ The criteria produced by the Australasian Reporting Awards cover what should be disclosed in a range of categories, including both reports of operations and financial statements.²⁵

2.3 The Committee's review criteria

The Committee notes the point made in the Standing Directions (see Section 2.2.1 above) that there are two main purposes to annual reports:

- accountability for the entity's performance; and
- the provision of information to enable decision-makers to decide about the utilisation of resources.

Based on its review of Victorian Government guidance (as detailed above) and various better-practice guides, the Committee has identified seven areas for focus which it thinks are particularly important to help entities achieve these goals. The Committee considers that annual reports should:

- provide an overview of the entity in the early pages;
- clearly state the entity's objectives and goals for the year being reported on;
- be focused on results and outcomes;
- discuss results and outcomes in comparison with expectations;
- track and explain changes over time;
- provide reliable and usable information; and
- present information in an easily accessible way.

Implicit in all of these elements is the importance of entities' annual reports completing the accountability cycle that begins each year with the budget papers, as discussed in Section 1.2 of this report. To fulfil this function, there must be a clear alignment between the targets in the budget papers and the results provided in the annual reports, including presenting information in a consistent manner and format.

For each of these key elements, the Committee has identified several criteria that it considers are in accordance with better practice. Further details on each of these seven elements are provided in Table 2.1. The analyses of entities' annual reports in Chapters 3 and 4 of this report have been conducted with these elements and criteria in mind.

23 Australasian Reporting Awards, 'About the ARA', <www.arawards.com.au/index.php/eng/About-the-ARA>, accessed 22 November 2011

24 *ibid.*

25 Australasian Reporting Awards, 'General Criteria Applicable to all Divisions', <www.arawards.com.au/index.php/eng/Criteria/General-Criteria-Applicable-to-all-Divisions>, accessed 17 November 2011

However, the Committee notes that this list of key elements and criteria is far from comprehensive and that high-quality reporting also requires many other elements. The Committee also acknowledges that these are high-level elements and criteria. A complete list of better-practice criteria would have to be much more detailed and would be more appropriately developed and owned by the Department of Treasury and Finance.

As can be seen from the ‘Committee comments’ column in Table 2.1, most of these criteria are required by currently available Victorian Government guidance. However, there are a number of instances where the Government’s guidance does not fully meet the better-practice criteria listed by the Committee. The Committee considers that the Government’s guidance could be improved by incorporating these criteria.

FINDING:

The Committee has developed seven key elements that contribute to high-quality annual reports, each with a number of criteria, which it uses to assess annual reports. Many of the Committee’s criteria are required by Victorian Government guidance materials. However, some important elements are not covered. A more complete list of better-practice criteria would be more appropriately developed and owned by the Department of Treasury and Finance.

RECOMMENDATION 5:

All government entities consider the criteria set out in Table 2.1 when producing future annual reports.

RECOMMENDATION 6:

The Department of Treasury and Finance review the better-practice criteria set out by the Committee in Table 2.1. For any criterion not currently included in the guidance material, the Department consider incorporating it into one of its products.

Table 2.1 Better-practice reporting to Parliament – key elements and criteria for annual reports

Key element	Criteria	Committee comments
Provide an overview of the entity in the early pages	<p>The report should provide details of the entity's structure, key features, mission, values and key responsibilities. The details should cover the entity as a whole.</p> <p>The report should contain highlights of the year at a glance, including:</p> <ul style="list-style-type: none"> • key performance outcomes and progress towards the entity's objectives; • important events of the year; and • an outlook for the following year. 	<p>FRD 22B and the Model Report (pp.12-13) require this information.</p> <p>The Model Report (pp.12-13) contains advice about the 'Year in review' section of the report, which it indicates should be the opening section. FRD 22B indicates that, 'An entity's objectives, functions, powers and duties should be linked to a summary of its activities, programs and achievements for the reporting period.'</p> <p>The Model Report (p.12) advises that the Secretary's report should include reference to the entity's aims for the year ahead.</p>
Clearly state the entity's objectives and goals for the year being reported on	<p>The report should identify:</p> <ul style="list-style-type: none"> • the objectives and goals for the year; • the source and rationale for these objectives and goals; • strategies for achieving the objectives and goals; and • the process by which objectives, goals and strategies were developed, including trade-offs and choices that were made and the reasons for these trade-offs and choices. <p>The entity's objectives and goals should be clearly linked to broader government policy.</p>	<p>FRD 22B indicates that a 'summary of the entity's operational and budgetary objectives' should be included, which the Model Report indicates should come from the descriptions of outputs in the budget papers for departments. The Committee considers that entities' goals and objectives for the year as set out in corporate plans, business plans, annual plans etc. should also be detailed. As discussed in Chapter 3 of this report, some entities currently do this and some do not. Background information about the objectives and strategies (such as the rationale and the process of development) is not currently required.</p>
	<p>The report should publish performance measures and targets that have been established to monitor the entity's performance towards its objectives and goals, including (where appropriate) those detailed in budget papers.</p>	<p>The Budget and Financial Management Guidances (01, 02, 08) require strategic and corporate plans and departmental objectives to align with government outcomes. However, they do not require this nexus to be explained in annual reports.</p> <p>For departments, performance measures related to their outputs are published in the budget papers and required to be included in annual reports by Standing Direction 4.2(k). No such requirements exist for most entities that are not departments.</p> <p>The Committee has discussed the qualities of good performance measures in more detail in other reports, especially the <i>Report on the 2011-12 Budget Estimates — Part Two</i> (June 2011).</p>

Key element	Criteria	Committee comments
<p>Be focused on results and outcomes</p>	<p>The report should provide details of the entity's inputs (income) and how that money was spent, including details of both:</p> <ul style="list-style-type: none"> • outputs (services); and • asset investment (infrastructure). <p>Details should be provided of major programs/projects on an individual basis, including both details of programs/projects that have been completed and progress during the year on programs/projects that are expected to be completed in future years. Where the scope of a program/project changes during the year, details of those changes should be supplied.</p> <p>In addition to detailing the inputs, outputs and asset investment, the report should also identify the results achieved in the community (i.e. outcomes). Inputs, outputs and outcomes should be clearly distinguished. The report should indicate:</p> <ul style="list-style-type: none"> • what outcomes were achieved or what progress has been made towards achieving longer-term outcomes; • how the entity's performance contributed to achieving the outcomes; • other factors that contributed to the achievement (or failure to achieve) the desired outcomes; and • the findings of any audits, reviews or evaluations of the entity's activities. <p>The report should link costs and results. This includes detailing:</p> <ul style="list-style-type: none"> • the costs of individual outputs and functions; • the costs of asset investment projects; and • cost efficiency and effectiveness, including: comparing actual costs to estimates (and explaining differences); and detailing established safeguards (such as risk management, auditing and procurement processes). 	<p>Entities are required to provide details of inputs, outputs and asset investment in aggregate in the financial statements. Departments are required to provide information about the outputs as defined in the budget papers through the performance measures set out in the budget papers (Standing Direction 4.2(k)). FRD 22B requires details of 'activities, programs and achievements' in the report of operations but does not specify that details should be provided of asset investment or individual programs/projects.</p> <p>For departments, details of results which are identified in performance measures in the budget papers are required by Standing Direction 4.2(k). As has been noted by the Committee previously, few of these are currently outcomes-focused – see the Committee's <i>Report on the 2011-12 Budget Estimates – Part Two</i> (June 2011).</p> <p>Outcomes performance measures are not differentiated from output performance measures. Some departments, however, have instituted their own outcomes frameworks on which they report (see Section 3.4.3). The Committee considers that other departments' reporting would be improved by doing likewise but notes that this is not currently required.</p> <p>FRD 22B requires entities to make details of major external reviews available on request, but entities are not required to report on audits, reviews and evaluations in the annual reports.</p> <p>Standing Direction 4.2(k) requires departments to report on the cost targets which are set for each output. Australian Accounting Standard AASB 1052 (Disaggregated Disclosures) requires departments to disaggregate income, expenses, assets and liabilities by 'major activity' where warranted. The Model Report (p.133) interprets 'major activities' as outputs.</p> <p>Entities are not currently required to report on asset investment except in aggregate through the financial statements. The Committee expects to discuss asset investment disclosure further in the <i>Report on the 2009-10 and 2010-11 Financial and Performance Outcomes</i>.</p> <p>FRD 22B requires entities to provide details of their audit committees. The Model Report (p.62) advises that entities should include an 'Attestation for compliance with the Australian/New Zealand Risk Management Standard' (required by Standing Direction 4.5.5(c)) in the annual report. Details of audits undertaken, procurement processes or risk management processes and how these have affected results are not currently required.</p>

Key element	Criteria	Committee comments
Discuss results and outcomes in comparison with expectations	<p>Actual results should be reported on the performance measures and targets defined in budget papers and entities' planning documents. This includes both financial and non-financial targets. Where actual results differ significantly from targets, explanations for the variations and details of plans to address the matter in the future should be provided. Explanations should address the root causes of variations.</p>	<p>Standing Direction 4.2(k) requires departments to report on their actual achievement on the performance measures from the budget papers. The Model Report (p.18) advises that significant or material variances should be explained and provides guidance as to what variances should be classified as significant or material. Entities are not required to report on performance measures and targets in other planning documents.</p> <p>None of the current government guidance materials requires the disclosure of future plans to address situations where performance varies significantly from the targets.</p> <p>The Committee anticipates discussing the reporting of performance compared to targets for 2009-10 and 2010-11 in its <i>Report on the 2009-10 and 2010-11 Financial and Performance Outcomes</i>.</p>
	<p>The report should identify risks (where appropriate to disclose) and external factors that affected the entity during the year, including changes to Government policy and changes to the entity's functions or services. The report should detail how these affected the entity's strategies and results.</p>	<p>FRD 22B requires entities to include '<i>details about any significant factors that affect the entity's performance</i>' in their reports of operations. The Model Report (pp.13-14) discusses disclosure of the impacts of machinery-of-government changes.</p>
Track and explain changes over time	<p>Information about trends in key data over time should be provided to help readers understand the significance of the year's results. Data should be reported consistently to enable comparison. Significant variations from one year to another should be explained.</p>	<p>Various FRDs require the presentation of trend data for particular areas, with trends of a variety of lengths. For many areas, though, the FRDs are silent on whether or not trend data should be provided. Significant variations are generally required to be explained. The Committee notes that the Australasian Reporting Awards (General Criterion 4) recommends that '<i>Reports should include comparative information for key financial and non-financial activities covering at least five (5) years, where possible.</i>'</p> <p>It is noted that Budget and Financial Management Guidance 09 states that '<i>Performance measures should be developed to enable meaningful comparison and benchmarking over time, across departments and against other jurisdictions.</i>' The Committee considers that not only should data be presented in a way that enables these comparisons, but these analyses should be made in annual reports.</p>
	<p>Changes to plans, strategies and objectives should be detailed and explained. Significant changes to outputs, programs and projects being delivered should also be detailed and explained.</p> <p>Any changes to the performance measures or targets from one year to the next should be explained.</p>	<p>FRD 22B indicates that objectives should be stated, but does not specify that changes from one year to the next be detailed. The Model Report (p.18) requires the explanation of any changes to output structures, but makes no mention of changes to programs or projects.</p> <p>For departments, the budget papers explain changes to performance measures and targets but this is not required in annual reports. The Model Report (p.18) recommends explaining new measures and any changes to output structures, but does not mention changes to individual measures and targets.</p>

Key element	Criteria	Committee comments
<p>Provide reliable and usable information</p>	<p>The information provided in reports should be sufficient for the Parliament and stakeholders to have a comprehensive understanding of the entity's activities, performance and results. Both financial and non-financial results should be discussed and analysed. Details should be provided of:</p> <ul style="list-style-type: none"> • all major activities, programs and projects; • all performance measures and targets; and • setbacks, projects/programs that have been discontinued and alterations to plans, as well as successes and achievements. <p>The level of detail provided about each function, program or project should be proportionate to the degree of expenditure on the activity, program or project, and its significance to the Government and community.</p> <p>Data provided should be meaningful, comprehensive, accurate and consistent. Data definitions should be provided where there may be doubt, along with details of how the data were collected, collated and calculated, key assumptions and any limitations to the validity of the data.</p> <p>Where important data are not available, explanations should be provided and the report should indicate what actions will be taken to acquire the data and when and where the data will be published.</p> <p>Results should be given context so that they can be interpreted, such as comparison with:</p> <ul style="list-style-type: none"> • targets; • previous years; or • other entities. <p>To ensure that comparisons can be made, results data should be calculated and presented in the same way as targets, previous years' data and other entities' data wherever practicable.</p>	<p>The FRDs, the Model Report and the performance measures published in the budget papers provide minimum reporting standards. For some areas, there are quite specific requirements about what is to be discussed and what data should be supplied, but for other areas there is significantly less direction. The Committee has noted some large variances in terms of how much detail is supplied by different entities, as discussed further in Chapter 3.</p> <p>As above.</p> <p>As above.</p> <p>As above.</p>

Key element	Criteria	Committee comments
Present information in an easily accessible way	<p>Information should be presented in plain English in an understandable and concise manner that avoids giving a false or misleading impression.</p> <p>The report should be structured so that it has a logical flow and a reader can easily find information.</p> <p>Charts, diagrams, illustrations and symbols should be used to help readers understand complex data.</p>	<p>FRD 30A indicates that, 'The contents of annual reports should be easy to read and easy to find, through the use of headings, a table of contents and the disclosure index.' The Model Report provides advice throughout on how the report can be structured and how information can be presented.</p> <p>The Model Report (p.9) advises that the narrative, where appropriate, should be 'supported by figures and graphics that assist understanding of the matters discussed.'</p>

Sources:

Better practice:

Australasian Reporting Awards, 'General Criteria Applicable to all Divisions', <www.arawards.com.au/index.php/eng/Criteria/General-Criteria-Applicable-to-all-Divisions>, accessed 17 November 2011;

Australian National Audit Office, *Better Practice Guide: Better Practice in Annual Performance Reporting*, April 2004;

Audit Office of New South Wales, *Reporting Performance: A Guide to Preparing Performance Information for Annual Reports*, 2000;

Controller and Auditor-General (New Zealand), *Reporting Public Sector Performance*, 2nd edition, January 2002;

Government Accounting Standards Board (USA), *Reporting Performance Information: Suggested Criteria for Effective Communication*, 2003;

National Audit Office (UK), *Good Practice in Performance Reporting in Executive Agencies and Non-Departmental Public Bodies*, March 2000;

Office of the Auditor-General of Canada, *Reporting on Outcomes: Setting Performance Expectations and Telling Performance Stories*, April 2003;

Queensland Audit Office, *Better Practice Guide: Output Performance Measurement and Reporting*, February 2006

Guidance in Victoria:

Standing Directions of the Minister for Finance under the Financial Management Act 1994 (updated June 2011);

Financial Reporting Directions;

Department of Treasury and Finance, 2010-11 Model Report for Victorian Government Departments, March 2011;

Department of Treasury and Finance, *Budget and Financial Management Guidances*, 2009;

Australian Accounting Standards Board, AASB 1052 (Disaggregated Disclosures), compiled 3 August 2010

2.4 Previous PAEC recommendations about annual reports

During the 56th Parliament, the former Committee made a number of recommendations designed to improve annual reports. Recommendations were made in both the Committee's reports on financial and performance outcomes and in its reports on budget estimates. Some of the main areas on which the Committee's recommendations focused included:

- modifying guidance (generally FRDs and the Model Report) to:
 - require additional data (e.g. new categories of information, trend data);
 - be more specific in the data it requires (e.g. more narrowly defining requirements) to assist entities and to ensure consistency of reporting across the public sector;
 - provide guidance on the most appropriate format for reporting data;
- highlighting specific annual reports in which certain aspects of reporting had been done well which might serve as models for other departments; and
- identifying particular areas in specific annual reports where the reporting could be improved (e.g. providing more detail or gathering data from a larger sample size).

These areas remain the focus of the current Committee in examining annual reports.

Progress on the implementation of some of the Committee's previous recommendations is discussed in Chapters 3 and 4 of this report.

The former Committee also undertook an examination of Victoria's accountability framework as part of its Inquiry into Victoria's Public Finance Practices and Legislation.²⁶ This included a number of recommendations with respect to entities' financial and performance reporting.

There were also many recommendations in previous reports identifying specific programs, strategies, outcomes or issues that should be discussed in annual reports. The Committee also noted particular areas where performance targets should be modified or where new performance measures should be introduced. Recommendations around these sorts of topics will appear in the *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes* rather than this report.

Over the course of the Committee's previous inquiries, several areas proved to be perennial difficulties. The Committee has made repeated recommendations about:

- entities not giving detailed, comprehensive explanations for significant variances between targets or estimates and actual results;
- entities not supplying (and often not being required to supply) historical data to provide context for the year's result;
- entities failing to meet all of the requirements of FRD 22B; and

26 Public Accounts and Estimates Committee, *New Directions in Accountability: Inquiry into Victoria's Public Finance Practices and Legislation*, June 2009

- reports not being tabled in a timely manner.

These four areas continue to be problems and this report highlights problems in each of these areas in the 2009-10 and 2010-11 annual reports.

FINDING:

Over the course of the 56th Parliament, a number of areas for improvement were repeatedly identified by the former Public Accounts and Estimates Committee. These areas continue to be problematic.

In many cases, the former Committee's recommendations were accepted by the Government of the day. In some of these cases, however, this acceptance has not resulted in action. In other cases, there remains room for improvement. The previous government's response to the recommendations in the *Report on the 2008-09 Financial and Performance Outcomes* will be discussed in the *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*.

CHAPTER 3: OVERALL FINDINGS

3.1 Introduction

As part of the current inquiry, the Committee has examined the annual reports of 21 departments and agencies (as detailed in Chapter 1 above), including all departments, the Parliament, six selected emergency services agencies and the three independent officers of Parliament. Annual reports for both 2009-10 and 2010-11 have been examined. The reports have been examined against both the mandated Government guidance and against the non-compulsory better-practice criteria detailed in Chapter 2 of this report.

Chapter 4 of this report provides detailed findings for each entity, along with suggestions and recommendations for improvements.

This chapter provides an analysis of the reviewed entities' compliance with the various guidance materials available. Section 3.2 focuses on four of the Financial Reporting Directions (FRDs) that apply to the reports of operations within the annual reports, specifically the extent to which entities have complied with the requirements of the FRDs. Section 3.3 examines the timeliness of the tabling of annual reports compared to the Government's directions. These investigations have indicated that entities have generally complied with the FRDs and Government's directions, though there are some areas where compliance could be improved.

In Section 3.4, the Committee compares the entities' annual reports to its better-practice criteria for reporting to Parliament. As these criteria are significantly more demanding than the mandated requirements, there is a significant amount of room for improvement. However, the Committee notes that, for every criterion, some entities are complying already and the Committee encourages all entities to do so in the future.

Section 3.5 considers the annual reports of the emergency services agencies with respect to three additional topics which are particularly relevant to their activities.

FINDING:

The Committee has assessed the annual reports for 2009-10 and 2010-11 for 21 departments and agencies against the requirements of selected Financial Reporting Directions, the Government's tabling deadlines and the Committee's own criteria. The State's emergency services agencies have also been assessed on three topics particularly relevant to them. The Committee found varying levels of compliance between the different agencies in each of these assessments.

3.2 Review of Financial Reporting Directions

3.2.1 Background

Departments and agencies are required to produce annual reports that comply with a range of legislated and government directions, including the FRDs. The FRDs are the most detailed Government directions that apply to the reports of operations within entities' annual reports. The FRDs comprise two groups:²⁷

- FRDs numbered 100 and above are directions issued for Australian Accounting Standards and Interpretations in relation to financial policy and disclosures; and
- FRDs numbered below 100 are directions issued mainly for non-financial policy and disclosures.

Compliance with the FRDs numbered 100 and above is reviewed by Victorian Auditor-General's Office in its audit of the annual financial statements. The Committee has therefore focused on the non-financial disclosures in this report.

The Committee has selected four FRDs connected with non-financial disclosures where it had observed some degree of non-compliance or potential for improvement in its review of the 21 entities' annual reports:

- FRD 10 (Disclosure Index);
- FRD 21A (Responsible Person and Executive Officer Disclosures in the Financial Report);
- FRD 22B (Standard Disclosures in the Report of Operations); and
- FRD 30A (Standard Requirements for the Design and Print of Annual Reports).

As discussed in Chapter 2, not all entities are required to comply with all FRDs. As noted in Section 2.2.2, there may be a level of confusion in some entities as to which FRDs entities are required to comply with. For the four selected FRDs, all reviewed entities with the exception of the Parliament are required to comply with the FRD. The Committee notes the criteria provided in the FRDs do not include the Parliament. However, the Committee has included the Parliament in its review, as the Committee considers that the FRDs represent appropriate standards from the perspective of transparency and accountability.

3.2.2 Overall levels of compliance with the Financial Reporting Directions

Overall, the Committee was satisfied with the level of compliance of the 21 reviewed entities with the selected FRDs. However, the Committee's review found instances where entities had failed to comply with certain aspects of the FRDs. In particular, these were high levels of non-compliance with some key requirements of FRD 10 and FRD 22B, most notably:

27 Department of Treasury and Finance, 'Financial Reporting Directions', <www.dtf.vic.gov.au/CA25713E0002EF43/pages/bfm-financial-reporting-policy-financial-reporting-directions1>, accessed 20 November 2011

- 17 of the 21 entities (81 per cent) did not adequately complete the disclosure index in line with FRD 10 for their 2009-10 annual reports, and 15 of the 21 entities (71 per cent) did not adequately complete the disclosure index for their 2010-11 annual reports;
- 18 entities (86 per cent) in 2009-10 and 19 entities (90 per cent) in 2010-11 complied with the requirements of FRD 22B for the disclosure of occupational health and safety matters, but, of those entities, only 12 in each year did so in a way that accords with better practice; and
- 9 of the 21 entities (43 per cent) did not meet all requirements set out in FRD 22B and the Model Report for their summaries of financial information for the 2009-10 and 2010-11 annual reports.

Whilst the majority of the reviewed entities had improved their disclosures from prior years, the Committee notes a small number of entities which complied in 2009-10 with certain aspects of the FRDs but did not comply with those aspects in 2010-11. An even larger number of entities showed no change with respect to many aspects reviewed between 2009-10 and 2010-11.

The following sections discuss each FRD in further detail. The Appendix to this report identifies the Committee's assessment of each entity with respect to each FRD.

FINDING:

Overall, the level of compliance with the Financial Reporting Directions in the annual reports of the 21 entities reviewed has been satisfactory. However, there are some areas where there are significant levels of non-compliance, especially with respect to FRD 10 and some components of FRD 22B.

RECOMMENDATION 7:

The Department of Treasury and Finance investigate the reasons for non-compliance with the full requirements of the Financial Reporting Directions. The investigation should identify what additional actions, such as targeted training or guidance material, are required to improve levels of compliance with all aspects of FRDs.

RECOMMENDATION 8:

The Victorian Auditor-General's Office consider reviewing the compliance of annual reports with non-financial Financial Reporting Directions to ensure that all entities fully comply.

3.2.3 *FRD 10 (Disclosure Index)*

FRD 10 requires a disclosure index to be included by departments and agencies in their annual reports. The disclosure index includes the list of relevant Victorian legislation and statutory disclosure requirements with page numbers referencing where in the report

disclosure has been made. The FRD states that the disclosure index ‘*assists departments and public bodies in identifying and complying with the requirements of the legislative framework within which they operate. In addition, the Disclosure Index assists users in locating the relevant sections of interest.*’²⁸

The key requirements of FRD 10 for the disclosure index are as follows:²⁹

- *a list identifying the relevant clauses of Victorian legislation with statutory disclosure requirements;*
- *a short description of the relevant requirement; and*
- *the page in the annual report where disclosure in satisfaction of the relevant requirement is made.*

The 2009-10 and 2010-11 Model Reports include a useful template for the disclosure index.³⁰

Tables A.1 and A.2 in the Appendix detail the varying levels of compliance with FRD 10 in the 2009-10 and 2010-11 annual reports.

Overall, only 4 of the 21 entities (19 per cent) adequately completed the disclosure index in 2009-10 as per the requirements of FRD 10. The remaining 17 entities (81 per cent) did not include a disclosure index, incorrectly referenced pages or failed to include page references.

In 2010-11, 6 of the 21 entities (29 per cent) adequately completed the disclosure index, with 15 of the 21 entities (71 per cent) either not including a disclosure index, incorrectly referencing pages or failing to include page references.

Without an accurate disclosure index, it is difficult to locate relevant sections of the key statutory disclosure requirements. The Committee considers that it should not be beyond entities’ capacity to develop an accurate disclosure index and that doing so may assist them to ensure that they have complied with all relevant FRDs.

FINDING:

Overall, only four of the 21 reviewed entities (19 per cent) adequately completed the FRD 10 disclosure in 2009-10, while six entities (29 per cent) adequately completed the disclosure in 2010-11.

3.2.4 FRD 21A (Responsible Person and Executive Officer Disclosures in the Financial Report)

FRD 21A requires annual reports to include disclosure of:³¹

- the base and total remuneration of each executive officer, disclosed within bands of \$10,000 above \$100,000;

28 FRD 10 (Disclosure Index), November 2005, p.1

29 *ibid.*

30 Department of Treasury and Finance, *2010-11 Model Report for Victorian Government Departments*, March 2011, pp.64-5; and *2009-10 Model Report for Victorian Government Departments*, March 2010, pp.245-6

31 FRD 21A (Responsible Person and Executive Officer Disclosures in the Financial Report), November 2005, p.1

- the number and name of ‘responsible persons’ and their total remuneration received, within bands of \$10,000 including related party transactions; and
- the names of relevant ministers for the reporting period.

The Committee is satisfied that all departments and agencies disclosed in their annual reports the key requirements of this FRD. The Committee notes that FRD 21A does not include any specific disclosure requirements for contractors holding executive positions. This contrasts with the situation in the private sector, where the *Corporations Act 2001* includes requirements for information about key management personnel on contracts to be included in the remuneration report.³²

The Committee notes that the Department of Business and Innovation has taken a positive step and included a statement on the number of contractors holding executive position in its executive remuneration note.³³ However, the remuneration details of these executives have not been included. In line with private sector companies, and for transparency and completeness of disclosure, the Committee recommends that this information be required from public bodies in future annual reports.

FINDING:

Departments and agencies completed disclosures in line with FRD 21A. However, the FRD does not currently require entities to disclose details of contractors in executive roles.

RECOMMENDATION 9:

FRD 21A be amended to require entities to disclose the number of contractors holding executive positions, and for the remuneration of these contractors to be included within the executive remuneration disclosure.

3.2.5 **FRD 22B (Standard Disclosures in the Report of Operations)**

FRD 22B prescribes ‘*the content of a report of operations to ensure consistency in reporting*’.³⁴ This FRD covers a variety of areas, including occupational health and safety, summaries of financial information, details of the organisation and information about consultancies.

In its review of FRD 22B compliance, the Committee has focussed on:

- occupational health and safety matters;
- consultancies; and
- summaries of financial information.

Break-downs of entities’ compliance with these aspects of FRD 22B have been included in the Appendix.

32 *Corporations Act 2001* (Commonwealth of Australia), s.300A (1) (e) (vi)

33 Department of Business and Innovation, *Annual Report 2010-11*, p.89

34 FRD 22B (Standard Disclosures in the Report of Operations), June 2007, p.1

Occupational health and safety

In relation to occupational health and safety matters, FRD 22B states that:³⁵

An entity's statement on occupational health and safety matters should identify the performance indicators adopted to monitor such matters, and outline the entity's performance against those indicators.

However, the FRD does not provide any guidance as to what performance indicators should be adopted and reported against. As a result, there has been substantial variation between entities in terms of what indicators have been used and how many indicators have been used.

As noted in Section 2.4 above, one of the former Committee's areas of repeated concern throughout the 56th Parliament was in relation to the reporting of occupational health and safety matters as required by FRD 22B.

In examining the 2008-09 annual reports, the former Committee found that the disclosures made in the 2008-09 annual reports had improved from the prior year, with six departments having good disclosures. The other four departments generally included high-level information of occupational health and safety policies, but did not identify and report against the performance indicators adopted to monitor such matters. All of the eight health-related agencies reviewed had some information on high-level occupational health and safety policies, but only one (Southern Health) included detailed information on performance indicators or performance against these indicators.³⁶

The *2008-09 Financial and Performance Outcomes Report* included the following recommendation:³⁷

All government agencies identify and report against the full range of performance indicators adopted to monitor Occupational Health and Safety matters as per the requirements of FRD 22B. The Department of Justice Annual Report 2008-09 Appendix G provides an excellent example of the type of clear and detailed response to this requirement the Committee expects to see.

The former Government accepted this recommendation and noted that:³⁸

Action taken to date:

DTF [Department of Treasury and Finance] supports continuous improvement in performance reporting.

A central feature of the Public Finance and Accountability reform is the requirement for the reporting to be clear and be prepared at a time and in a manner that is useful to the intended audience.

35 *ibid.*, p.2

36 Public Accounts and Estimates Committee, *Report on the 2008-09 Financial and Performance Outcomes*, May 2010, p.394

37 Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes*, May 2009, Recommendation 70, p.394

38 Victorian Government, *Government Responses to the Recommendations of the Public Accounts and Estimates Committee's 94th Report on the 2008-09 Financial and Performance Outcomes*, tabled 6 October 2010, p.31

Further action planned:

DTF is preparing guidance material in support of the preparation for implementation of Public Finance and Accountability reform.

In 2010, the Public Finance and Accountability Bill 2009 did not pass before the end of the 56th Parliament and therefore lapsed. The Committee notes, though, that the Model Report was modified so that it now includes sample data modelled on the Department of Justice's appendix, with a note that this represents best practice.³⁹ However, although the Model Report has identified particular indicators as best practice, it does not require entities to use these indicators. There remains, therefore, substantial variety between the different entities in terms of which performance indicators they report on. Table A.3 in the Appendix lists the different indicators used in 2010-11.

In addition, as Tables A.4 and A.5 of the Appendix show, the Committee considers that the reporting by nine of the reviewed entities (43 per cent) in 2009-10 and 2010-11 either does not comply with the FRD or does not comply with better practice due to:

- not including any indicators;
- only including one indicator; or
- not providing any prior years' data.

The Committee considers that without this contextual information, the data provided by entities is not sufficient to provide a clear picture of the occupational health and safety situation in the entity. In addition, the variety of indicators used makes it largely impossible to compare agencies with each other, also making the data difficult to interpret.

Further contributing to difficulties interpreting the data are:

- a variety of terms used, often without definition, which may be confusing for readers, including: 'incident', 'hazard', 'accident', 'injury', 'standard claim', and 'lost time claim'; and
- changes in prior results from one year to the next due to delays in claim lodgement and because the total cost of a claim is not apparent early in the process.

While the Committee understands that much of the terminology used in referring to occupational health and safety matters is derived from the WorkCover Authority, the Committee considers that stakeholders would benefit from the terms being explained in annual reports to help them fully understand the meaning of the data.

In order to provide meaningful data about occupational health and safety in annual reports, the Committee considers that certain minimum standards need to be specified and mandated for all entities. The Committee has identified three indicators which are currently used by a number of entities and which the Committee considers provide an informative overview of occupational health and safety matters:

39 Department of Treasury and Finance, *2010-11 Model Report for Victorian Government Departments*, March 2011, pp.27-31

- the number of reported hazards/incidents for the year per 100 full-time equivalent staff members;
- the number of 'lost time' standard claims for the year per 100 full-time equivalent staff members; and
- the average cost per claim for the year (including payments to date plus an estimate of outstanding claims costs as advised by WorkSafe).

Data for all three of these indicators should be provided for the year of the report and at least two prior years, to ensure that there is sufficient context to understand the significance of the data. In line with the better-practice criteria in Chapter 2, variations over time should be explained.

FINDING:

Financial Reporting Direction 22B requires entities to report on indicators for their occupational health and safety performance, but does not mandate the use of particular indicators. As a result, entities use a substantial variety of different performance indicators. In some cases, the Committee considers that the indicators used are not adequate. The variety of indicators used and the lack of historical data in many cases also reduce stakeholders' capacity to interpret the results.

RECOMMENDATION 10:

FRD 22B should be altered to specifically require reporting of at least the following matters in relation to occupational health and safety:

- (a) the number of reported hazards/incidents for the year per 100 full-time equivalent staff members;**
- (b) the number of 'lost time' standard claims for the year per 100 full-time equivalent staff members;**
- (c) the average cost per claim for the year (including payments to date plus an estimate of outstanding claims costs as advised by WorkSafe); and**
- (d) a minimum of two prior years' data on these indicators, and explanations for significant variations from one year to the next.**

The Committee notes that there has been an improvement in the departments' reporting of occupational health and safety indicators, with the number judged satisfactory by the Committee increasing from six in 2008-09 to nine in their 2009-10 and 2010-11 annual reports (see Tables A.4 and A.5).

However, the occupational health and safety reporting was inadequate in a number of the emergency services agencies, including the Country Fire Authority and the Metropolitan Fire and Emergency Services Board. Given that these agencies necessarily involve comparatively high levels of risk to their employees, the Committee considers that detailed reporting by these entities is particularly important.

FINDING:

There has been an improvement in departments' reporting of occupational health and safety indicators since 2008-09, but the Committee considers the reporting by the fire agencies to be inadequate.

Consultancies

With respect to consultancies, FRD 22B requires the following of entities:⁴⁰

- *For each consultancy (not contractors) valued in excess of \$100,000 (exclusive of GST), an entity should include a schedule listing the following:*
 - *consultants engaged,*
 - *brief summary of the project involved,*
 - *total project fees approved (exclusive of GST),*
 - *expenditure for the reporting period (exclusive of GST), and*
 - *any future commitments relating to the consultant.*
- *An entity should also report the total number of consultancies that are individually valued at less than \$100,000 (exclusive of GST), and the total expenditure (exclusive of GST) of these engagements.*

Additional guidance is provided in the Model Report, including sample data in a format as recommended by the former Committee.⁴¹

The Committee was pleased to see high levels of compliance with this aspect of FRD 22B in both the 2009-10 and 2010-11 annual reports. In total, 19 (90 per cent) of reviewed entities fully complied in 2009-10 and 18 (86 per cent) fully complied in 2010-11 (see Tables A.6 and A.7 in the Appendix). The one department which failed to comply was the Department of Sustainability and Environment, which did not include any details about consultancies over \$100,000. When questioned by the Committee, the Department explained that:⁴²

The department had no consultancy as defined by this guidance that exceeded \$100,000 in either 2009-10 or 2010-11. Had there been any they would have been disclosed in Appendix 9 and Appendix 8 of the annual reports of the respective years.

The Committee considers that the appropriate action to take in such circumstances is to indicate in the report that there are no consultancies exceeding \$100,000.

The Committee did note, however, that seven entities in each year (33 per cent) failed to specify whether or not the figures they quoted were exclusive of GST, an issue that the former Committee raised in previous reports.⁴³ The Committee considers that it is important to include this information so that any readers comparing entities can be sure that they are doing so on the same basis.

40 FRD 22B (Standard Disclosures in the Report of Operations), June 2007, pp.2-3

41 Department of Treasury and Finance, *2010-11 Model Report for Victorian Government Departments*, March 2011, pp.45-6

42 Department of Sustainability and Environment, response to the Committee's 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 21 December 2011, p.13

43 Public Accounts and Estimates Committee, *Report on the 2008-09 Financial and Performance Outcomes*, May 2010, p.394

FINDING:

There are generally high levels of compliance with the FRD 22B requirements regarding consultancies, with 19 of reviewed entities (90 per cent) complying in 2009-10 and 18 entities (86 per cent) complying in 2010-11. However, a large proportion of complying entities did not indicate whether or not the figures they reported were exclusive of GST.

The Committee also notes that the Government, prior to its election, indicated that one of its priorities was to improve the reporting of information about consultancies:⁴⁴

...we will ensure all consultancies – including those under \$100,000 – are reported in annual reports, ensuring greater accountability and transparency in government.

The Government also identified the classification of some workers as contractors, with details not required to be disclosed, as an issue from the perspective of transparency.⁴⁵

Prior to the Government's election, FRD 22B did not require departments to disclose the expenditure in any year on consultancies under \$100,000 (although it did require disclosure of the total expenditure on these consultancies). FRD 22B also specified that contractors were not to be included. FRD 12A required disclosure of contracts, but only of contracts over \$10 million in value and not details of the expenditure in any one year.

To date, the Government has not made any alterations to either FRD 22B or FRD 12A, and the 2010-11 annual reports were not required to report details of expenditure in the year on consultancies valued under \$100,000 or contracts under \$10 million. Further discussion of expenditure on consultancies is expected in the Committee's forthcoming *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*.

FINDING:

Although the Government declared an intention prior to the election of reporting expenditure on consultancies with a total value under \$100,000 and on contractors, the relevant Financial Reporting Directions have not been amended to require this reporting.

RECOMMENDATION 11:

The Government amend the Financial Reporting Directions to require the disclosure in departments' annual reports of expenditure within the year on consultancies with a total value under \$100,000 and on contractors.

44 Liberal Victoria and The Nationals, *The Victorian Liberal Nationals Coalition Plan For Better Financial Management*, 2010, p.9

45 *ibid.*

Summary of financial information

FRD 22B also requires entities to provide a ‘*summary of the financial results, with comparative information for the preceding four reporting periods.*’⁴⁶ The Model Report provides guidance as to what information, should be included.⁴⁷

In both the 2009-10 and 2010-11 annual reports, only 12 of the 21 entities (57 per cent) met all of the requirements of both the FRD and the Model Report (see Tables A.8 and A.9 in the Appendix).

Three of the remaining entities failed to include all of the information suggested by the Model Report. The Committee notes that two of these entities were not departments and therefore are not required to follow the Model Report, although they are encouraged to do so. The third entity was the Department of Parliamentary Services – as discussed in Section 2.2.2 above, the Parliamentary Departments are not required to adhere to the FRD, although the Committee considers that it would be appropriate.

The Committee also notes that nine entities in each year failed to provide data for the four prior years, as required by FRD 22B.

FINDING:

Only 12 (57 per cent) of reviewed entities met the full requirements of FRD 22B and the Model Report regarding the summaries of financial information in 2009-10 and 2010-11. The remaining entities either did not include all information indicated by the Model Report (three entities) or failed to provide data for the four prior years, as required by the FRD (nine entities).

3.2.6 FRD 30A (Standard Requirements for the Design and Print of Annual Reports)

FRD 30A states that ‘*annual reports are to be developed in line with the design, content development, photography and print specifications below, to ensure costs of producing these reports are reasonable and where possible, reduced.*’⁴⁸ The specifications provided within the FRD include that:⁴⁹

Use of photographs is to be kept to a minimum. Large format, full page photographs are not to be included.

...

Where photos are necessary, they are to be printed in black and white on internal pages and may be produced in full colour on the cover of an annual report.

46 FRD 22B (Standard Disclosures in the Report of Operations), June 2007, p.2

47 Department of Treasury and Finance, *2010-11 Model Report of Operations for Victorian Government Departments*, March 2011, p.21

48 FRD 30A (Standard Requirements for the Design and Print of Annual Reports), April 2010, p.1

49 *ibid.*, pp.1-2

These specifications were added in April 2010 and applied for the first time to annual reports for 2009-10. The Committee was therefore interested to see how well these new requirements were being complied with.

Whilst the majority of the 21 entities fully complied with this direction, the Country Fire Authority and Department of Parliamentary Services used a large number of colour photographs in their 2010-11 annual reports. The Department of the Legislative Council also included two full-page colour photographs and a colour title page in its 2010-11 annual report.

The Committee asked both entities about their rationale for not complying with the requirements. The Country Fire Authority indicated that:⁵⁰

There was a lack of clarity regarding whether to follow FRD 30A because in recent years there has been inconsistency of its use across agencies. We have identified the issue and will adhere to the guidelines when preparing future annual reports.

This reinforces the Committee's finding in Section 2.2.2 above that there would be benefit to the Department of Treasury and Finance providing clearer guidance to entities as to which FRDs they are required to comply with.

In their response, the Department of Parliamentary Services and Department of the Legislative Council indicated that they did not believe that they are required to comply with the FRD (see further discussion of this in Section 2.2.2 above). The Department of the Legislative Council also advised that '*despite doubts surrounding the applicability of FRD 30A and other directions issued from time to time by the Executive, the Department has always attempted to adhere to the general spirit of such guidelines.*'⁵¹

As noted in Section 3.2.1, though, the Committee considers that these standards are appropriate and that the Parliament should consider restricting their expenses in the same way that other entities have been required to restrict theirs.

FINDING:

The majority of the reviewed entities (19 of 21, or 90 per cent) complied with the requirements of FRD 30A regarding the use of colour photographs in 2010-11.

3.3 Timeliness of reporting

All Government departments and agencies are required by Section 46 of the *Financial Management Act 1994* to make their annual report available to the Parliament within four months of the end of the financial year to which they relate (that is October) or on the first sitting day of Parliament after the end of that month. All 21 entities reviewed by the Committee tabled their annual reports by this deadline in both 2009-10 and 2010-11.

50 Country Fire Authority, response to the 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 18 January 2012, p.5

51 Parliamentary Departments, response to the 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 18 January 2012, p.6

However, Premier's Circulars were issued in 2010 and 2011 requesting that all entities table their annual reports by 16 September for the 2009-10 annual reports⁵² and 15 September for the 2010-11 annual reports.⁵³ The Committee noted that 2 of the 21 entities (10 per cent) did not meet the deadlines in 2009-10 (see Table A.10 in the Appendix) and 8 of the 21 entities (38 per cent), including the Department of Treasury and Finance, did not meet the Premier's Circular deadline in 2010-11 (see Table A.11 in the Appendix).

With respect to the late tabling of its 2010-11 annual report, the Department of Health explained that the Minister for Health had to table a large number of reports and that, '*In line with the government's commitment for transparency, annual reports were tabled over a period of time rather than on one day.*'⁵⁴ The Committee considers that reports could be staggered over a period of time without being as late as the Department of Health's was.

The Department of Treasury and Finance, when questioned about the reasons for its tabling date being late, advised that '*The Department had lengthy discussions with the Victorian Auditor General's Office on the accounting treatment for a number of transactions.*'⁵⁵ The Committee hopes to see improved planning processes (such as the commencement of discussions with the Victorian Auditor-General's Office earlier) to reduce the likelihood of this occurring in the future.

FINDING:

All reviewed entities met the Financial Management Act deadline for tabling the 2009-10 and 2010-11 annual reports. However, 2 entities (10 per cent) did not meet the Premier's Circular deadline for 2009-10 and 8 entities (38 per cent) did not meet the deadline set in the Premier's Circular for 2010-11.

3.4 Assessment of the annual reports against the Committee's better-practice criteria

Table 2.1 of Chapter 2 above sets out the Committee's criteria for better practice in reporting to Parliament. This section provides a summary of the results from the assessment of 21 entities against those criteria. More detailed discussions of each entity can be found in Chapter 4.

The Committee emphasises, as detailed in Chapter 2, that these criteria are better-practice criteria and are more demanding than the Government's current requirements. Thus, while the majority of entities have not fully met the Committee's better-practice criteria, that does not mean that they have failed to meet the requirements set out for them by the Government. For every one of its criteria, though, the Committee notes that at least some entities are already meeting the Committee's standards, which the Committee considers to be a positive step towards greater accountability and transparency throughout the public sector.

52 Premier's Circular No.2010/02 (Tabling of 2009/10 Annual Reports), 17 January 2010

53 Premier's Circular No.2011/02 (Tabling of 2010/11 Annual Reports), 16 May 2011

54 Department of Health, response to the 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 19 January 2012, p.12

55 Department of Treasury and Finance, response to the 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 24 January 2012, p.7

FINDING:

Based on the Committee’s better-practice criteria for reporting to Parliament, which are more demanding than the Government’s requirements for annual reports, there is room for improvement in the reporting of most entities. However, at least some entities are already complying with each of the Committee’s criteria.

3.4.1 Entity overview

Table 3.1: Criteria for the entity overview

Key element	Criteria
Provide an overview of the entity in the early pages	The report should provide details of the entity’s structure, key features, mission, values and key responsibilities. The details should cover the entity as a whole.
	The report should contain highlights of the year at a glance, including: <ul style="list-style-type: none"> • key performance outcomes and progress towards the entity’s objectives; • important events of the year; and • an outlook for the following year.

Sources: see Table 2.1 above

All 21 entities included some information related to the above criteria. However, the level of detail varies significantly between different entities’ reports, as does the location of this information. Overall, the Committee considers that 8 of the 21 entities (38 per cent) included comprehensive ‘year in review’ sections in their annual reports, covering all aspects of the Committee’s assessment criteria, with 13 having potential for improvement.

FINDING:

Eight of the 21 entities reviewed (38 per cent) included comprehensive ‘year in review’ sections, meeting all of the Committee’s better-practice criteria.

3.4.2 Objectives and goals for the year

Table 3.2: Criteria for stating objectives and goals

Key element	Criteria
Clearly state the entity's objectives and goals for the year being reported on	The report should identify: <ul style="list-style-type: none"> • the objectives and goals for the year; • the source and rationale for these objectives and goals; • strategies for achieving the objectives and goals; and • the process by which objectives, goals and strategies were developed, including trade-offs and choices that were made and the reasons for these trade-offs and choices.
	The entity's objectives and goals should be clearly linked to broader government policy.
	The report should publish performance measures and targets that have been established to monitor the entity's performance towards its objectives and goals, including (where appropriate) those detailed in budget papers.

Sources: see Table 2.1 above

While goals and objectives were reported in the annual reports of all 21 entities in accordance with government requirements, few provided the additional detail suggested by the Committee on the source and rationale of the goals and objectives or the process by which they were developed.

Some entities reported goals and objectives in the early parts of the annual report and in Note 1 of the financial statements, while other entities have only included them as part of Note 1 of the financial statements. In the case of departments, the objectives identified in the descriptions of outputs from the budget papers were generally included in the annual reports (as recommended by the Model Report⁵⁶). In some cases, these descriptions were included in appendices and not integrated into the reports of operations.

The Committee considers that goals and objectives should be included within the report of operations and not just in notes to the financial statements or appendices, as the Committee considers that goals and objectives should be discussed in the context of the discussion of the entity's results and achievements for the year (see further in Section 3.4.4). In this context, the Committee notes that only 10 of the 21 entities (48 per cent) linked their discussion of their key activities to their goals and objectives.

FINDING:

While all entities provided some details of their goals and objectives for the year, only 10 of the 21 entities (48 per cent) linked their key activities to their goals and objectives for the year. In some cases, objectives were only provided in notes to the financial statements or in appendices and not in the reports of operations.

56 Department of Treasury and Finance, *2010-11 Model Report for Victorian Government Departments*, March 2011, pp.17-18

3.4.3 Results and outcomes for the year

Table 3.3: Criteria for discussing results and outcomes

Key element	Criteria
Be focused on results and outcomes	The report should provide details of the entity's inputs (income) and how that money was spent, including details of both: <ul style="list-style-type: none"> • outputs (services); and • asset investment (infrastructure). Details should be provided of major programs/projects on an individual basis, including both details of programs/projects that have been completed and progress during the year on programs/projects that are expected to be completed in future years. Where the scope of a program/project changes during the year, details of those changes should be supplied.
	In addition to detailing the inputs, outputs and asset investment, the report should also identify the results achieved in the community (i.e. outcomes). Inputs, outputs and outcomes should be clearly distinguished. The report should indicate: <ul style="list-style-type: none"> • what outcomes were achieved or what progress has been made towards achieving longer-term outcomes; • how the entity's performance contributed to achieving the outcomes; • other factors that contributed to the achievement (or failure to achieve) the desired outcomes; and • the findings of any audits, reviews or evaluations of the entity's activities.
	The report should link costs and results. This includes detailing: <ul style="list-style-type: none"> • the costs of individual outputs and functions; • the costs of asset investment projects; and • cost efficiency and effectiveness, including: comparing actual costs to estimates (and explaining differences); and detailing established safeguards (such as risk management, auditing and procurement processes).

Sources: see Table 2.1 above

Expenditure

Details of income and expenditure are primarily included in the financial statements section and in the summaries of financial results in the 21 entities' annual reports. All entities provided financial statements and some summary data (although not all summaries were in as much detail as appropriate – see Section 3.2.5).

In the case of the 11 departments, the outputs that they are expected to deliver, along with target costs, are detailed in the budget papers. Departments are required by Standing Direction 4.2(k) to report on their actual results compared to these targets and by the Model Report to provide explanations for significant or material variances.⁵⁷ All departments complied with this for the 2009-10 and 2010-11 annual reports except the Department of Business and Innovation, which omitted explanations for variances on non-cost measures in 2009-10 and for cost measures in 2010-11. The Department of Business and Innovation has since published an addendum to its 2010-11 annual report including the total output costs and explanations for significant variances. The Department explained to the Committee that the original omission was caused by a 'printing oversight'.⁵⁸

⁵⁷ Department of Treasury and Finance, *2010-11 Model Report for Victorian Government Departments*, March 2011, p.18

⁵⁸ Department of Business and Innovation, response to the Committee's 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 23 December 2011, p.10

The Department of Parliamentary Services, which also has an output associated with it in the budget papers, did not disclose the actual total cost for that output (see further in Section 4.3 below).

With respect to asset investment projects, only 2 of the 11 departments (18 per cent) provided details of progress and costs – the Department of Health and the Department of Transport. The Committee welcomes this disclosure by these departments, though it considers that additional information would be required to fully meet the Committee’s criteria.

The need for improved disclosure of asset investment has been identified previously by the Committee. The *Report on the 2010-11 Budget Estimates — Part Three* included the following recommendation:⁵⁹

For the information needs of Parliament and the community, departments should provide in their annual reports, details of the progress made on asset investment projects and the outcomes delivered against project objectives.

The current Government supported this recommendation and noted that:⁶⁰

The Government is committed to increasing transparency and oversight of the delivery of major projects by all departments and agencies...

The Government will consider options to increase the disclosure requirements for significant asset investment projects in the 2011-12 Model Financial Report for government departments.

The Committee looks forward to seeing the changes in the 2011-12 Model Report and future annual reports.

In terms of the data currently supplied by departments regarding asset investment projects, the Committee will discuss this further in its *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*.

FINDING:

All reviewed entities have provided details of their income and expenditure in financial statements. All departments have provided details of their expenditure broken down by outputs. However, only two of the 11 departments (18 per cent) included progress reports on their key asset initiatives.

Outcomes achieved in the community

The Committee considers that the inclusion of outcome indicators and the effects of entities’ activities in the wider community would add considerably to the annual reports. This would be in line with better reporting practice, as has been discussed by the Committee previously.⁶¹ For all departments, some of the performance measures established in the budget papers are

59 Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part Three*, September 2010, Recommendation 1, p.56

60 Victorian Government, Government Responses to the Recommendations of the Public Accounts and Estimates Committee’s 96th Report on the 2010-11 Budget Estimates — Part Three, tabled 16 March 2011, p.31

61 e.g. Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part Two*, June 2011

outcomes-focused.⁶² However, these are not generally distinguished from other measures or reported separately.

The Department of Business and Innovation and the Department of Transport have included specific outcomes reports in their annual reports, including quantified targets and details of their performance relative to these targets. In the case of the Department of Business and Innovation, this is integrated within the report of operations. The Department of Transport has included this information as an appendix. The Committee considers that these outcomes reports add to the quality of reporting. The Committee considers that the Department of Business and Innovation's approach, incorporating the data into the report of operations, is preferable.

Victoria Police's annual report includes a table of crime statistics covering a wide range of offences, including data from the two most recent years and a growth rate calculation.⁶³ While this does not constitute a formal outcomes report, the inclusion of these statistics does show results achieved in the community through the efforts of Victoria Police and provides an outcomes focus to the report.

In some cases (the Department of Education and Early Childhood Development, the Victorian Auditor-General's Office and the Department of Primary Industries), entities have specified particular outcomes towards which they have worked, but they have not included quantified targets. The Committee considers that establishing quantified targets that could be tracked over time would be a valuable next step for these entities.

In the case of the Department of Planning and Community Development, the Committee notes that the Department has included an outcomes report in their corporate plan but has not reported results compared to these outcomes in its annual reports. However, the Department of Planning and Community Development has included a section that discusses its contribution to whole-of-government initiatives in its 2009-10 and 2010-11 reports. The Department was the only entity reviewed which had a specific section dedicated to this. The Committee considers it a good example of better practice reporting and connecting the Department's activities to broader government objectives.

FINDING:

In addition to reporting on any outcomes-based performance measures from the budget papers, six of the 21 entities (29 per cent) included details of outcomes which they have achieved in their annual reports.

FINDING:

The Department of Planning and Community Development's reports are unique amongst those reviewed in having a section specifying the Department's contribution to whole-of-government initiatives. The Committee considers this to be a valuable addition.

62 Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part Two*, June 2011, p.11

63 Victoria Police, *Annual Report, 2009-10*, p.18; and *Annual Report, 2010-11*, p.18

3.4.4 Results and outcomes compared to expectations

Table 3.4: Criteria for comparing results and outcomes to expectations

Key element	Criteria
Discuss results and outcomes in comparison with expectations	Actual results should be reported on the performance measures and targets defined in budget papers and entities' planning documents. This includes both financial and non-financial targets. Where actual results differ significantly from targets, explanations for the variations and details of plans to address the matter in the future should be provided. Explanations should address the root causes of variations.
	The report should identify risks (where appropriate to disclose) and external factors that affected the entity during the year, including changes to Government policy and changes to the entity's functions or services. The report should detail how these affected the entity's strategies and results.

Sources: see Table 2.1 above

Results compared to performance targets in the budget papers

The reporting of actual results compared to the targets for the performance measures specified in the budget papers is required by Standing Direction 4.2(k) and FRD 22B as interpreted by the Model Report.⁶⁴ This direction applies only to the departments, and only to those performance measures that are included in the budget papers. Therefore there is no requirement for the Parliament, the independent officers of Parliament or the emergency services agencies to report performance measures in their own annual reports. However, a number of these entities have reported their performance on measures which are determined (at least in part) by their activities. The Committee considers this to be a positive action from the perspective of transparency and accountability and has discussed this further with respect to the emergency services agencies below.

The Committee noted varying levels of integration between the performance measures and the report of operations, with some entities making little or no reference to the performance measures in their reports of operations.

All departments have provided details of their results for the performance measures, though the Committee has noted a number of examples throughout Chapter 4 in which explanations for significant or material variances have not been provided or in which the explanations provided have been inadequate. The Committee intends to treat these matters more systematically in its forthcoming *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*.

FINDING:

All 11 departments reported on their actual results compared to the performance targets set in the budget papers. However, explanations provided for variances between performance targets and actual results were not always satisfactory.

RECOMMENDATION 12:

The Government's guidance be modified to require reference to performance measures from the budget papers to be part of the report of operations, with full details in appendices.

64 Department of Treasury and Finance, *2010-11 Model Report for Victorian Government Departments*, March 2011, p.18

Results compared to targets, goals and objectives in planning documents

The Committee notes that current government guidance does not require entities to provide details in their annual reports of their actual results compared to targets, goals or objectives set out in their planning documents. However, the Committee considers that such reporting is in accord with better practice and has assessed the extent to which this is currently occurring.

The Committee found that 19 of the 21 entities (82 per cent) had planning documents publicly available for download. Of these, the Emergency Services Telecommunications Authority and Victoria Police have two documents, one for long-term and one for single-year time horizons. Of the two entities without publicly available documents, the Country Fire Authority refers to a plan which is not readily accessible, *Creating Our Future Together*, and the Metropolitan Fire and Emergency Services Board refers to there being 'Board endorsed strategic plans'⁶⁵ but provides little information about these plans.

Objectively ascertaining the performance of an organisation against previously set goals, objectives and targets is impossible without public access to the planning documents that set out these goals. For this reason, these documents should be made publicly accessible. In addition, as the goals, objectives and targets set in planning documents constitute operational and budgetary objectives, the Committee considers that they should be set out in the entities' annual report as part of compliance with FRD 22B, which requires entities to provide details of their objectives.

Currently, entities' references in their annual reports to planning documentation were highly varied. Some entities provided clear references to the goals, objectives and targets in their planning documents and to their results compared to these targets. The Committee considers Victoria Police to be an excellent example of better practice in this regard. Both short-term and longer-term planning documents provide guidance and targets for the organisation, and Victoria Police's *Annual Report 2010-11* explicitly echoes these documents and gives results for the set targets.⁶⁶

The Department of Business and Innovation has structured its report of operations around the objectives from its corporate plan and included actual results on selected measures at the start of each section. This approach clearly integrates the corporate objectives and targets with the activities undertaken in the year. However, in this case this integration has come at the expense of the performance measures from the budget papers, which are included in an appendix and not integrated into the report of operations. The Committee considers that an ideal report integrates both elements of the corporate plan and performance measures from the budget papers into the report of operations.

In some cases, however, entities made little or no reference to their plans in their annual reports or did not detail their achievements compared to the goals, objectives and targets in the plans.

65 Metropolitan Fire and Emergency Services Board, *Annual Report 2010/2011*, p.50

66 Victoria Police, *Annual Report 2010-11*, pp.17-25

FINDING:

Nineteen of the 21 entities (90 per cent) had planning documents publicly available for download. However, there was significant variation with respect to how well integrated the goals, objectives and targets of these plans were within the annual reports.

RECOMMENDATION 13:

Where an organisation has a planning document (such as a corporate plan, business plan or strategic plan), this document be publicly available via its website.

RECOMMENDATION 14:

Entities be required to explicitly quote the strategic goals, objectives and targets set out in their planning and policy documents in annual reports, along with reports of the organisation's progress for the year towards those goals, objectives and targets.

Results reporting by the emergency services agencies

All of the emergency services agencies except for the Emergency Services Telecommunications Authority were responsible for the delivery of services contributing to some performance measures from the budget papers. In some cases, the performance measure is entirely determined by the agency's performance, whereas in other cases the performance measure is aggregated from the performance of more than one agency (see Table 3.5). The Government's guidance does not require these agencies to report on these measures in their annual reports. The responsibility for reporting on results compared to these measures rests instead with the parent departments (either the Department of Justice or the Department of Health).

Table 3.5: Reporting of performance measures - emergency services agencies

Agency	Performance measures included in annual reports	Agency's performance contributes to budget paper performance measures
Ambulance Victoria	Yes	Entirely
Country Fire Authority	Yes	Partly
Emergency Services Telecommunications Authority	Yes	No
Metropolitan Fire and Emergency Services Board	Yes	Partly
Victoria Police	Yes	Entirely
Victoria State Emergency Service	No	Partly

Sources: 2010-11 annual reports

As can be seen from Table 3.5, all of the emergency services agencies except for the Victoria State Emergency Service do report on their actual achievements compared to some performance measures in their annual reports. For some agencies, what they report on are the performance measures from the budget papers that the parent department also reports on. Other agencies have developed new performance measures that do not appear in the budget papers. Some use a combination of the measures from the budget papers and ones they have devised themselves.

With respect to the performance measures from the budget papers that are the amalgamated results of multiple agencies, there was some variation in reporting. The Department of Justice's performance measure 'Structural Fire Contained to Room or Object of Origin', for example, aggregates data from both the Country Fire Authority and the Metropolitan Fire and Emergency Services Board. Each agency has published its own contribution in its own annual report, and the aggregate performance measure is reported in the Department of Justice's annual report in the *Emergency Management Capability* output.⁶⁷ In contrast, the result for the 'Municipal Customer Satisfaction' measure in the *Emergency Management Capability* output was reported in the Department of Justice's annual report,⁶⁸ but none of the potential contributing agencies published their own results. In this case, it was unclear not only to what extent the agencies contributed to the amalgamated results, but also which agencies contributed.

The Emergency Services Telecommunications Authority publishes measures covering performance and availability of its three telecommunications networks.⁶⁹ Conceivably, these would contribute to the *Emergency Management Capability* output of the Department of Justice. However, no performance measures relating to this have been set for the Department of Justice in the budget papers, and consequently the Department of Justice does not report any such measures in its annual report. By developing and reporting its own measures, the Committee considers that the Emergency Services Telecommunications Authority is supporting the principles of transparency and accountability.

FINDING:

Five of the six emergency services agencies report their results against performance measures in their annual reports. Four of those agencies contribute to performance measures that were set in the budget papers. There was some variety in terms of how the agencies dealt with these measures.

RECOMMENDATION 15:

The Government change its guidance to require entities whose performance contributes, either wholly or in part, to performance measures reported by a parent department, to report their performance on these performance measures in their own annual reports. This reporting should include targets, variances and reasons for significant variances.

67 Department of Justice, *Annual Report 2010-11*, p.65

68 *ibid.*

69 Emergency Services Telecommunications Authority, *2010/11 Annual Report*, pp.14, 16-17

3.4.5 Tracking and explaining changes over time

Table 3.6: Criteria for tracking and explaining changes over time

Key element	Criteria
Track and explain changes over time	Information about trends in key data over time should be provided to help readers understand the significance of the year's results. Data should be reported consistently to enable comparison. Significant variations from one year to another should be explained.
	Changes to plans, strategies and objectives should be detailed and explained. Significant changes to outputs, programs and projects being delivered should also be detailed and explained.
	Any changes to the performance measures or targets from one year to the next should be explained.

Sources: see Table 2.1 above

Though the Government's guidance requires trend data to be provided in some instances, in most cases there is no requirement for trend data to be provided or for trends over time to be explained. However, the Committee considers that detailing and explaining trends is an important part of better practice, as changes over time are often indicative of problem areas or success areas. The Committee anticipates discussing this matter further in the *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*.

With respect to performance measures, the Committee notes that only two entities (the Department of Justice and the Victorian Auditor-General's Office) provided prior year data as well as data from the reporting year in 2010-11. Victoria Police also provided trend data for a lot of its measures, though not for all of the measures from the budget papers.

FINDING:

Only 2 of the 21 entities (10 per cent) included historical data regarding actual results on performance measures in their annual reports.

RECOMMENDATION 16:

All entities be required to provide at least three rolling years' actual results data for performance measures in their annual reports, explaining significant trends over time.

In terms of placing its activities within historic context, the Committee considers that Victoria Police has done a particularly good job. Victoria Police has explained changes from prior years as well as the impact on future years of key initiatives and projects. References are made to both future and past initiatives, such as Family Violence Safety Notices and preparations for the recruitment of new Protective Services Officers. Where a program has commenced in the past, an update is provided as well as a description included of future expectations. The Committee considers that Victoria Police's approach should be used as a model by other departments.

FINDING:

Victoria Police has done a particularly good job of providing historic context for its activities, including explaining changes from prior years as well as future expectations for key initiatives and projects.

RECOMMENDATION 17:

The Department of Treasury and Finance update the Model Report to recommend that entities provide information for their key initiatives and projects about changes from previous years and expectations for the future, using Victoria Police's annual report as a model.

3.4.6 Reliable and usable information**Table 3.7: Criteria for providing reliable and usable information**

Key element	Criteria
Provide reliable and usable information	The information provided in reports should be sufficient for the Parliament and stakeholders to have a comprehensive understanding of the entity's activities, performance and results. Both financial and non-financial results should be discussed and analysed. Details should be provided of: <ul style="list-style-type: none"> • all major activities, programs and projects; • all performance measures and targets; and • setbacks, projects/programs that have been discontinued and alterations to plans, as well as successes and achievements.
	The level of detail provided about each function, program or project should be proportionate to the degree of expenditure on the activity, program or project, and its significance to the Government and community.
	Data provided should be meaningful, comprehensive, accurate and consistent. Data definitions should be provided where there may be doubt, along with details of how the data were collected, collated and calculated, key assumptions and any limitations to the validity of the data. Where important data are not available, explanations should be provided and the report should indicate what actions will be taken to acquire the data and when and where the data will be published.
	Results should be given context so that they can be interpreted, such as comparison with: <ul style="list-style-type: none"> • targets; • previous years; or • other entities. To ensure that comparisons can be made, results data should be calculated and presented in the same way as targets, previous years' data and other entities' data wherever practicable.

Sources: see Table 2.1 above

The Committee is unable to determine if all major activities, programs and projects have been reported in the annual reports. However, it has observed that the level of detail on the major activities, programs and projects varies across the 21 entities. The Department of Education and Early Childhood Development and the Department of Sustainability and Environment have provided more comprehensive information compared to the Department of Treasury and Finance, the Department of Business and Innovation and the Department of Transport. Reports of operations for the three Parliamentary Departments contain extensive information on their activities. The annual reports for the three Parliamentary Departments, however, could be enhanced through presenting financial information consolidated on the same basis as the budget papers.

The Committee notes that the level of detail provided in the Department of Business and Innovation's annual report has been reduced substantially over the last three years. The Department's 2008-09 annual report provided between three and 13 pages for each of nine priority activities, with details on the key initiatives and programs as well as examples of key initiatives completed (see further detail in Chapter 4 below). This was reduced to two pages

for each of six objectives in 2010-11. The Committee considers that the report of operations would be improved if these sections were extended to provide further detail on progress towards the corporate objectives, with more details on the key initiatives and programs as well as examples of key initiatives completed. This would assist in providing a comprehensive understanding of the Department's key activities to its stakeholders.

A similar reduction has occurred with the Department of Transport, as discussed further in Chapter 4 of this report.

The Committee also noted potential areas for improvement in the presentation of some organisational charts. The Emergency Services Telecommunications Authority's organisational chart included in the 2009-10 and 2010-11 annual reports does not show lines of reporting, which leads to ambiguity when determining which area reports to which. Lines of reporting have also been noted as ambiguous in the organisational charts for the 2010-11 annual reports for the Department of Premier and Cabinet and the Country Fire Authority. Further details about these matters can be found in Chapter 4 of this report.

FINDING:

The Committee notes significant variations between entities in terms of how much information is provided in annual reports, and significant decreases from previous years in the cases of the Department of Business and Innovation and Department of Transport.

3.4.7 Accessible presentation

Table 3.8: Criteria for accessible information

Key element	Criteria
Present information in an easily accessible way	Information should be presented plain English in an understandable and concise manner that avoids giving a false or misleading impression.
	The report should be structured so that it has a logical flow and a reader can easily find information.
	Charts, diagrams, illustrations and symbols should be used to help readers understand complex data.

Sources: see Table 2.1 above

The Committee considers that the reviewed reports were generally clearly written and presented. However, the Committee did note some areas for potential improvement. Victoria Police's annual reports are significantly more difficult to read than others due to substantial acronym use. This is compounded by the lack of an acronym glossary.

In some cases, there was room for improvement with respect to the use of tables of contents and indices to improve the ease with which information can be found. There were a number of entities that had minimal tables of contents, listing small numbers of sections. The Department of Health's 2010-11 annual report includes a large number of appendices but these are not numbered or included in the table of contents. This makes it difficult to find particular appendices, and in some cases difficult to determine where one appendix ends and the next begins. Only three of the reviewed entities included indices in their 2010-11 reports. The Committee considers that increased use of indices and more detailed use of tables of contents would make information easier to find in many annual reports.

The 21 reviewed entities have mostly used tables, graphs and diagrams effectively to improve the readability of the annual reports. The Emergency Services Telecommunications Authority's annual report for 2009-10, however, included a number of figures resembling its corporate logo, including pie charts⁷⁰ and the organisational chart,⁷¹ which were difficult to read. The 2010-11 annual report retained the organisational chart in this format, but other figures were no longer produced on this model.

FINDING:

The annual reports were generally clearly written and presented. The Committee considers that a number of entities could improve their reports through the use of indices and the improvement of their tables of contents.

3.5 Matters specific to the emergency services agencies' reports

3.5.1 Background to the emergency services agencies

In addition to reviewing the annual reports of all government departments, the Committee chooses a group of agencies for scrutiny each year. This year it has chosen the six emergency services agencies. The specific agencies are:

- Ambulance Victoria;
- the Country Fire Authority;
- the Emergency Services Telecommunications Authority;
- the Metropolitan Fire and Emergency Services Board;
- Victoria Police; and
- the Victoria State Emergency Service.

Ambulance Victoria provides pre-hospital care, medical transport services, emergency medical response and public first aid education throughout Victoria.⁷²

The Country Fire Authority is a volunteer and community-based fire and emergency services organisation.⁷³ The Authority's mission is to protect lives and property outside the district served by the Metropolitan Fire and Emergency Services Board and outside the areas of publicly owned land managed by the Department of Sustainability and Environment. The Country Fire Authority assists the Department of Sustainability and Environment in the suppression of fires on public land and has a mutual aid arrangement with the Metropolitan Fire and Emergency Services Board.⁷⁴

70 Emergency Services Telecommunications Authority, *2009/10 Annual Report*, p.10

71 *ibid.*, p.8

72 Ambulance Victoria, *2010-11 Annual Report*, p.3

73 Country Fire Authority, *Annual Report 2010-11*, p.4

74 *ibid.*, p.7

The Emergency Services Telecommunications Authority handles Triple Zero calls and manages emergency operational communications, providing the link between the community and Victoria's emergency services (police, ambulance, fire and state emergency services).⁷⁵

The Metropolitan Fire and Emergency Services Board is a fully professional service⁷⁶ operating in the Melbourne metropolitan area (as defined by the Metropolitan Fire District) undertaking fire prevention, preparedness, response and recovery activities.⁷⁷

The duties of Victoria Police include: responding to calls for assistance in matters of safety emergencies and serious incidents; preventing crime; detecting and investigating offences; bringing criminals to justice; supporting the judiciary; enforcing road safety laws; and promoting safer road user behaviour.⁷⁸

The Victoria State Emergency Service is a mostly volunteer-based organisation,⁷⁹ providing varied emergency services to Victorian communities.⁸⁰

The group of emergency services agencies was chosen for review in this report as 2009-10 and 2010-11 have been particularly significant years for many of these agencies, as:

- major bushfires and floods have affected large portions of Victoria, requiring action on the part of the emergency services agencies;
- the Victorian Bushfires Royal Commission published its Interim Report in 2009 and its Final Report in 2010, with recommendations affecting the emergency services agencies; and
- the agencies have received significant increases in funding in these years due to costs incurred in dealing with natural disasters and changes in government policies.

Table 3.9 shows the total costs for the outputs in which the six emergency services agencies operate. The total funding for the four outputs has risen over the period 2007-08 to 2010-11 by \$535.6 million, an average cumulative growth rate of 7.3 per cent per annum.

75 Emergency Services Telecommunications Authority, *2010/11 Annual Report*, p.3

76 Metropolitan Fire and Emergency Services Board, 'Our History,' <www.mfb.vic.gov.au/About-Us/Our-History.html>, accessed 21 November 2011

77 Metropolitan Fire and Emergency Services Board, *Annual Report 2010/2011*, p.7

78 Victoria Police, *Annual Report 2010-11*, p.5

79 Victoria State Emergency Service, *Annual Report 2010-11*, p.30

80 *ibid.*, p.2

Table 3.9: Selected output costs

Output name	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Funding growth (\$ million)	Cumulative growth (per cent per annum)
Policing Services	1,625.9	1,731.5	1,857.1	1,959.7	333.8	6.4
Emergency Management Capability	187.5	204.0	214.5	264.8	77.3	12.2
Ambulance Emergency Services	379.8	423.4	442.0	477.6	97.8	7.9
Ambulance Non-Emergency Services	78.0	86.7	100.3	104.7	26.9	10.3
Total	2,271.2	2,445.6	2,613.9	2,806.8	535.6	7.3

Sources: *Budget Paper No.3, 2009-10 Service Delivery; Budget Paper No.3, 2010-11 Service Delivery; Department of Justice, Annual Report 2010-11; Department of Health, Annual Report 2009-10; Department of Health, Annual Report 2010-11*

As a result of these significant years and, in particular, the increases in funding, the Committee considers that it is an appropriate time to check that these agencies have appropriate accountability mechanisms in place through their annual reports.

3.5.2 *Criteria for review*

The agencies' compliance with the FRDs and the Committee's better-practice criteria have been detailed above in Sections 3.2 and 3.4. The Committee has also reviewed the agencies' reporting in the following three areas:

- training costs;
- workforce inclusion policies; and
- agencies' responses to recommendations of the Victorian Bushfires Royal Commission.

These areas were considered to be particularly pertinent to the emergency services agencies' reports given the nature of their work and business models.

3.5.3 *Training costs*

The Victorian Bushfires Royal Commission identified training as a key component of success during the bushfires. The Royal Commission found that:⁸¹

The fact that there were no firefighter deaths during firefighting activities on 7 February speaks volumes for the emphasis the CFA [Country Fire Authority] and DSE [Department of Sustainability and Environment] had given to training and safety awareness.

81 2009 Victorian Bushfires Royal Commission, *Final Report: Summary*, July 2010, p.11

The Royal Commission noted in several places the importance of training levels in active incident management teams (IMTs). When considering the effectiveness of fire suppression and the levels of training and experience, the Royal Commission found:⁸²

It was invariably those IMTs that were well prepared, staffed by people with the appropriate training and experience, and well practised that managed difficult fires well.

Conversely, the Royal Commission found that a lack of training in some areas was associated with increased risk to fire fighters and members of the public:⁸³

Those IMTs that were poorly prepared or did not have access to fully qualified staff also often had the greatest difficulty managing information flows, which are crucial to the issuing of public warnings and informing firefighters of changing conditions and potential danger. In the light of the evidence, it is plain to the Commission that effective training is essential.

Given the importance of training, the Committee examined the 2009-10 and 2010-11 annual reports to see what information was provided as to the levels and effectiveness of training provided by emergency services agencies. Currently, training expenses are listed as separate items in the financial reports of only three emergency services agencies:

- the Country Fire Authority, which provides figures for ‘external training and skills maintenance’;
- the Metropolitan Fire and Emergency Services Board, which details a ‘training and development’ expenses; and
- the Victoria State Emergency Service, which identifies the costs of ‘training (volunteers and staff)’.

This information has been summarised in Table 3.10.

Table 3.10: Training costs and staff numbers identified in annual reports, selected emergency agencies

Agency	Training cost (\$)	Total approximate staff numbers
Country Fire Authority (2009-10)	2,176,000	60,000
Country Fire Authority (2010-11)	2,045,000	60,000
Metropolitan Fire and Emergency Services Board (2009-10)	3,260,000	2,085
Metropolitan Fire and Emergency Services Board (2010-11)	3,340,000	2,052
Victoria State Emergency Service (2009-10)	1,437,000	5,625
Victoria State Emergency Service (2010-11)	1,433,000	5,610

Source: agencies' annual reports

82 *ibid.*, p.8

83 *ibid.*, p.9

The figures in Table 3.10 suggest that the training expenditure per staff member varies greatly. For example, despite the Metropolitan Fire and Emergency Services Board having less than 4 per cent of the operational staff of the Country Fire Authority, the total training expenditure for the Metropolitan Fire and Emergency Services Board is greater than that of the Country Fire Authority. The figures provided by the Victoria State Emergency Service are substantially different again.

The Committee notes that one major reason for the differences comes from the nature of the workforces. The Country Fire Authority and the Victoria State Emergency Service are primarily volunteer-based, with approximately 58,000 of the Country Fire Authority's 60,000 members being volunteers⁸⁴ and 5,500 of the Victoria State Emergency Service's workforce of 5,610 being volunteers.⁸⁵ In contrast, the Metropolitan Fire and Emergency Services Board's workforce is entirely professional, with no volunteer fire-fighters.⁸⁶ As there are different training requirements for professional staff compared to volunteers, this would account for some of the variation and makes it difficult to compare these figures meaningfully.

The amounts listed in the financial reports are also not comparable due to different financial treatments and different business models. Where internal and volunteer training occurs, for example, the opportunity cost of training by internal or volunteer staff is unlikely to be costed and included in these line items, as there are no cash transfers, making it difficult to compare training delivered by these means with agencies that deliver training via external providers.

The Committee requested further information from the Country Fire Authority, the Metropolitan Fire and Emergency Services Board and the Victoria State Emergency Service on their external and internal training costs, differentiating costs for volunteer staff and professional operational staff. The supplied data have been included in Table 3.11.

84 Country Fire Authority, *Annual Report 2010-11*, p.19

85 Victoria State Emergency Service, *Annual Report 2010-11*, p.30

86 Metropolitan Fire and Emergency Services Board, 'Frequently Asked Questions', <www.mfb.vic.gov.au/Recruitment/Frequently-Asked-Questions.html>, accessed 30 January 2012

Table 3.11: External and internal training costs, selected emergency agencies

Agency	Volunteers		Professionals		Total
	External training cost	Internal training cost	External training cost	Internal training cost	
	(\$)	(\$)	(\$)	(\$)	
Country Fire Authority (2009-10)	1,030,000	12,980,000	361,000	6,911,000	21,282,000
Country Fire Authority (2010-11)	1,026,000	13,598,000	289,000	7,506,000	22,419,000
Metropolitan Fire and Emergency Services Board (2009-10)	n/a	n/a	355,000	3,810,000	4,165,000
Metropolitan Fire and Emergency Services Board (2010-11)	n/a	n/a	492,000	5,215,000	5,707,000
Victoria State Emergency Service (2009-10) ^(a)	521,000	1,175,000	50,000	45,000	1,791,000
Victoria State Emergency Service (2010-11) ^(a)	430,000	1,259,000	50,000	30,000	1,769,000

Note: (a) The agency indicated that internal training costs include training course development.

Source: agencies' responses to the 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two

The Committee notes the training costs from Table 3.11 are in every case significantly larger than the figures compiled from the annual reports and included in Table 3.10. This suggests that the figures disclosed in the annual reports capture only a portion of the actual costs incurred, especially in the Country Fire Authority, where the annual report figure is only approximately 10 per cent of the total cost.

The costs in Table 3.11 are more in line with agencies' staff numbers, but the Committee notes large differences in the proportion of training provided by internal as opposed to external suppliers. The Committee also notes that, although the costs per active volunteer are very similar in the Country Fire Authority and the Victoria State Emergency Service, the costs per professional staff member vary greatly between the three agencies (see Table 3.12).

Table 3.12: Training costs per staff member, selected emergency agencies

Agency	Active volunteers ^(a) (\$ per volunteer)	Professional staff ^(b) (\$ per staff member)
Country Fire Authority (2009-10)	381	4,445
Country Fire Authority (2010-11)	376	4,444
Metropolitan Fire and Emergency Services Board (2009-10)	n/a	1,998
Metropolitan Fire and Emergency Services Board (2010-11)	n/a	2,781
Victoria State Emergency Service (2009-10)	398	760
Victoria State Emergency Service (2010-11)	372	727

Notes:

- (a) based on the number of 'active volunteers' supplied by agencies, which differs from the total number of volunteers; in the case of the Country Fire Authority, the number of active volunteers used in this calculation is 'volunteer operational firefighters' as opposed to other sorts of volunteer – (Country Fire Authority, 2010 Annual Report, p.17)
- (b) based on the number of professional staff indicated in agencies' annual reports

Sources: agencies annual reports; agencies' responses to the Committee's Financial and Performance Outcomes Questionnaire — Part Two

The variations in the cost of training for professional staff and the variations in whether training is provided by internal or external providers suggest to the Committee that it would be valuable for some further investigation of this matter to occur, especially given the importance of training identified by the Victorian Bushfires Royal Commission. Investigating these costs in more detail may indicate efficiencies in some agencies that could be copied by others, or may indicate deficiencies in some agencies that should be rectified.

In order to fully assess these costs and delivery methods, it is also important to have some understanding of the resulting levels of staff skills following the training, to ensure that training has been effective.

To provide adequate transparency of this important aspect of these agencies' activities, the Committee believes that it would be appropriate to develop indicators relating to training costs and skill levels to be reported on in future annual reports of the emergency services agencies.

FINDING:

Training expenses for professional staff vary greatly across the emergency services agencies, as do the proportions of training supplied by internal or external providers. An investigation into these variations and how effective training processes are across these agencies may provide benefits in terms of ensuring that effective and value-for-money training is taking place. Reporting training costs would increase the transparency of these agencies with respect to this important function.

RECOMMENDATION 18:

The Department of Justice conduct an investigation into training costs in the emergency services agencies within its responsibility, to find out why costs (especially for professional staff) differ, as well as the possible impacts of differences.

RECOMMENDATION 19:

The Department of Treasury and Finance work with the Department of Justice to develop measures that can be used by all emergency services agencies to meaningfully report on the levels of training provided to their workforces in a year and the levels of skills existing in their workforces. Emergency services agencies should be required to include their performance on these measures in future annual reports.

3.5.4 Adherence to workforce inclusion policies

Three of the emergency services agencies have made statements concerning workforce inclusion, covering cultural and linguistic diversity, gender inclusion or disability imbalance issues identified in their workforces.

The Metropolitan Fire and Emergency Services Board has four separate workforce inclusion plans:

- a *Reconciliation Action Plan*, in which the Board undertakes to ‘*Increase the number of Aboriginal trainees hired across the organisation*’;⁸⁷
- a *Gender Inclusion Action Plan*, in which the Board undertakes to ‘*Aim for a minimum of 20% female participants in MFB [Metropolitan Fire and Emergency Services Board] pre-employment training and mentoring programs*’;⁸⁸
- a *Multicultural Action Plan*, in which it undertakes to ‘*Promote the employment of Trainees from CALD [culturally and linguistically diverse] background across the organisation*’;⁸⁹ and
- a *Disability Action Plan*, which seeks to ‘*identify and work towards removing barriers experienced by diverse communities in accessing MFB services and employment opportunities*.’⁹⁰

The 2010-11 annual report discusses actions taken that are related to these plans but does not provide any statistics that would enable a reader to assess the Board’s achievements towards these targets.

Victoria Police, in its 2010-11 annual report, stated that it:⁹¹

...continued to work in partnership with the diverse Victorian community to encourage applications from Indigenous Australians as well as people from multicultural backgrounds.

87 Metropolitan Fire and Emergency Services Board, *Reconciliation Action Plan (2008-2011)*, 2008, p.8

88 Metropolitan Fire and Emergency Services Board, *Gender Inclusion Action Plan (2010-2013)*, 2010, p.8

89 Metropolitan Fire and Emergency Services Board, *Multicultural Action Plan (2010-2013)*, 2010, p.8

90 Metropolitan Fire and Emergency Services Board, *Disability Action Plan (2008-2011)*, 2008, p.5

91 Victoria Police, *Annual Report 2010-11*, p.27

The annual report claims that the diversity of the workforce is growing,⁹² but gives no statistics that quantify this claim.

The Country Fire Authority has indicated that it is preparing a Disability Action Plan, due during 2012.⁹³ The annual report also includes the statement that the Country Fire Authority is ‘committed to creating an environment where equal opportunity and diversity are valued’.⁹⁴ The same section reports that 21 per cent of volunteer membership is female, and that the Authority intends to continue to increase the numbers of female firefighters.

Ambulance Victoria, the Victoria State Emergency Service and the Emergency Services Telecommunications Authority have not published workforce inclusion plans and do not publish gender or other details about their workforce.

The Committee notes that there is no Government guidance requiring these agencies to provide data in their annual reports about these matters. However, as discussed in Chapter 2, the Committee considers that, where goals and objectives have been set by an organisation, these should be reported on. For those agencies that have set workforce inclusion goals, the Committee would therefore like to see figures presented in annual reports that would enable a reader to assess achievement against these policies.

In considering the practicality of the provision of such figures by emergency services agencies, the Committee noted the South Australian experience. The South Australian Metropolitan Fire Service (along with other South Australian public bodies) is required to report information about Aboriginal and Torres Strait Islander employees by remuneration bracket, culturally and linguistically diverse employees by gender and overall gender information.⁹⁵ Reporting of workforce statistics to this standard in Victoria would be sufficient to enable the evaluation of progress of the workforce inclusion plans current in Victorian emergency services agencies. The Committee therefore considers that gathering and reporting this information is technically possible and not onerous.

The Committee considers that, if an agency makes a commitment to a workforce inclusion policy, then it should provide figures to show how these policies are succeeding or failing, or provide reasons why the policy has not been implemented.

FINDING:

The emergency services agencies that have workforce inclusion policies have generally not published evidence of their achievements in these areas in their annual reports.

RECOMMENDATION 20:

The Government adjust its guidance to require an entity which has a workforce inclusion policy to have at least one measurable target, and to report statistics on that measure in its annual report.

92 ibid.

93 Country Fire Authority, *Annual Report 2010-11*, p.18

94 ibid.

95 South Australian Metropolitan Fire Service, *Annual Report 2009-10*, p.56

3.5.5 **Response to recommendations of the Victorian Bushfires Royal Commission**

Due to their nature, emergency services agencies were heavily affected by recommendations from the Victorian Bushfires Royal Commission. Due to the release of the Royal Commission's Interim Report (with recommendations) in August 2009, much work resulting from the Royal Commission's investigation was carried out during the 2009-10 financial year. Most relevant agencies provided at least some discussion of their activities in achieving the work required in their annual reports.⁹⁶

The most heavily involved agency was the Country Fire Authority. A comprehensive report on actions taken in response to the recommendations is included in the Authority's *Annual Report 2010-11*, showing different areas of action resulting from the recommendations, including the objectives, specific tasks, the results to date and future directions for each area.⁹⁷ The Committee considers this to be a clear and helpful overview of the Authority's response to the Royal Commission that could serve as a model for other agencies.

In contrast, the Victoria State Emergency Service included few details in their 2009-10 and 2010-11 annual reports on specific changes resulting from the Royal Commission recommendations.

Overall, the Committee considers that the level of reporting was appropriate and a good example of transparency on the part of these agencies, although the Victoria State Emergency Service may wish to consider providing more details in the future.

The Final Report of the Royal Commission was released in July 2010. The Committee hopes to see similar disclosure about actions taken in response to the Final Report in agencies' future annual reports.

FINDING:

Emergency services agencies have generally acknowledged the Victorian Bushfires Royal Commission recommendations and included information on action taken as a result of them.

96 Ambulance Victoria, *2009-10 Annual Report*, p.11; Country Fire Authority, *Annual Report 2009-10*, pp.6ff; Country Fire Authority, *Annual Report 2010-11*, pp.12-13; Emergency Services Telecommunications Authority, *2009/10 Annual Report 2009-10*, p.6; Metropolitan Fire and Emergency Services Board, *Annual Report 2009-2010*, p.36; and Metropolitan Fire and Emergency Services Board, *Annual Report 2010/2011*, pp.30-1

97 Country Fire Authority, *Annual Report 2010-11*, pp.12-13

CHAPTER 4: DETAILED REVIEW OF DEPARTMENTS' AND SELECTED AGENCIES' REPORTS

4.1 Introduction

In Chapter 2, the Committee detailed a set of criteria based on government guidance and better practice that it uses in assessing annual reporting. These criteria concern transparency and accountability, as well as the clear communication of departmental achievements (including instances where the department has not attained its goals) to the Parliament and community.

This chapter uses these criteria to assess the 2009-10 and 2010-11 annual reports from Government departments and selected additional agencies. Following each analysis, the Committee has provided a number of recommendations for departments and agencies to consider in future years.

4.2 Departments

4.2.1 *Business and Innovation (formerly the Department of Industry, Innovation and Regional Development)*

The Department of Business and Innovation was heavily impacted by machinery-of-government changes resulting from the change of government and taking effect on 1 January 2011. This resulted in the *Skills* portfolio responsibility moving to the Department of Education and Early Childhood Development, and the *Regional Infrastructure Development* and *Regional Economic Development, Investment and Promotion* portfolios moving to the Department of Planning and Community Development. As a result, the Department of Business and Innovation has become a department with a reduced range of responsibilities and a significantly smaller budget.

The Department's annual reports for 2009-10 and 2010-11 have been characterised by a trend towards shorter operational reports. While the Committee accepts that the Department is not the largest in terms of overall expenditure, and that space allocated in an annual report is not a complete indication of the amount of disclosure contained in that report, the Committee considers that the level of detail provided about the Department's functions is not proportionate to the significance of these functions.

The Committee approached the Department to determine the reason for the text of the 'Strategic objectives'/'Priority activities' section of the annual report reducing from 75 pages in 2008-09 to 11 pages in 2009-10 and 8 pages in 2010-11. The Department responded:⁹⁸

As the Department has multiple portfolios and a diverse range of responsibilities a significant amount of information is gathered throughout each financial year for the annual report. The Department made the decision to only include key outcomes and achievements rather than attempt to include all of our major activities for each year. The cost of producing the annual

98 Department of Business and Innovation, response to the Committee's 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 23 December 2011, p.10

report is also significant and greater emphasis is now placed on the mandatory requirements and keeping highlights as concise as possible.

The Committee considers that the Department of Business and Innovation's obligation to disclose and respect Parliament's and the Victorian community's rights for information about the use of public funds across all major activities far outweighs the cost of producing and printing the additional 50 pages. The Committee believes that the additional information would be appropriate to ensure sufficient transparency and accountability.

The Committee considers that there would be some relatively easy ways for the Department to report in a more comprehensive way. For example, the section on increasing exports would have been more comprehensive with the inclusion of figures from the Australian Bureau of Statistics or other sources, which could be used to develop a State map showing the origin of exports, a world map showing the destination of exports, a pie chart showing the industries involved in exports, and a bar chart showing the growth of service exports and goods exports.

In contrast to the 2008-09 report, which was structured around the Department's key activities, the 2009-10 and 2010-11 reports are divided into sections based on the Department's core objectives as outlined in its *Corporate Plan 2009-12*.⁹⁹ The target identified in the corporate plan and progress towards that target are included in a headline for each section. In some cases (e.g. 'Increase Exports'),¹⁰⁰ the target is set for a future year, in this case 2015, meaning whether or not the actual result in the years leading up to that date is a success or otherwise cannot necessarily be easily measured.

The targets set in the corporate plan focus on results achieved in the community as a result of the Department's activities. By structuring the report around the plan's objectives and leading with the targets set in the plan, the Department has integrated an outcomes report into its report of operations.

The structure of the report of operations itself is clear, with a brief discussion of the Department's activities and achievements towards each outcome objective. The corporate plan contains more detailed measures supporting each objective, including yearly targets, but results against these interim targets have not been included in the annual reports. The Committee considers that the report would be more comprehensive by including all measures set out in the plan.

With respect to the performance measures from the budget papers, the Department initially neglected to include the actual costs of its budget outputs in the *Annual Report 2010-11*, and any consequent discussions of variances. This information was subsequently provided in an addendum to the annual report.

The Committee notes that the Department has improved its discussion of variances from performance targets. Whereas previously only significant variances to cost measures were discussed, the 2010-11 annual report included explanations for variances for non-cost measures. There are a limited number of exceptions to this including 'Design Sector Initiative: business immersions completed' and 'ICT [Information Communication Technology] Policy reviews underway'. Further, some reasons given for variances were not considered sufficient by the Committee, such as that for the performance measure 'Average monthly number of

99 Department of Industry, Innovation and Rural Development, *Corporate Plan 2009-12*, September 2009, p.8

100 Department of Business and Innovation, *Annual Report 2010-11*, p.14

visits to Victoria Online', where the reason for the actual result being 58 per cent above target was a break-down of the four types of visits, rather than a cause of the increase.¹⁰¹

FINDING:

The 2009-10 and 2010-11 annual reports for the Department of Business and Innovation contain information on results the Department has achieved in the wider community. The *Annual Report 2010-11* also includes more extensive explanations of variances between expected and actual performance compared to previous years. However, discussion overall in the reports is not sufficiently extensive to convey a comprehensive understanding of the Department's activities to the Parliament, the Victorian community and other stakeholders.

RECOMMENDATION 21:

The Department of Business and Innovation in future annual reports:

- (a) provide quantity and detail of disclosure that is in proportion to the significance of the subjects being discussed; and**
- (b) report on all measures in the corporate plan.**

4.2.2 Education and Early Childhood Development

The structure of the Department of Education and Early Childhood Development's annual reports for both 2009-10 and 2010-11 is largely unaltered from previous years, reporting each central office in turn, followed by a separate section for performance indicators. The annual report for 2010-11 newly includes Skills Victoria following the machinery-of-government change that transferred the responsibility for this output from the Department of Business and Innovation on 1 January 2011.

The early part of the report of operations for the Department begins with an overview including brief 'year in review' and 'looking ahead' sections, followed by the Department's values, objectives and responsibilities. A list of intended outcomes is also given in this section.¹⁰² These outcomes are referred to later in the performance section, where the Department identifies where the three output groups qualitatively contribute to these outcomes.¹⁰³ The Committee considers this linking of outputs to outcomes shows the Department is focused on both the services it is delivering and the resulting outcomes in the wider community. This is a key element in better reporting as set out in Chapter 2. However, by only discussing the desired effects on outcomes and not establishing that there has actually been a quantified effect, the annual report cannot be considered to include an explicit outcomes report.

Each central office in the Department is given a separate section in the report of operations, including a description of the office, its key achievements for the year and plans for the future. This clearly identifies goals and objectives for each office, although these are longer-term goals rather than set goals for the year. It is not always clear, however, how the achievements and plans relate to the departmental objectives and outcomes detailed earlier in the report.

101 Department of Business and Innovation, *Annual Report 2010-11*, p.164

102 Department of Education and Early Childhood Development, *Annual Report 2010-11*, p.4

103 *ibid.*, pp.34, 38, 50

The main portion of the report of operations is the reporting of the Department's performance measures from the budget papers. The introduction for each of the Department's three output groups begins with a description of the purpose of the output group, and a list of the outcomes each output group contributes to. The introductions also have a 'Key Initiatives' section, describing new departmental initiatives that relate to the activities relevant to the group. While this is welcome, it could be improved by discussing the effect that these initiatives are expected to have on performance in the output group. There is also no revisiting of the initiatives for the previous years, showing how successful the initiatives have been, or how they are progressing toward their stated goals.

For the Department's output performance measures for both 2009-10 and 2010-11, satisfactory explanations were provided for significant cost variances, but explanations for variances in non-cost performance measures generally did not identify the root cause of the variation. Instead the explanations tended to reiterate that a variation had occurred (e.g. *'The number of applications received for eligible students has decreased and was less than expected'*¹⁰⁴), were speculative (e.g. *'It should be noted that the Student Support Services program underwent major reforms during the survey period, which may have influenced service perceptions particularly during the transition period to the new model.'*¹⁰⁵) or noted a factor that made comparison of actual and target impossible (e.g. *'Includes non-government schools'*¹⁰⁶).

The 'budget portfolio outcomes' in Appendix 1 for both 2009-10 and 2010-11 provides a comparison between the actual financial results and the estimates published in the budget papers at the start of the year. As neither Standing Directions 4.2 (l-m) nor FRD 8B (Consistency of Budget and Departmental Reporting) requires explanations, the Department has not given them. The Committee's key elements for better reporting practice include the requirement that variations should be explained. This applies particularly for 2010-11, as some variances are very significant in that year. For example, net expenses from transactions exceeded budget by 14 per cent.¹⁰⁷

To provide a comprehensive understanding of the Department's activities, the Committee considers that the Department's annual reports would have been improved with the inclusion of a progress report on asset initiatives from previous budget papers. For 2010-11 there were a number of Technical and Further Education capital initiatives that were received from the former Department of Industry, Innovation and Rural Development (now the Department of Business and Innovation) as a result of the machinery-of-government change of January 2011. The Committee considers the annual report to be an appropriate medium for public acknowledgement of these initiatives, and provision of a progress report, describing the physical and financial status of each as detailed in the criteria in Chapter 2 above.

104 *ibid.*, p.47

105 Department of Education and Early Childhood Development, *Annual Report 2009-10*, p.47

106 *ibid.*, p.45

107 Department of Education and Early Childhood Development, *Annual Report 2010-11*, p.136

FINDING:

The Department of Education and Early Childhood Development's *Annual Report 2010-11* is well structured, focused on qualitative community outcomes as well as departmental outputs. Clear demonstration of the relationship between outputs and outcomes and quantified reporting of progress towards outcomes would make this an excellent report.

RECOMMENDATION 22:

The Department of Education and Early Childhood Development in future annual reports:

- (a) extend the discussion of the outcomes for the Department by quantifying the identified outcomes, enabling a demonstration of the Department's progress towards these outcomes;**
- (b) include explanations for variances in the budget portfolio outcomes; and**
- (c) discuss asset investment projects.**

4.2.3 Health

The Department of Health was established in a machinery-of-government change on 12 August 2009. Financial reporting for the 2009-10 annual report covers the period from 1 October 2009 to 30 June 2010. For the following year's annual report, the 2009-10 results reported for the nine-month period have not been adjusted and hence latest and prior year results in the 2010-11 annual report are not comparable.

It is not clear to the Committee on what basis the subjects of the sections for the *Annual Report 2009-10* were determined. For example, Section 3 deals with both the Department's support of diversity in the wider community and disclosures of its own workforce data.¹⁰⁸ The Committee considers that separation of this into two separate sections would provide greater clarity to the report. This was resolved for the *Annual Report 2010-11*, as the disclosures about the Department have been removed to a series of appendices. However, there are a large number of appendices, which are not numbered or included in the table of contents. It is difficult to find particular appendices, and in some cases to determine where one appendix ends and the next begins.

The annual report for 2010-11 refers to the *Victorian Health Plan 2022* and *Victorian Health Priorities Framework 2012-2022: Metropolitan Health Plan* as planning documents. These documents will form the basis for future planning, and provide long-term key outcomes for future performance evaluation.

The annual reports contain satisfactory amounts of discussion, including details of future initiatives.

A number of performance targets in the *Annual Report 2009-10* that were not met had no explanation for the variance. An example is 'Portion of emergency (code 1) incidents responded to within 15 minutes – statewide' in the *Ambulance Emergency Services* output.¹⁰⁹

¹⁰⁸ Department of Health, *Annual Report 2009-10*, pp.37ff

¹⁰⁹ *ibid.*, p.156

Some other unmet performance targets for 2009-10 had insufficient reasons for the variance, for example the ‘Standard equivalent value units’ performance measure in the *Small Rural Services – Aged Care* output,¹¹⁰ where the reason given referred to ‘*Lower than expected third quarter hours of Planned Activity Groups delivered...*’,¹¹¹ which does not identify the root cause of the variance.

Some performance targets have not been met to a significant extent for both 2009-10 and 2010-11, e.g. ‘Emergency patients transferred to ward within 8 hours’.¹¹² In explanation, neither annual report gives a reason for the poor performance, apart from noting that performance has improved from the previous year.

There is little information given in the *Annual Report 2009-10* that shows how major capital projects have performed according to time and cost budgets in 2009-10. For example, the only disclosure of this nature in the Department’s *Annual Report 2009-10* is where the following comment is made: ‘*The Royal Children’s Hospital is on time and budget to open next year*’.¹¹³

Subsequent to a Committee recommendation¹¹⁴ that was supported by the Government,¹¹⁵ the Department has a new section that lists selected current major asset investment projects in the *Annual Report 2010-11*. The Committee considers this to be a positive development in terms of accountability, as it provides an important link between the Department’s asset initiatives and activities. The Committee also considers that the section has potential for further improvement, as the Department could include information such as actual amounts invested for the year, changes in total estimated investment for projects, and reasons for these changes. Such discussion is considered by the Committee to be in line with better reporting practice.

Conversely, in its *Report on the 2010-11 Budget Estimates*, the Committee recommended that:¹¹⁶

In reporting results against key performance measures in its annual report, the Department of Health report, where possible, results for metropolitan Melbourne and rural and regional Victoria separately.

The Government supported the recommendation.¹¹⁷ The 2010-11 annual report for the Department of Health, however, does not provide any separate metropolitan or rural and regional Victorian performance results in its output performance appendix or its operational report.

110 *ibid.*, p.158

111 *ibid.*, p.159

112 *ibid.*, p.153; and Department of Health, *Annual Report 2010-11*, p.186

113 Department of Health, *Annual Report 2009-10*, p.9

114 Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part Three*, September 2010, Recommendation 31, p.163

115 Victorian Government, Government Responses to the Committee’s 96th Report of the 2010-11 Budget Estimates — Part Three, tabled 16 March 2011, p.13

116 Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part Three*, September 2010, Recommendation 33, p.165

117 Victorian Government, Government Responses to the Committee’s 96th Report of the 2010-11 Budget Estimates — Part Three, tabled 16 March 2011, p.14

FINDING:

The Department of Health's *Annual Report 2010-11* refers clearly to planning documents and includes a satisfactory amount of information. The Department has implemented the former Committee's recommendation that information about asset investment projects be included. The report would be improved with a more extensive table of contents, additional information about asset investment projects and a break-down of performance between metropolitan and regional/rural areas.

RECOMMENDATION 23:**The Department of Health in future annual reports:**

- (a) include additional details about the progress of asset projects for the Department;
- (b) include separate results for metropolitan and non-metropolitan areas for performance measures; and
- (c) improve the formatting of the table of contents and appendices.

4.2.4 Human Services

The Department of Human Services has been affected by machinery-of-government changes in both 2009-10 and 2010-11. A machinery-of-government change on 12 August 2009 removed health-related portfolios from the Department of Human Services to the Department of Health from 1 October 2009. All output groups for the new Department of Health are reported in that department's annual report. Another change, resulting from the change of government in November 2010, resulted in the Department receiving the *Empowering Individuals and Communities* portfolio responsibility from the Department of Planning and Community Development during 2010-11.

The Department of Human Services' *Annual Report 2009-10* is structured around the Department's clients: people with a disability; children, young people and families; homeless people and people in housing crisis; and people requiring assistance following emergencies.¹¹⁸ Also identified as a separate client group is pensioners and beneficiaries, who receive concessions and benefits. However, the report of operations does not specifically include a discussion of this particular client group. Distributed through the report of operations is a series of text boxes giving example stories from regional areas about relevant clients. A report of performance measures from the budget papers is followed by an additional service delivery data table at the end of the 'year in review' section of the report of operations, which shows child protection and out-of-home care data for the year.

The Department's *Annual Report 2010-11* has changed in structure from the previous year, with the report of operations being aligned with the departmental objectives set out in the early part of the 'year in review' section.¹¹⁹

118 Department of Human Services, *Annual Report 2009-10*, pp.6-7

119 Department of Human Services, *Annual Report 2010-11*, p.8

The early part of the 2010-11 report of operations itself provides details of the Department's objectives, challenges and functions, and a 'year in review' section for each of the stated objectives, including achievements and examples of activities. Reporting of performance measures follows, with discussion of variances, and the report of operations ends with the departmental structure and disclosures required by FRDs. The Committee considers that this report provides a good overview of the Department, with information satisfying the criteria given in Chapter 2. However, the Committee considers that additional work could be done on the objectives, as they are not currently robust enough to serve as measures against which performance could be ascertained.¹²⁰

The Department does not report on outcomes in its annual reporting. The Committee considers that the inclusion of outcome indicators, showing the effects of the Department's activities in the wider community, would enhance its annual report, and would be in line with better reporting practice. The Committee considers that an outcomes report would be especially relevant to a community-focused department such as the Department of Human Services.

The performance results sections from both the 2009-10 and 2010-11 annual reports are presented in the form of a table for each output group, with target and actual results. Variations are footnoted and discussed at the end of each table. The Committee's criteria for better reporting include a discussion of results in comparison with expectations, with significant variances explained. In some cases, explanations for variances are not clear. For example, in the *Annual Report 2009-10* the actual output cost for *Targeted Services* is \$86.5 million, significantly above the target of \$76.9 million.¹²¹ The explanation in the footnote attributes this to '*improved performance in the Aids and Equipment program*'.¹²² The Committee accepts that there are circumstances under which improved performance may necessarily lead to an increase in expenditure, but such circumstances must be clearly explained, showing, for example, how the improved performance caused the additional expenditure.

For several performance measures, the results are reported as estimates, with actual results due on dates after the production of the annual report.¹²³ The actual outcomes for these performance measures are not found in the public domain until they are included in the following year's budget papers. The Committee is of the view that for comprehensiveness and adequate transparency, actual results should be reported in the following year's annual report.

Revised figures for the Department's occupational health and safety outcomes for 2009-10 were included in the annual report for 2010-11.¹²⁴ The outcomes for the year now include the report of a fatality. However, no discussion is made about the cause of the fatality or any actions taken to prevent the same circumstances recurring. The Committee considers that such an event is significant in a department of this type and some discussion about this is warranted.

120 *ibid.*

121 Department of Human Services, *Annual Report 2009-10*, p.24

122 *ibid.*

123 *ibid.*, p.32; and Department of Human Services, *Annual Report 2010-11*, p.54

124 Department of Human Services, *Annual Report 2010-11*, p.79

FINDING:

The Department of Human Services has improved the structure of its annual report in 2010-11. Due to results not being available at the date of publication, results for some departmental performance measures are not reported in annual reports. This is not in the interest of promoting better practice in comprehensiveness and transparency. The 2010-11 report mentions a fatality without providing any details.

RECOMMENDATION 24:

The Department of Treasury and Finance amend FRD 22B to include mandatory discussion of any fatalities in the occupational health and safety sections of annual reports. The discussion should include the circumstances that led to the fatality and actions taken to prevent recurrences.

RECOMMENDATION 25:

The Department of Human Services in future annual reports:

- (a) include any performance measure results that are published after the printing of the previous report in the next year's annual report; and**
- (b) include information concerning any newly reported fatalities.**

4.2.5 Justice

The early sections of the Department of Justice's 2009-10 and 2010-11 annual reports provide a useful overview of the Department's goals, functions and structure and also include a brief overview of the year's highlights and activities.

Overall, the Committee considers that the discussion in the report of operations for both 2009-10 and 2010-11 is clear and gives stakeholders a comprehensive understanding of the Department's activities. This is considered to be in line with criteria for better practice in annual reporting.

The report of operations could be improved by more closely linking its structure and the output performance measures from budget papers. The report of operations is divided into eight sections that do not precisely match the outputs in the budget papers. For example, the first section is entitled 'A Safer Victoria', and discusses, amongst other issues: policing services; Working with Children checks; and law reform. These issues originate from three different outputs: *Policing Services* from the *Providing a Safe and Secure Society* output group; *Community Safety and Crime Prevention* from the *Community Operations* output group; and *Legal Policy, Advice and Law Reform* from the *Legal Support to Government and Protecting the Rights of Victorians* output group respectively. This lack of alignment confuses the relationship between the Department's activities and its outputs.

Details of the Department's results on its performance measures are included in a set of tables at the end of the report of operations. Information is given in the section about the means the Department uses, including the use of agencies, to achieve the delivery of these outputs. Three years' historical data, where they exist, are also given for each performance measure. The Committee considers that including information about trends in key data over time is an example of better practice in annual reporting. Variations from performance measure targets

are not explicitly calculated in the tables, but where variances are significant, they are mostly explained in footnotes under each output.

One of the criteria for better reporting that the Committee has identified in Chapter 2 is that trends over time be explained. The Committee has noted a significant decrease over the reporting period in the performance measure ‘Quality of court registry services’, from 97.9 per cent in 2008-09 to 85 per cent in 2010-11, but no explanation or discussion is provided.¹²⁵ The target for this measure has remained at 85 per cent for this period. Better reporting practices would require that the Department note this possible trend and provide some discussion, including a plan to address the matter if required.

The Committee notes that there is no reporting of asset investment expenditure or progress on asset investment projects. This is one of the Committee’s criteria for better annual reporting outlined in Chapter 2. The Department is responsible for a large number of asset initiatives, particularly resulting from recovery projects following the February 2009 bushfires. Acknowledgment of these projects and provision of an update on progress would contribute considerably to transparency in the Department. For example, when reporting prison bed numbers, the annual report for 2009-10 included the completion of the 54 bed expansion at Dhurringile Prison.¹²⁶ However, the annual report for 2010-11 has a table showing the expected opening date for the 54 beds as mid 2012.¹²⁷ The Committee considers that an appropriate report on asset investment projects included in the annual report would have included information about any delay in project completion, including the reasons for the delay and an updated expected date of completion.

FINDING:

The Department of Justice provides good information on its performance measures, including historical data. The Department has included extensive information about its activities, but this information is not clearly linked with the Department’s outputs listed in the budget papers.

RECOMMENDATION 26:

The Department of Justice in future annual reports:

- (a) better integrate its report of operations by structuring the report more strictly with regard to outputs; and**
- (b) include a report on the progress of asset investment projects.**

4.2.6 Planning and Community Development

The Department has been affected by several changes since 2008-09, including machinery-of-government changes, and name changes to both outputs and output groups. For 2010-11, the Department transferred responsibility for five outputs and gained responsibility for two, with one being split. While the section in the *Annual Report 2010-11* outlining the

125 Department of Justice, *Annual Report 2010-11*, p.61

126 Department of Justice, *Annual Report 2009-10*, p.24

127 Department of Justice, *Annual Report 2010-09*, p.30

latest of these changes is clear,¹²⁸ alterations in output names from previous years have made the provision of an historical context for readers more challenging.

The early sections of the reports for both 2009-10 and 2010-11 include highlights for the year, listed in chronological order, and a section that discusses the Department's contribution to whole-of-government priorities. The Committee is unaware of another department making this type of disclosure, and considers that this is an example of better practice in reporting, increasing the transparency of the Department's activities.

The report of the Department's results on its performance measures is included within the report of operations for both 2009-10 and 2010-11, the report being set out according to budget output groups. The section in the report of operations for each output group has a set of aims which reflect those of budget output groups, followed by a report of activities relevant to each output in the group, including examples. The section then includes a future priorities discussion, followed by the table of results, complete with discussion of variations.

The Department's corporate plan, covering 2010 to 2014, also supports strategic directions that are aligned with the budget outputs.¹²⁹ The contents of this document have been affected by machinery-of-government changes, but the Committee considers the reporting for the Department of Planning and Community Development to be well integrated and an example of better practice through being focused on results.

The Department states a goal in their *Annual Report 2010-11*, '*Planning communities that are great places to live*'.¹³⁰ This is supported by four directions, which do not match other activities discussed elsewhere in the report of operations, and hence performance in these directions cannot be ascertained from the report.

A feature of the Department's corporate plan is the determination of a set of qualitative outcome performance indicators, showing the effects of the Department's activities on the wider community. Inclusion of such outcomes in corporate plans is a positive step, and potentially enables quantifying and reporting of progress over time in these areas in annual reports. The Committee would encourage the Department to develop this focus on outcomes, which is a key feature in the criteria for better annual reporting as set out in Chapter 2.

FINDING:

The Department of Planning and Community Development's annual reports are good examples of integrated reporting, structured around performance measures in the budget papers. The Department reports on its contribution to whole-of-government priorities. The Department has developed a set of indicators in planning documents showing outcomes of its actions in the community but these are not reported on in its annual reports. Quantifying these indicators and reporting against them in annual reports would improve the focus on outcomes and constitute better annual reporting.

128 Department of Planning and Community Development, *Annual Report 2010-11*, p.19

129 Department of Planning and Community Development, *Corporate Plan 2010-2014*, May 2010, p.27

130 Department of Planning and Community Development, *Annual Report 2010-11*, p.8

RECOMMENDATION 27:

The Department of Planning and Community Development in future annual reports:

- (a) include a brief section outlining the changes to outputs and output groups over the last few years, including changes of names; and**
- (b) report against quantified outcome indicators relating to outcomes identified in planning documentation.**

4.2.7 Premier and Cabinet

The Department of Premier and Cabinet's annual reports for 2009-10 and 2010-11 are structured nearly identically to that of 2008-09. An introduction includes the Department's mission, values and responsibilities, and a brief report on the year is included in the secretary's foreword. Overall, the report is structured with respect to the output groups in the budget papers. Branches in the Department, while not themselves organised by output, are listed in the annual reports under these groups (*Multicultural Affairs* being amalgamated into the *Strategic Policy Advice and Support* output). The discussion of branches includes a description of each branch, sets out major tasks and achievements and sets out tasks and goals for the next year.

The Anti-Corruption and Integrity Taskforce, which appears as a branch in the organisational chart¹³¹ is omitted from discussion in the *2010-11 Annual Report*. The Committee considers that annual reports should provide information that is sufficient for stakeholders to have a comprehensive understanding of the entity's activities, and would expect discussion of every significant section of the Department.

As mentioned earlier, the annual reports are mainly divided by output groups, with each group being divided further into supporting branches. However, as the nexus between output group and departmental branch is not strong, the Department has chosen to include the reports of a project supported by more than one branch, the *Victorian Families Statement*, in the form of a case study. The section is included in the *2010-11 Annual Report* amongst departmental branches supporting the *Strategic Policy Advice and Support* output.¹³² As the discussion was not about a branch of the Department, the Committee considers that this interrupts the logical flow of the section, and would have been better placed in another section of the annual report. A similar case study, on the National Gallery of Victoria's 50th anniversary, was placed at the end of the relevant output group section, providing a logical break between the sections.¹³³

The organisational chart for the Department has been newly redesigned for 2010-11,¹³⁴ and shows branches and staff. FRD 22B requires that '*Organisational charts should ... provide users with an understanding of the accountabilities for an entity's main activities.*'¹³⁵ In the Department's chart, lines of reporting are ambiguous. For example, it is difficult to determine

131 Department of Premier and Cabinet, *2010-11 Annual Report*, p.8

132 *ibid.*, p.14

133 *ibid.*, p.40

134 *ibid.*, p.8-9

135 Financial Reporting Direction 22B (Standard Disclosures in the Report of Operations), June 2007, p.2

whether the Liveability, Environment and Infrastructure unit reports to the Policy and Cabinet Group or the Federalism, Citizenship and Climate Change Group.

Where departments report budget performance measures and their results, each output group should be introduced with some explanatory text showing the purpose of the group. The Model Report includes the following guidance: '*output performance reporting should ...include an overview of the key output area for which a department is responsible for that financial year (as set out in Budget Paper No. 3 Service Delivery)*'.¹³⁶ It is usual and acceptable for departments to use the introductory text provided in the budget papers for this purpose. However, in the Department of Premier and Cabinet's annual reports, the performance measures are simply named with no additional information.

Variations of actual performance measure results from targets were accompanied by comments. Both annual reports contained several cases of discussion of variances between target and actual outcomes that the Committee considered did not adequately explain the cause of the variance, but were more restatements of the result. For example, the performance measure under the output *Ombudsman Victoria* named 'Proportion of complaint investigations reviewed at the request of complainants (by a fresh, senior investigator) where the original findings were found to be sound and well founded' had a target for 2010-11 of 80 per cent,¹³⁷ but the actual outcome for the year was 89 per cent. The discussion stated '*the findings of 49 of the 55 internally reviewed completed investigations were found to be sound and well founded*'.¹³⁸ The Committee cannot view this as an acceptable reason for the wide variation against the target as it does not explain the basis of the original target setting, the subsequent large actual variation that has resulted or the root cause of the variation.

While the Committee accepts that disclosure in the occupational health and safety section¹³⁹ satisfies the requirements of FRD 22B, providing information on numbers of health and safety activities, incidents and claims, it does not present all the data specified in the Model Report. All Victorian Government departments are required to comply with the Model Report.¹⁴⁰

FINDING:

Annual reports for the Department of Premier and Cabinet are structured in accordance with budget outputs, with each work unit in the Department supporting a particular output. In several cases, discussion of variances between target and actual did not adequately explain the root cause of the variance.

136 Department of Treasury and Finance, *Model Report of Operations for Victorian Government Departments*, March 2011, p.18

137 Department of Premier and Cabinet, *2010-11 Annual Report*, p.133

138 *ibid.*

139 *ibid.*, p.128

140 *Standing Directions of the Minister of Finance under the Financial Management Act 1994*, June 2011, Standing Direction 4.2(i)

RECOMMENDATION 28:

The Department of Premier and Cabinet in future annual reports:

- (a) clarify the organisational chart; and**
- (b) provide a description of outputs and a proper explanation for each variation from target for performance measures that addresses the root cause of the variation.**

4.2.8 Primary Industries

The annual reports of the Department of Primary Industries for both 2009-10 and 2010-11 begin with an extensive summary section, including discussion of the objectives, goals, mission, and values of the Department. The section includes a 'year in review' discussion, which is divided by subject. The Committee considers that this is a good overview, satisfying the Committee's criterion for such a section in Chapter 2.

The 2008-09 report was laid out according to six strategies arising from the Department's *Strategic Plan 2008-11*. This plan has now expired, and a new strategic plan is being developed, with an interim plan having been released during 2010-11. The Department's secretary reported that there was strong performance against the plan in 2009-10, but no specific results were included.¹⁴¹

The Department altered the structure of its report of operations in 2009-10. While the six strategies are still named in the report, the *Annual Report 2009-10* was structured in line with the Department's main service groups. The following year's annual report is structured similarly. No progress against the strategic plan has been reported in the *Annual Report 2010-11*.

The service groups that form the basis of the Department's report of operations also differ from the output groups specified in the budget papers. There is no section in either annual report that discusses the relationship between the service groups and budget outputs.

A major positive initiative with the *Annual Report 2010-11* is the inclusion of a new section on outcomes reporting, termed 'strategic performance indicators'. The Committee notes that this is in accordance with criteria in Chapter 2. While they are not quantified, listed outcomes in Appendix 4 are relevant and measurable, and when quantified and reported over time will allow demonstration of the effects of the Department's activities in the community. The Committee hopes to see performance reporting against these outcome groups in future annual reports.

The report on the performance measures presents target and actual outcomes for measures in the budget papers. Significant variances are explained extensively in footnotes to each table. However, in some cases, the Committee considers that the explanation does not sufficiently explain the variance, but rather points to another factor that is involved, other than the root cause. For example, the result for the performance measure 'Facilitate delivery of milestones in line with grant agreements for Energy Technology Innovation Strategy large-scale demonstration projects' was 36 per cent against a target of 100 per cent. The reason given was that *'The target has not been met due to delays experienced in one large-scale demonstration project. The government is continuing to work with the project proponent to progress the*

141 Department of Primary Industries, *Annual Report 2009-10*, p.4

project'.¹⁴² The Committee considers that details of the reason for the delays in the project would be required to fully explain the variance and its cause.

In the occupational health and safety section of both the 2009-10 and 2010-11 annual reports, the Department has included a chart of historical WorkCover Premium rates. This is in line with the Model Report, and the Department of Primary Industries is one of a small number of departments to do so. The Committee considers this to be better practice.

Comparison of the occupational health and safety performance between the two years, 2009-10 and 2010-11, is difficult due to the Department no longer including the number of hazards reported in its statistics, and revisions that are presented without discussion in the rate per 100 full-time equivalent staff members of the total number of reports made and average claim costs.¹⁴³ One possible cause for the fluctuations in reported claim costs is the inclusion of WorkCover estimates of future payments under existing claims for 2010-11. Moving from a system where reporting payments actually made at the time of the compilation of the annual report to a system that includes WorkCover estimates of total future claims would raise figures as seen in the two reports. However, without proper disclosure of changes in reporting, including republication of any figures affected by changes in calculation methods, comparison across years is not possible. A criterion included in Chapter 2 by the Committee for better practice in annual reporting is that data should be reported consistently to enable comparison.

The Committee notes that the 2010-11 report includes revised figures for the financial results in the balance sheet for 2009-10, where subtotals for total liabilities have been adjusted.¹⁴⁴ No explanation for this has been found in the *Annual Report 2010-11*.

Both the 2009-10 and the 2010-11 annual reports contain an index, which has become a feature of the Department's reports. However, the index in the latter annual report contains roughly half the references of the former. In addition, an aspect of the *Annual Report 2008-09* that has not been continued to subsequent reports is the inclusion of cross-references from the 'year in review' section to the more detailed sections later in the report. These cross-references contributed significantly to readability and orientation for the reader.

FINDING:

The Department of Primary Industries has structured its reports of operation clearly around its service groups. However it is not clear how these relate to the outputs listed in the budget papers. In a positive development, the 2010-11 report includes a section on outcomes, with newly developed quantified outcome indicators in its annual report.

RECOMMENDATION 29:

The Department of Primary Industries in future annual reports:

- (a) **quantify its strategic performance indicators and report their results over time.**

142 Department of Primary Industries, *Annual Report 2010-11*, p.112

143 Department of Primary Industries, *Annual Report 2009-10*, p.111; and Department of Primary Industries, *Annual Report 2010-11*, p.138

144 Department of Primary Industries, *Annual Report 2009-10*, p.49; and Department of Primary Industries, *Annual Report 2010-11*, p.57

4.2.9 Sustainability and Environment

The Department's annual reports both begin with an overview of the Department for the year, including a 'looking ahead' section in the secretary's foreword. No actual plans or targets are set in these sections, and the issues of coordination, integration and governance are highlighted as focus issues in both years. The Committee considers that these goals do not lend themselves to objective evaluation, and would like to see more specific discussion of these issues, including the Department's plans with regard to these issues, in future reports.

The annual report for 2009-10 refers to a departmental corporate plan, and the 'year in brief' section at the start of the report is divided into sections that relate to the four strategic priorities from that plan. The annual report for 2010-11 does not make reference to a corporate plan and the 'year in brief' section is instead structured around events for the year, dominated by discussion of fires and floods. The Department's actions following recommendations of the Victorian Bushfires Royal Commission are set out here. It is unclear whether a new corporate plan is being developed.

The Committee considers that, without reference to a new corporate plan, the Department has not clearly stated its objectives and goals for 2010-11. This is a key element in the better-practice criteria devised by the Committee.

The report of operations is divided by output groups, and starts with a table about each output. These tables include targets and actual results for output performance measures, along with discussion of significant variances. Following the tables are satisfactory amounts of discussion of projects, initiatives and case studies that relate to the output.

In a number of cases, the discussion of variances has been unsatisfactory. For example, for the performance measure, 'Upgrade or construction of additional bore sites', the explanation of the variance from a target of 50 to an actual result of 74 was '*the number of bores drilled exceeded the target due to reinvestment in the drilling program*'.¹⁴⁵ The Committee considered the explanation did not cover the root cause of the reason for the additional drilling.

Further, the reason given for the higher-than-target savings from water recovery projects was that '*the 2010-11 actual of 112,592 megalitres is significantly higher than the 2010-11 target due to the inclusion of the water savings for the Shepparton and the Central Goulburn 1234 projects in the 2010-11 performance measure*'.¹⁴⁶ As noted in the criterion set out in Chapter 2 above, the Committee considers that for better practice in reporting, data should be reported consistently to enable comparison.

The Department's annual reports for both 2009-10 and 2010-11 have an index as the last page, which the Committee found useful.

FINDING:

The Department of Sustainability and Environment has provided a detailed description of its activities, integrated with the outputs as set out in the budget papers. However, the Department did not clearly articulate its corporate objectives for 2010-11.

145 Department of Sustainability and Environment, *Annual Report 2011*, p.40

146 *ibid.*, p.39

RECOMMENDATION 30:

The Department of Sustainability and Environment in future annual reports:

- (a) reference planning documents in annual reports to demonstrate progress towards departmental goals and strategy; and**
- (b) improve the explanations for variations between target and actual results for performance measures.**

4.2.10 Transport

As discussed in Chapter 2, the report of operations for a department should include an overview, and state objectives and goals before reporting results against these goals. In addition, the information provided should be sufficient for stakeholders to have a comprehensive understanding of the entity's activities.

For the Department of Transport, the secretary's foreword for 2009-10 provided an overview of the Department's achievements and activities, and provided brief plans for 2010-11. The report of operations in the 2009-10 annual report was based on the five overall strategic objectives from the departmental planning document, *'DOT Plan 2009'*. Each strategy was given between three and 10 pages of discussion, including discussion of events, projects and initiatives that provided evidence of progress towards the Department's strategic objectives. These sections, coupled with the secretary's foreword, provided a good 'year in review' summary for readers. The Committee considers this to be a sufficient report of operations for the annual report.

The report of operations in the annual report for 2010-11 was substantially different in style to the previous year.

In comparison to the secretary's foreword for 2009-10, the secretary's foreword in the *Annual Report 2010-11* has been reduced to a short description of the contents of the report itself, made up of 125 words, 32 of which are the names of administered legislation. The Committee considers this change in style to be a backward step in reporting practice, removing discussion of corporate goals and objectives, as well as the year's events. This far briefer section cannot satisfy the criterion developed in Chapter 2 about the provision of reliable and usable information by providing sufficient information so as to give stakeholders a comprehensive understanding of the entity's activities.

The 'Mission and Values' section and the sections discussing the strategies identified in the planning documentation have been omitted from the *Annual Report 2010-11*. The updated corporate planning document, *DOT Plan: 2010 Update*, with its objectives is not mentioned in the report of operations (although it does form the basis of the outcome performance report in the appendices). For 'objectives' the Disclosure Index¹⁴⁷ does not refer to these but refers to page 7, which is the second page of the 'organisational structure' section, and page 40, which sets out objectives of the three output groups within the Department. The Committee considers that this is less comprehensive than the previous year and that the information that has been supplied is less specific than in the previous year.

147 Department of Transport, *Annual Report 2010-11*, p.155

The 2010-11 annual report contained little or no discussion covering the events and achievements for the year. A comparison of the report of operations (from the start of the secretary's foreword to the start of the Victorian Railway Crossing Safety Steering Committee's report) in 2009-10 and 2010-11 shows the length of the report of operations decreased from 47 pages (including six blank pages) in 2009-10 to 12 pages (including one blank page) in 2010-11.

Providing a comprehensive understanding of a department's activities is considered an essential ingredient in an annual report, especially for a major portfolio. The level of detail provided in such a discussion should be proportionate to the significance (for example, as evidenced by degree of expenditure or impact on the community) of the activity being discussed. The total value of outputs for the Department for 2010-11 was \$5.6 billion,¹⁴⁸ making the Department the third largest on this basis. The Committee considers that the report of operations does not convey sufficient information for the Parliament, the Victorian community and other stakeholders, given the significance of the Department's portfolio responsibilities.

Noting the stark discrepancy between the levels of discussion and disclosure in the two annual reports, the Committee approached the Department in order to determine its rationale for changing its reporting style. The Department did not provide an explanation for its decision but merely stated that:¹⁴⁹

The DOT Annual Report 2010-2011 meets all legislative requirements and provides an accurate and auditable presentation of the annual accounts and outputs of the Department.

For both years, the reporting of the results of performance measures from the budget papers was included in an appendix. Targets for 2010-11 are presented with actual results, and significant variations are noted with brief explanations of reasons for the variation in footnotes. In some cases, the explanations of variances were considered by the Committee to be unsatisfactory. For example, the total output cost of the *Transport and Marine Safety Investigations* output was 10 per cent lower than the target figure.¹⁵⁰ The reason given was that 'the 2010-11 investigation program required fewer resources than anticipated',¹⁵¹ which does not reveal information about the root cause of the under-expenditure.

The Committee acknowledges a positive direction undertaken by the Department of Transport, as it is one of a small number of departments that include an explicit outcome performance report with quantified indicators that demonstrate the effects of the Department's activities on the wider community.

For the 2009-10 annual report, the planning document *DOT Plan 2009* provided five overall priorities in the form of strategic tasks for the Department. The overall priorities in the latest version of the departmental plan, *DOT Plan: 2010 Update*, are unchanged from the previous version of the planning document, and form the basis of the Department's outcome performance report. In order to measure the outcomes of these strategic tasks, the planning

148 Department of Transport, *Annual Report 2010-11*, pp.111ff

149 Department of Transport, response to the Committee's 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 22 December 2011, p.13

150 Department of Transport, *Annual Report, 2010-11*, p.116

151 *ibid.*

documents provide groups of objectively quantifiable outcome indicators, each of which has a target. In some cases these targets are imprecise, such as 'increase', but other targets are quantified with actual targets set, often for some years in the future. Results for outcome indicators are given in the annual reports.

The Committee considers that the inclusion of such an outcomes performance report is in line with the better-practice criteria developed by the Committee and included in Chapter 2.

In a small number of cases, the outcome indicators in the report differ from those found in the planning document. For example, under 'Priority 1: Integrate transport and land use planning', the *DOT Plan: 2010 Update* includes a performance indicator 'Travel time variability on key freight routes'.¹⁵² The performance indicator was omitted from the outcome performance report in the *Annual Report 2010-11*. The Committee considers that such points of difference should be highlighted and discussed, including reasons why any indicators are not reported.

Discussion of outcomes is given in a table for each of the five strategic priorities. Each outcome indicator is presented along with a target, and a rationale for the outcome indicator. Results are in the form of supporting data. In many cases only a single year's observation is presented in support of a target of 'increase' or 'decrease'. Providing data about longer trends would enable significantly more robust conclusions to be drawn. In addition, variations from targets are not highlighted or discussed. The Committee considers that explaining variances between targets and actual performance is an important part of better practice.

In discussing the Department's outputs as established in the budget papers, reference is made to four 'Departmental outcomes'.¹⁵³ These are different to the outcomes set in the *DOT Plan: 2010 Update*, and were found to be Key Strategic Priorities for 2011-12 as set out in the 2011-12 budget papers.¹⁵⁴ The Committee is unsure of what the purpose of including these different 'outcomes' was.

The Committee considers that the disclosure of asset investment spending for the Department is also a key element in better practice reporting. The Department of Transport's, asset investment is the highest of all Victorian Government departments. For 2010-11, the Department of Transport was responsible for new and existing projects with a total estimated investment in excess of \$5.9 billion.¹⁵⁵ The Department includes some reporting of selected asset initiatives in its annual reports through the use of output performance measures specific to these projects, which the Committee considers to be a valuable reporting mechanism. However, the Committee considers that more comprehensive discussion of asset initiatives would improve the report.

Overall, the Committee notes that, with some minor issues, the Department of Transport's *Annual Report 2010-11* meets the minimum standards for annual reports. That is, most information that is specifically and explicitly required in the FRDs has been included in the *Annual Report 2010-11*. However, using better-practice criteria, the Committee cannot consider the level of disclosure in the Department of Transport's *Annual Report 2010-11* to be satisfactory.

152 Department of Transport, *DOT Plan: 2010 Update*, n.d., p.27

153 Department of Transport, *Annual Report 2010-11*, p.40

154 Budget Paper No. 2, *2011-12 Service Delivery*, May 2011, p.326

155 Budget Information Paper No.1, *Public Sector Asset Investment Program 2010-11*, May 2010, p.19

FINDING:

The Department of Transport is one of few departments to disclose information on its asset projects. The Department has also included an outcomes performance report. However, while the Department has fulfilled the statutory requirements for its 2010-11 annual report, the report itself does not represent better practice in reporting, as it does not convey sufficient information to be useful for most stakeholders.

RECOMMENDATION 31:

The Department of Transport in future annual reports:

- (a) provide a comprehensive and clearly set out overview in the early part of the annual report, including details of the Department's structure, key features, mission, values and responsibilities;**
- (b) include a detailed discussion of the Department's activities in the report of operations, as was provided prior to 2010-11;**
- (c) structure the report of operations by outputs or outcomes or a departmental division;**
- (d) include a section that establishes links between the outputs given in the budget papers and the outcomes for the Department stated in its planning documentation; and**
- (e) where the Department does not, for any reason, intend to report against outcome performance indicators included in the current departmental plan, any omissions should be discussed and reasons given.**

4.2.11 Treasury and Finance

The Department of Treasury and Finance's annual reports for 2009-10 and 2010-11 are structured similarly to the 2008-09 annual report, with the Department's budget outputs being included within the report of operations after a brief departmental overview section. The Committee notes that the introduction to the departmental description, 'About DTF', is reproduced nearly unchanged in both reports, with one added role and an altered policy name for 2010-11.

There is no detailed 'year in review' section in either report. The 'secretary's report' (referred to as a 'foreword' in the annual report for 2010-11) does contain some information concerning events involving the Department, the report in the *Annual Report 2009-10* being more detailed than the foreword in the following year. However, while the secretary's report contains some highlights of the year, it:

- does not detail events for divisions of the Department;
- does not link departmental activities to output results for the year;
- does not clearly state the entity's objectives and goals for the year in review; and
- includes few items that show future directions for the Department.

The Committee does not consider this to be comprehensive provision of information.

The Department's general functions are clearly explained in the 'functions and services' section of both annual reports, with sections on each of the five divisions within the Department showing their more detailed aims. However, the Committee considers that these functions are not sufficiently specific, objective and quantifiable to be treated as aims for the year against which success can be measured. Further, there is no discussion of linkages between the five divisions and the outputs of the Department, which would define the relationship between the Department's activities and its required tasks.

The Committee's criteria in Chapter 2 require that the annual report discuss results and outcomes in comparison with expectations. Prior to 2009-10, commentary for each output group was more comprehensive, with a section for each output discussing key projects and initiatives pertaining to the group, as well as a case study. This was discontinued for the *Annual Report 2009-10*. The Department now uses this section to only give descriptions of the outputs in each output group, reasons for variances in performance measures, and then provide tables for each output giving targets and actual results of the performance measures. As variances are discussed at the start of each output group rather than adjacent to the tables for each output, in most cases, especially when there is more than one output in the output group, this has led to the discussion of the variance being printed on the page before the results are presented. In addition, variances are not calculated or highlighted in tables, leaving the reader to search each line and compare target and actual results, then search for reasons provided for any variances found.

In some cases discussion about variations between targets and actual results does not identify the underlying reason for the variation, but is rather a restatement that there was a variation. For example, the reason for the target date for one of the 'Compliance assurance reports' not being met was 'delays in completing a report'.¹⁵⁶ In other cases, reasons given for variances were intermediate reasons, which explain the variance by citing another factor in the overall process, rather than revealing the underlying reason for the variance. The reason for 'Output Evaluation and Price Reviews' falling short of the target was 'the targets ... were not met due to delays in completing base reviews'.¹⁵⁷ The Committee considers that these explanations could be substantially improved.

As for all departments, the financial report contains a large number of appendices. While the Department of Treasury and Finance numbers the appendices, they are not included in the table of contents at the start of the report, leading to difficulty for the reader in locating specific information.

Overall, the Committee considers that the structure of the Department of Treasury and Finance's annual report could be improved. While there is little doubt that the Department is achieving the outputs set out for it in the budget papers, the Department could improve the report by clearly stating links between its functions, particularly those of its divisions, and its outputs. It could also provide additional disclosure of events or achievements within the Department and some demonstration of the effect the Department has on the overall community and key stakeholders.

156 Department of Treasury and Finance, *Annual Report 2010-11*, p.11

157 *ibid.*

FINDING:

The Department of Treasury and Finance's annual report would be improved by the Department more clearly setting out its goals for the year, instead of relying on a description of its structure and the outputs in the budget papers. Similarly, the Department in its 2010-11 report has not provided details of its achievements for the year, beyond the presentation of its performance measures, nor provided sufficient underlying reasons for some variances.

RECOMMENDATION 32:

The Department of Treasury and Finance in future annual reports:

- (a) provide a comprehensive report of operations showing events for the year and tasks, achievements and future directions for departmental divisions;**
- (b) set out variations in output performance measures in the same table as targets and actual results;**
- (c) provide underlying reasons for variances; and**
- (d) extend the index at the front to include appendices.**

4.3 Parliamentary Departments

The Department of Parliamentary Services, the Department of the Legislative Council and the Department of the Legislative Assembly each provide their own annual reports. The Department of Parliamentary Services' annual report includes financial information for all three entities but only provides a report of operations for the Department of Parliamentary Services. The annual reports for the Department of the Legislative Council and the Department of the Legislative Assembly do not contain financial information but provide reports of operations for their departments.

Although the Department of Parliamentary Services' report consolidates the financial reports for the three Parliamentary departments, the Committee notes that the financial statements for the Parliament in the budget papers consolidate the three Parliamentary Departments with the Victorian Auditor-General's Office, and do not disaggregate the figures. This makes comparison between budget estimates and actual financial statements difficult. As discussed in Chapter 1, the Model Report states:¹⁵⁸

The accountability loop for departments commences with the publication of budget portfolio financial statements in the annual budget papers and ends with the publication of actual results in departmental annual reports.

The mechanism by which this is achieved is Standing Direction 4.2(1) and FRD 8B which require entities to:¹⁵⁹

158 Department of Treasury and Finance, *2010-11 Model Report of Operations for Victorian Government Departments*, March 2011, p.22

159 FRD 8B (Consistency of Budget and Departmental Reporting), January 2009, p.1

Report in their annual report, but not forming part of the audited financial report, a comparison between their portfolio financial statements published in the Budget Papers and actual results for the portfolio for the corresponding financial year.

This is referred to in Standing Direction 4.2(m) as the 'Budget Portfolio Outcomes'.¹⁶⁰

The Committee notes that the Department of Parliamentary Services' annual reports for 2009-10 and 2010-11 do not include a 'budget portfolio outcomes' statement and, as the financial statements presented in the Department of Parliamentary Services' report are consolidated on a different basis to the budget papers, readers cannot make any such comparison for themselves.

The Committee notes that FRD 8B applies to 'all entities as defined in part (a) of the definition of "department" under Section 3 of the Financial Management Act 1994'.¹⁶¹ The Parliament is not included in this definition, but the Committee considers that it would be beneficial, from the perspective of transparency, if the Parliament were to choose to comply nonetheless.

The Parliament is the only entity that has finances published in the Statement of Finances budget paper that does not report financial results consolidated on the same basis through a 'budget portfolio outcomes' statement.

The Committee notes that the Victorian Auditor-General's Office provides a comparison between the budget estimates and actual results for its portion of the Parliament's financial statements set out in the budget papers in its own annual report.¹⁶²

FINDING:

The Parliament is the only entity that has finances published in the Statement of Finances budget paper but does not report actual results on the same basis of consolidation through a 'budget portfolio outcomes' statement. However, in the interests of consistency, the Committee considers that it would be helpful if the Parliament chose to comply with Financial Reporting Direction 8B and provide a 'budget portfolio outcomes' statement consolidated on the same basis as in the budget papers.

The Department of Parliamentary Services' annual report for 2010-11 is structured around the business units of the Department and provides a clear overview of the year's activities for each division, including discussion of the key achievements and a section on challenges for the year ahead. A number of case studies have also been included. Outputs for the Department of Parliamentary Services are given in a separate section in the annual report.

The Education and Community Engagement unit provides resources for the engagement of the general public and educational institutions, and is discussed in the report of operations.¹⁶³ However, the organisational chart for the Department of Parliamentary Services does not include this unit.

¹⁶⁰ Standing Directions of the Minister of Finance under the Financial Management Act 1994, June 2011, p.75

¹⁶¹ FRD 8B (Consistency of Budget and Departmental Reporting), January 2009, p.1

¹⁶² Victorian Auditor-General's Office, *Annual Report 2010-11*, p.111

¹⁶³ Department of Parliamentary Services, *Annual Report 2010-11*, p.36

The report of operations for the Department of the Legislative Council is not structured in accordance with departmental goals, business or organisational structure, but around departmental responsibility areas. The report is, however, clear, and contains extensive information on activities, making use of tables and charts where appropriate.

The report of operations for the Department of the Legislative Assembly is comprehensive and is structured around the three main 'values' detailed in the objectives and functions section of the report.

There were a number of factual errors discovered in the reading of the three annual reports. These errors concerned the date of the most recent State election and the numbers of seats won by each political party. The Committee approached the Department of Parliamentary Services for details of the process that ensures the accuracy of material contained in annual reports. The Department responded that '*although the proofing of the DPS Annual Report 2010-11 was undertaken by multiple personnel that human error occurred in this one instance*'.¹⁶⁴ While the risk of inaccurate information recorded in reports produced by the Parliamentary Departments has not been specifically identified and included in Parliament's risk management framework, '*an incident such as recorded ... above may be lodged and appropriate treatments applied*'.¹⁶⁵

The reporting of performance measures for the five outputs given in the budget papers is split amongst the four agencies consolidated as the Parliament in the budget papers. The Department of the Legislative Council, the Department of the Legislative Assembly and the Department of Parliamentary Services report their own outputs, but the *Parliamentary Investigative Committees* output is reported in both the annual reports of the Department of the Legislative Council and the Department of the Legislative Assembly. The Victorian Auditor-General's Office's performance measures are reported in its own annual report, which is discussed in Section 4.4.2 below.

Results for the Department of Parliamentary Services' performance measures in 2009-10 are given in a table, listing targets and actual results for each performance measure.¹⁶⁶ Variances are not shown in the table. Two footnotes highlight and discuss two instances where actual performance results were higher than targets, but the Department failed to highlight and discuss five instances where actual results fell significantly short of their targets.

The Committee considers that the presentation of the Department of Parliamentary Services' 2010-11 performance measures has improved in the 2010-11 annual report, with results again given along with targets and actual results, but variances are now calculated and presented as proportions of targets. Responsible units are also presented in the table, which allows additional stakeholder understanding. A footnote to the table states that there will be commentary attached in cases where there is a variance of more than five per cent between targets and actual results for an output performance measure and in most cases this occurs. However, the performance measure 'Clients satisfied with quality of information provided by library reference desk staff' varies from its target by 15 per cent without any commentary.¹⁶⁷

164 Department of Parliamentary Services, response to the Committee's 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 14 December 2011, p.3

165 *ibid.*, p.4

166 Department of Parliamentary Services, *Annual Report 2009-10*, p.48

167 Department of Parliamentary Services, *Annual Report 2010-11*, p.52

In addition, the Department of Parliamentary Services does not report the total cost of their output.

As mentioned above, results for the performance measures for the *Joint Investigatory Committees* output have been included in both the annual report for the Department of Legislative the Assembly¹⁶⁸ and the Department of the Legislative Council.¹⁶⁹ For the 2009-10 results, variances were discussed in the Department of the Legislative Assembly's annual report, but only output cost variances have been discussed in the Department of the Legislative Council's annual report.

FINDING:

Reports of operations for the three Parliamentary Departments contain extensive information on their activities. The annual reports for the three Parliamentary Departments, however, could be better coordinated.

RECOMMENDATION 33:

The Parliamentary Departments in future annual reports:

- (a) **prepare the three annual reports as three similarly structured documents.**

4.4 Independent officers of Parliament

4.4.1 Office of the Ombudsman

The annual reports of the Office of the Ombudsman are presented in two parts. The structure of Part 1 is grouped into chapters by broad subject of investigation. This is a round-up of the year's events and investigations, containing a large number of case studies, and moves from specific outcomes to a general conclusion and implications for the Government in each section.

Part 2 of the annual reports is the report of operations, along with the financial statements for the Office. This part of the report does not provide an overview of the entity in the first few pages. Apart from a mission statement at the start of Part 1, the objective of the Office is only found in a note to the financial statements.¹⁷⁰ The Committee considers that, given that Part 1 of the annual report serves the function of presenting the round-up of the year, an overview should be included near the start of Part 2 of the report containing details of the structure, key features, mission, values and key responsibilities of the entity.

Part 2 of the annual reports contains performance measures, including the performance measures from the budget papers, statutory disclosures and financial information. Performance measure discussion is detailed, and thoroughly segments data beyond the minimum required by the performance measures. However, reasons for one variance in a performance measure was a statement that the measure cannot be predicted.¹⁷¹ This

168 Department of Legislative Assembly, *Annual Report 2009-10*, p.10; and Department of Legislative Assembly, *Annual Report 2010-11*, p.11

169 Department of Legislative Council, *Annual Report 2009-10*, p.65; and *Annual Report 2010-11*, p.61

170 Office of the Ombudsman, *Annual Report 2011 — Part 2*, p.45

171 *ibid.*, p.25

explanation is echoed in the Department of Premier and Cabinet's *2010-11 Annual Report*.¹⁷² Such a lack of predictability casts doubt on the value of any forecast of the performance measure, as there is no relationship between management of operations in the Office and the result of the measure.

One of the criteria set out in Chapter 2 for better practice in annual reports is that information be presented in an understandable and concise manner. The language used, particularly in Part 1 of the annual reports, is unusual in that this is the only annual report assessed that is written in the first person singular. The Committee finds nothing unsatisfactory about this, as it constitutes plain English and is written in a tone and style that is easily understood, although on occasion the language can tend to become informal. For example, when responding to a claim in the 2009 Review of Integrity Agencies, the Ombudsman counters '*this statement was not put to me and has no basis whatsoever...*'¹⁷³

FINDING:

Information presented in the reports of the Office of the Ombudsman is extensive and comprehensive. Data presented in the annual reports are well analysed. However, the annual report does not provide a clear overview of the Office.

RECOMMENDATION 34:

The Office of the Ombudsman in future annual reports:

- (a) include a section in the early pages of Part 2 of the report setting out the Office's structure, key features, mission, values and key responsibilities.**

4.4.2 Victorian Auditor-General's Office

Annual reports for Victorian Auditor-General's Office have changed slightly from the *Annual Report 2008-09*. As for previous reports, those for 2009-10 and 2010-11 were structured around the Office's activities, with the two outputs set out for the Office in the budget papers included within the report of operations.

The report begins with a statement of objectives, and a 'year at a glance' section, showing a range of statistical results, followed by the Auditor-General's review. The Committee considers that this early section of the annual report is in line with better practice in annual reporting.

The next section, 'Measuring VAGO's impact on public sector accountability and performance', has been added since 2008-09. This is an outcomes report, and examines results achieved in the community through the Office's outputs. Five qualitative measures are used to gauge the impact of the Office on the public sector. As these measures are qualitative and not quantitative, they provide material for discussion but results are not readily comparable over time. That is, because numbers cannot be attached to the five measures, the Office is not able to show that their impact on the community has been increasing or decreasing, and by how much. However, the Committee acknowledges that it would be difficult to develop quantified

¹⁷² Department of Premier and Cabinet, *2010-11 Annual Report*, p.133

¹⁷³ Office of the Ombudsman, *Annual Report 2010 — Part 1*, p.26

outcomes-based performance measures for the Office that meaningfully reflect the Office's activities.

The latter part of the report of operations is structured around the two outputs from the budget papers. The individual outputs, given in a table at the start of each section, are discussed in some detail, showing methodology and base data. While targets and actual results are given in the two output group tables, variances are not highlighted in the same table. In the discussion section, variances are discussed, although in some cases the reason for the variance was difficult to locate. For example, in the *Annual Report 2010-11*, the result of the measure 'Overall Level of External Satisfaction with Audits (Audit Clients)' was 67 per cent with a target of 75 per cent.¹⁷⁴ Discussion of the variance was included several pages later.¹⁷⁵

The Office has an occupational health and safety section in both annual reports, however, this section does not contain data such as those found in the Model Report. This lessens the useful nature of the document by preventing comparisons with other entities.

FINDING:

The annual report for the Victorian Auditor-General's Office is well structured, focusing on outputs while presenting extensive discussion of its activities. The report includes a qualitative outcomes report, which is a focus for discussion but does not include quantified targets.

RECOMMENDATION 35:

The Victorian Auditor-General's Office in future annual reports:

- (a) **move to outcomes measures that can be quantified and tracked over time, where possible; and**
- (b) **highlight variances in the output performance measure tables themselves, including a reference to where variances are discussed.**

4.4.3 Victorian Electoral Commission

The annual reports for the past two years for the Victorian Electoral Commission have both followed the structure defined by the four major activity groups as defined in the Commission's *Corporate Plan 2007-2012*. This plan develops seven objectives and 20 supporting strategies under the four activity groups, and presents a group of performance measures that provide evidence for progress towards the objectives.

The report of operations in each annual report begins with an overview section that sets out the Commission's mission, values and functions. The Commissioner's report describes the year in brief, and the year's highlights are set out, divided into the four groups detailed in the corporate plan. This highlights section includes helpful page references for readers to find more detail on these events. The structure of the organisation itself is not described until later in the report. The overview section ends with a discussion of the year to come in terms of upcoming elections.

¹⁷⁴ Victorian Auditor-General's Office, *Annual Report 2010-11*, p.13

¹⁷⁵ *ibid.*, p.20

The next sections are concerned with the four activity groups defined in the corporate plan. Sections begin with summaries of aims, achievements and plans for the year ahead for each activity group. The discussion makes frequent use of charts and tables, which aid understanding for the reader. In addition, data presented in tables include several years of history. For example, voter turnout statistics are presented from 1996 onwards.¹⁷⁶ This gives the reader a good understanding of the longer-term trends faced by the Commission. The Committee considers these four sections to be a comprehensive report of longer-term objectives and goals. However, any goals that may have been set for the single year have not been explicitly set out and reported against.

Quantified results against performance measures developed in the Commission's *Corporate Plan 2007-2012* do not appear in the Commission's annual reports, despite the corporate plan having a large number of quantified measures identified. The Committee considers that results should be reported for performance measures defined in entities' planning documents as identified in the Committee's criteria in Chapter 2 above.

Further, not all relevant output performance measures from the budget papers are not included in the annual reports for 2009-10 or 2010-11. The budget papers contain an output directly related to the Commission's activities (*State Electoral Roll and Elections*) within the Department of Justice's outputs. The Department of Justice reports on this in its annual report, but the Victorian Electoral Commission does not discuss all of the measures in its report. The Committee considers that while reporting of agencies' contributions to parent departments' output performance measures is not required under Standing Direction 4.2(k), the inclusion of such measures contributes to accountability and transparency, and has been recommended in Chapter 3 above. The Committee notes that such reporting habits are already in use in some other agencies that report through parent departments, such as Ambulance Victoria and Victoria Police, which provide their own discussion of the results of the performance measures in addition to the Department of Health and Department of Justice's discussion.

FINDING:

The Victorian Electoral Commission provides useful information showing historical trends in its annual reports. The Commission contributes to budget performance measures that are reported by the Department of Justice, but it does not separately report its contribution to all measures. The Commission does not include in its annual report progress towards single-year goals set in its corporate plan, although it does structure the report of operations in such a way that the reader can understand how the Commission's activities contribute to longer-term objectives and goals.

RECOMMENDATION 36:

The Victorian Electoral Commission in future annual reports:

- (a) provide results against all budget performance measures in the annual report, including targets and actual results, discussion and reasons for variances; and
- (b) include in its annual reports the results of the single-year quantified measures identified in its corporate plan.

176 Victorian Electoral Commission, *Annual Report 2010-11*, p.12

4.5 Emergency services agencies

4.5.1 Ambulance Victoria

The Ambulance Victoria annual reports for 2009-10 and 2010-11 are structured similarly. The aims of the entity are set out at the beginning of the document, followed by a secretary's foreword that gives an overview of the year's achievements. The report of operations then details highlights for the year, including a discussion of response times, and a briefer 'year in review' section.

Ambulance Victoria uses as a planning document the *Strategic Plan 2010-2012*, which includes a list of strategies for the period. Each year elements of this list form a Statement of Priorities. Progress against this list is reported in relevant sections of the annual report, titled 'Statement of Priorities 2009-10'¹⁷⁷ and 'Strategic Priorities 2010-11'.¹⁷⁸

The 'Statement of Priorities' section in the annual report for 2009-10 includes a compact table showing a list of strategic priorities, tasks underway that support these priorities and a brief progress status report.¹⁷⁹ The statement for 2010-11 was similar in form to the previous year, although the priorities have changed slightly.¹⁸⁰ It is unclear from the annual report whether this is because priorities have been achieved, or if it was due to a change in strategy. As either of these factors should be communicated to the Parliament and the community, the Committee considers that some discussion in the annual report would be appropriate. Overall, the Committee considers this table to satisfy a criterion set out in Chapter 2, as it identifies the objectives and goals for the year, as well as setting out a rationale for achieving these objectives. This is considered to represent better practice in annual reporting.

Ambulance Victoria reports on the performance measures in the *Ambulance Services* output group, which is allocated to the Department of Health in the budget papers (and reported by the Department of Health in its annual reports), with the addition of three extra measures.¹⁸¹ The Committee considers that, while reporting of agencies' contributions to parent departments' output performance measures is not required, the inclusion of such measures contributes to accountability and transparency, and is in accordance with better annual reporting practice. As recommended in Chapter 3, the Committee considers that all agencies which contribute to parent departments' performance measures should report their results as Ambulance Victoria has.

In providing its results on the performance measures, Ambulance Victoria gives targets and actual results for the year, but does not include results from previous years, preventing easy comparison across years. Further, there appears to be no discussion of some measures that showed significant variances (both positive and negative) from targets included in the annual report. For example, the 'Percentage of adult VF/VT cardiac arrest patients surviving to hospital discharge' measure for 2009-10 exceeded target by 43 per cent (7.8 percentage points) and the 'Total number of Statewide non-emergency air cases' was below target for 2010-11 by 24 per cent. Neither of these results suggests poor performance by Ambulance

177 Ambulance Victoria, *2009-10 Annual Report*, p.21

178 Ambulance Victoria, *2010-11 Annual Report*, p.26

179 Ambulance Victoria, *2009-10 Annual Report*, p.21

180 Ambulance Victoria, *2010-11 Annual Report*, p.26

181 *ibid.*, p.27

Victoria, but some discussion is warranted, including a discussion of the appropriateness of the target. Analysis of variations is specified in the Model Report,¹⁸² which all public sector entities are strongly encouraged to follow.¹⁸³ The better-practice criteria outlined in Chapter 2 also recommend a discussion of results and outcomes in comparison with expectations.

For 2010-11 there was a short discussion of variations from the targets for some timeliness performance measures in the Chief Executive Officer's report. This report highlighted the two areas of timeliness performance not meeting targets, and referred to the agency's search for methods of improving this. The Committee considers this to be good practice, and consistent with the principle of accountability.

Three performance measures are given that are additional to those detailed in the budget papers. Two of these performance measures are contributed to by more than one agency, in this case the treating hospitals in addition to Ambulance Victoria, and represent the measurement of outcomes of the efforts of the agencies in the wider community. The Committee considers that reporting of such outcomes represents better practice.

The usability of the annual report is lessened by the lack of a table of contents, which is a requirement of FRD 30A. The Committee considers that a reader should be able to find information easily, and the table of contents is a necessary element in orientation.

The Victorian Auditor-General's Office tabled a report into *Access to Ambulance Services* in October 2010. Recommendation 5, concerning response time reporting¹⁸⁴ (specifically the requirement for reporting at regional level and at 50th and 90th percentiles), was supported in principle by Ambulance Victoria, which undertook to develop improved public reporting of response time performance.¹⁸⁵ However, additional reporting has not been included in Ambulance Victoria's *2010-11 Annual Report*.

FINDING:

Ambulance Victoria contributes to budget performance measures that are reported by the Department of Health. Ambulance Victoria reports these measures in its own annual report, along with additional performance measures, including two outcomes measures. Additional reporting recommended by the Auditor-General has not yet been included in Ambulance Victoria's annual report.

182 Department of Treasury and Finance, *2010-11 Model Report for Victorian Government Departments*, March 2011, p.18

183 *ibid.*, p.i

184 Victorian Auditor-General's Office, *Access to Ambulance Services*, October 2010, p.56

185 *ibid.*, p.90

RECOMMENDATION 37:**Ambulance Victoria in future annual reports:**

- (a) discuss variances against targets for all performance measures presented in annual reports;**
- (b) include a section in the annual report showing progress towards the supported recommendations from the Auditor-General's report into *Access to Ambulance Services*; and**
- (c) include a table of contents in future annual reports.**

4.5.2 Country Fire Authority

The Country Fire Authority's annual reports for 2009-10 and 2010-11 differ slightly. Both begin with an overview including a chairman's report and information on mission, strategy and structure (including regional structure). However the main section of the report of operations changed for 2010-11. The previous year's report was structured around preparedness and response, but the Authority is preparing a new corporate plan and has been affected by the Victorian Bushfires Royal Commission. As an acknowledgement of this, the Authority has entitled its report of operations for 2010-11 'Embracing Change', and the Committee anticipates another change in structure for the annual report for 2011-12. The Committee would like the Authority to consider structuring the report of operations around objectives identified in its new corporate plan.

As mentioned, the Authority's annual reports have been extensively affected by matters arising from the Victorian Bushfires Royal Commission. The annual report for 2009-10 lists projects resulting from the Interim Report of August 2009, and the Final Report's recommendations were reflected in the 2010-11 annual report. The Committee considers the Country Fire Authority reports detailing activities following the Victorian Bushfires Royal Commission represent a high and commendable standard of accountability. Descriptions of projects are presented,¹⁸⁶ with objectives, progress reports and the identification of future activities.¹⁸⁷ One improvement that the Authority may consider is to explicitly link projects with specific Royal Commission recommendations.

The Country Fire Authority, along with other agencies, contributes to budget performance measures in the *Emergency Management Capability* output, set in the budget papers for the Department of Justice (and also reported in the Department of Justice's annual reports). However the performance reports in the Country Fire Authority's annual reports do not report all the relevant measures.

Performance measures are presented with a graph but no historical context. Two of the measure are detailed by geographical region, which invites direct comparison across regions. Such a comparison can be of benefit if it identifies brigades which are more innovative or otherwise more successful in their operations. Such improvements might not be found without appropriate comparisons across regions.

¹⁸⁶ Country Fire Authority, *2010 Annual Report*, pp.6-9

¹⁸⁷ Country Fire Authority, *Annual Report 2010-11*, pp.12-13

The Country Fire Authority has only included one occupational health and safety performance measure in its annual reports. As the operational environment for the Country Fire Authority is necessarily risky, such measures are considered by the Committee to be of significance. Without comprehensive and consistent data which is comparable with other similar entities, the Committee cannot consider the report to be sufficient.

The Authority's organisational chart has ambiguous lines of reporting, it being impossible to tell to whom department heads report.

Finally, the Committee considers the use of full colour photographs and glossy paper is not in accordance with FRD 30A, which requires that the '*Use of photographs is to be kept to a minimum*'¹⁸⁸ and that '*where photos are necessary, they are to be printed in black and white on internal pages*'¹⁸⁹ (see further in Section 3.2.6 of this report).

FINDING:

The Country Fire Authority's annual reports contain excellent information on the Authority's responses to the Victorian Bushfires Royal Commission, showing considerable accountability. The Authority also contributes to output performance measures that are reported by the Department of Justice. However, the Department's annual report does not separately report the Authority's contributions to all of the relevant measures. Insufficient occupational health and safety figures are provided in the Country Fire Authority's annual reports.

RECOMMENDATION 38:

The Country Fire Authority in future annual reports:

- (a) structure the report of operations with respect to objectives defined in the new corporate plan when it is released;**
- (b) include reporting and discussion of all relevant performance measures that are reported by the parent department, the Department of Justice;**
- (c) adjust the organisational chart to more clearly show lines of reporting; and**
- (d) include an occupational health and safety section structured as per the Model Report.**

4.5.3 Emergency Services Telecommunications Authority

The Emergency Services Telecommunications Authority's annual reports for 2009-10 and 2010-11 are very similar in structure, starting with the chairman's and chief executive officer's reports, which both discuss the current year and the year ahead, separated by mission and values. The report of operations continues with discussion of the performance of call-taking and dispatch services, and the Authority's three telecommunications networks, before moving onto more details about areas of operation. Statutory information precedes the financial report.

188 FRD 30A (Standard Requirements for the Design and Print of Annual Reports), March 2011, p.1

189 *ibid.*, p.2

The annual report for 2009-10 was characterised by a propensity to reproduce the corporate logo, and to produce figures that resembled this logo. This resulted in some poor representations, such as difficult-to-read pie charts¹⁹⁰ and an organisational chart that did not communicate clear information¹⁹¹ (see Figure 4.1). The annual report for 2010-11 retained the organisational chart, but other figures had been altered.

The Committee considers the organisational chart to be unsatisfactory. One of the criteria for better practice in reporting developed in Chapter 2 is that information should be presented in an easily accessible way, should be understandable and avoid giving a misleading impression. The chart does not show lines of reporting, which leads to ambiguity when determining which area reports to which. For example, it is impossible to determine which support office is responsible for the State Emergency Communication Centres.

Figure 4.1: Organisational chart - Emergency Services Telecommunications Authority



Source: *Emergency Services Telecommunications Authority, 2009/10 Annual Report, p.8; and 2010/11 Annual Report, p.6*

The mission statement for the Authority has changed for 2010-11, and clearly expresses areas of operations and tasks. These tasks, call-taking and dispatch, along with maintenance and operations of the Authority's three telecommunications networks, define the structure of the performance reporting section of the report of operations.

The Committee notes that the 2009-10 annual report states that: '*Speed of answering emergency calls and the speed of dispatching the relevant emergency services form the two key indicators that measure ESTA's calltaking and dispatch services.*'¹⁹² Data about actual performance on these measures are used in a report of call times during one particular emergency event,¹⁹³ but while these results are reported privately to the Office of the

190 Emergency Services Telecommunications Authority, *2009/10 Annual Report*, p.10

191 *ibid.*, p.8

192 *ibid.*, p.10

193 *ibid.*, p.11

Emergency Services Commissioner,¹⁹⁴ they are not publicly reported by the Authority in the annual report. As annual reports are the means of communication of information to the Parliament and community, the Committee considers this performance information would appropriately be included in the annual report. The Committee subsequently received performance data from the Authority covering its call-taking and dispatch activities, including satisfactory explanations for variances from targets,¹⁹⁵ and so the Committee is aware that this information is available.

Results against targets for performance measures for the three telecommunications networks have been identical for the past two years. The Authority has maintained a 99.99 per cent availability or message success rate, exceeding its target of 99.95 per cent. The Committee considers it important that performance targets challenge organisations to increase efficiency and create innovative solutions, and a target that allows five outages in 10,000 periods when the Authority routinely achieves one outage in 10,000 periods does not provide the required level of challenge. The Committee anticipates that this issue will be discussed further in the Financial and Performance Outcomes Report for the year.

The *2009/10 Annual Report* notes that there was an error in calculations for long service leave costs in 2007-08 and 2008-09,¹⁹⁶ leading to inaccuracies in the financial statements for those years. The 2009-10 report provides quantification of the errors. The amended financial statement for 2008-09 is included in the annual report for 2009-10 but the financial statements for 2007-08 have not been restated. The Committee considers that publishing an amended financial statement in the annual report would be appropriate in these circumstances.

During the preparation of the 2010-11 financial statements, errors were discovered in calculations of lease schedules for the Emergency Alerting Service and the Metropolitan Mobile Radio systems. This has led to a restatement of a large number of items from the 2008-09 and 2009-10 financial statements. The Committee notes that parts of the 2008-09 financial statements have been restated each year for the past two years. The Committee inquired as to what arrangements have been put into place to minimise such errors in future. The Authority responded with a number of solutions, including that they will '*ensure a single reporting tool is used, linked to all appropriate source data*', and '*develop clear procedural steps in the lead-up to year-end statutory account preparations and closing journal procedures*'.¹⁹⁷

It is noted that a large number of paragraphs in the *2010/11 Annual Report* have been reproduced verbatim from the annual report for the prior year. Other paragraphs have been closely paraphrased. For example, of the six paragraphs in the Telecommunications Networks section,¹⁹⁸ five are nearly identical to the same section in the *2009/10 Annual Report*.¹⁹⁹

194 *ibid.*, p.10

195 Emergency Services Telecommunications Authority, response to the Committee's 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 18 January 2012, p.4

196 Emergency Services Telecommunications Authority, *2009/10 Annual Report*, p.49

197 Emergency Services Telecommunications Authority, response to the Committee's 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire – Part Two, received 18 January 2012, p.2

198 Emergency Services Telecommunications Authority, *2010/11 Annual Report*, p.13

199 Emergency Services Telecommunications Authority, *2009/10 Annual Report*, p.12

The occupational health and safety section in the annual report states that '*ESTA staff incurred only 26 lost time accidents during the year*'.²⁰⁰ Without appropriate context, it is impossible to determine whether this outcome is a success or a failure. One of the key elements given in Chapter 2 that the Committee considers leads to better practice in annual reporting is that the information should be given in context so that it can be properly understood.

The Committee also observed one important claim in the 2010-11 report which it considers needed a stronger evidentiary basis. The chart showing Emergency Message Delivery Delays on selected peak demand days²⁰¹ shows a trend decrease in delivery times over the six events. Commentary on the chart claims this to be a result of improved network performance. The Committee obtained data showing the number of messages delivered in peak hours on the relevant days and observed a similar downward trend.²⁰² This suggests to the Committee that the reducing number of messages, rather than the improved performance, may be a cause of the reduced message delivery times. The Committee therefore considers that insufficient evidence has been provided in the Authority's annual report in support of the assessment of improved performance.

FINDING:

Call-taking and dispatch service performance indicators applying to the Emergency Services Telecommunications Authority are not reported in a public document, despite being identified as key indicators by the Authority. Diagrams used in the annual reports have not always been clear and errors in the financial statements each year have meant that data from previous years have had to be revised. Some claims would benefit from additional context or evidence.

RECOMMENDATION 39:

The Emergency Services Telecommunications Authority should include performance results for the speed of answering emergency calls and the speed of dispatch of the relevant emergency services in future annual reports. Results should include 50th and 90th percentile data, as well as average times.

200 Emergency Services Telecommunications Authority, *2010/11 Annual Report*, p.19

201 *ibid.*, p.15

202 Emergency Services Telecommunications Authority, response to the Committee's 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 18 January 2012, p.6

RECOMMENDATION 40:

The Emergency Services Telecommunications Authority in future annual reports:

- (a) include restatements and corrections of past financial statements as an appendix to the next annual report where required;**
- (b) improve the presentation of its organisational chart; and**
- (c) where key performance measures are being recorded for the Office of the Emergency Services Commissioner, they also be reported publicly in the Emergency Services Telecommunications Authority's annual report.**

4.5.4 Metropolitan Fire and Emergency Services Board

The annual reports for Metropolitan Fire and Emergency Services Board for 2009-10 and 2010-11 follow a similar structure to each other. Reports from the president, the chief executive officer and the chief officer are provided at the start. The following section outlines the Board's vision, mission, goals and values, followed by a description of the Board's responsibilities and tasks. The Committee considers this provides a good overview of the Board, as required in the first criterion in the list provided by the Committee in Chapter 2. However, the organisational chart, which would help orient the reader, is placed towards the back of the annual report.

However, the annual report for 2009-10 gives a brief summary of the recommendations of the Victorian Bushfires Royal Commission that encompass operations of the Metropolitan Fire and Emergency Services Board.²⁰³ It also includes a list of actions carried out in response to these recommendations. The 2010-11 annual report includes discussion of the enhanced relationships the Board has developed with the Fire Services Commissioner and other stakeholders at least in part as a result of recommendations of the Victorian Bushfires Royal Commission.²⁰⁴ The Committee considers that these sections support the accountability of the Board.

The 'year in review' section that follows contains statistics and graphs, as well as a report of results of the performance measures that contribute to the Department of Justice's *Emergency Management Capability* output. The Committee considers that reporting of relevant performance measures by agencies, while not explicitly required for entities other than departments, contributes to better practice in reporting and disclosure.

Performance measure results are presented with targets.²⁰⁵ However, not all performance measures relating to the Board's activities that are reported by the parent department (the Department of Justice) are included in the Metropolitan Fire and Emergency Services Board's report. The Committee has recommended in Chapter 3 above that agencies which contribute to performance measures for parent departments report all relevant results in their own annual reports.

203 Metropolitan Fire and Emergency Services Board, *Annual Report 2009-2010*, p.36

204 Metropolitan Fire and Emergency Services Board, *Annual Report 2010/2011*, pp.30-1

205 Metropolitan Fire and Emergency Services Board, *Annual Report 2009-2010*, p.16

There were no significant variances between actual results and targets for 2009-10. Historical data for some items were given in graphs on preceding pages, but historical results for performance indicators have not been included in the table of targets and actual results. Performance measures for 2010-11 are included in a similar format as the previous year.²⁰⁶ It is noted that one item, the quantity measure 'Number of service delivery points', has increased by two through a redefinition of the measure. It is also noted that the Board refers to the introduction of personal protective clothing as a factor contributing to timeliness not reaching target levels for 2010-11, and that the same factor caused problems with timeliness for the previous year. The Committee would like to see details of plans to address this matter in future annual reports or an adjustment of the performance target if it is no longer practicable.

The Committee notes that the Metropolitan Fire and Emergency Services Board is a necessarily risky environment, and that as a consequence occupational health and safety matters are important. The 2009-10 report notes that Board has an occupational health and safety committee which met four times during 2009-10,²⁰⁷ but provides little further discussion and no quantified data.²⁰⁸ FRD 22B, which applies to all public bodies, includes the instruction that '*General information must include a statement on occupational health and safety matters, including appropriate performance indicators and how they affect outputs*'. The Committee considers this is a significant shortcoming of the annual report.

The occupational health and safety discussion in the *Annual Report 2010-11* provides one statistic - a reduction of 15 per cent in WorkCover claims recorded.²⁰⁹ However this figure has no context or history, and the Committee considers that this does not satisfy the requirements of better practice (see further in Section 3.2.5 of this report).

The *Annual Report 2009-10* mentions the introduction of the Gender Inclusion Action Plan as well as the operation of other action plans.²¹⁰ The Committee notes that no workforce reporting is included in the annual report that would allow assessment of these plans (see Section 3.5.4 of this report).

FINDING:

The Metropolitan Fire and Emergency Services Board provides details of actions carried out in response to the recommendations of the Victorian Bushfires Royal Commission. The Board contributes to output performance measures that are reported by its parent department, the Department of Justice. However, it only reports its contributions to some of these measures, detracting from transparency. Occupational health and safety figures presented in the annual reports are not sufficient to give a clear picture of conditions or trends in the Board.

206 Metropolitan Fire and Emergency Services Board, *Annual Report 2010/2011*, p.18

207 Metropolitan Fire and Emergency Services Board, *Annual Report 2009-2010*, p.50

208 *ibid.*, p.29

209 Metropolitan Fire and Emergency Services Board, *Annual Report 2010/2011*, p.23

210 Metropolitan Fire and Emergency Services Board, *Annual Report 2009-2010*, pp.24-5

RECOMMENDATION 41:

The Metropolitan Fire and Emergency Services Board in future annual reports:

- (a) include occupational health and safety information using the Model Report as guidance; and**
- (b) include a report and discussion of all relevant performance measures set out in the budget papers.**

4.5.5 Victoria Police

The 2009-10 and 2010-11 annual reports for Victoria Police are structured in a similar fashion. The Chief Commissioner's report gives an overview for the year in the early pages of the document, followed by a statement of priorities and values. Information about Victoria Police follows, including governance, reviews and structure. Performance reports are then structured around targets set in planning documents and budget papers. The report ends with a detailed discussion of initiatives and achievements for the year and statutory appendices.

The annual reports take explicit direction from Victoria Police's planning documents *The Way Ahead 2008-2013*²¹¹ and the annual Business Plan.²¹² Targets from these documents are referenced in the discussion in the annual report and progress against these targets is also reported.

The Victoria Police organisational chart clearly shows the organisational structure and lines of reporting. However, its location had been omitted from the table of contents for 2010-11, making it difficult to find.

The report of operations includes a table of crime statistics covering a wide range of offences, and including the two most recent years and a growth rate calculation.²¹³ While this does not constitute an outcomes report for Victoria Police, the inclusion of these statistics shows results achieved in the community at least partially through the efforts of Victoria Police, and the Committee considers that its inclusion shows a focus on outcomes for the year, a key element in the Committee's criteria for better practice in annual reporting.

Many key statistics in the annual report have between one and five years' historical data, providing consistent, reliable and useful information and enabling users to track changes over time. Performance measures from the Department of Justice's *Policing Services* output are reported on, but without past results, and no cost measure is given.²¹⁴ Variations from target results for performance measures are given and large variations are carefully explained in a section adjacent to the reporting table.

211 Victoria Police, *Annual Report 2009-10*, p.17

212 *ibid.*, p.24

213 Victoria Police, *Annual Report 2009-10*, p.18; and *Annual Report 2010-11*, p.18

214 Victoria Police, *Annual Report 2009-10*, p.24; and *Annual Report 2010-11*, p.24

Discussion in the report contains references to future as well as past initiatives, for example the Family Violence Safety Notices²¹⁵ and preparations for the recruitment of the new Protective Services Officers.²¹⁶ Where an initiative that started in the past is described, an update is given as well as a description of future expectations. Such multi-period reporting will enable accountability in future years.

The Committee is of the opinion that documentation in the Victoria Police's annual report is significantly more difficult to read than others due to acronym use. FRD 30A part 5.4 states that complex language should be avoided, and while inclusion of an acronym glossary is not specifically required under any Financial Reporting Direction, the Committee considers that its inclusion would be better practice in a report with substantial acronym use.

The Committee considers that the Victoria Police's annual report is an excellent document overall, and one which could be used by other emergency services agencies as a model for reporting.

FINDING:

The Victoria Police's annual reports are overall excellent documents. Contributions to the Department of Justice's performance measures from the budget papers have been presented and variances explained in the annual report. Quantified goals for Victoria Police have been set in planning documents for the year and reported against. The annual report is focused on outcomes in the wider community as well as the outputs of Victoria Police.

RECOMMENDATION 42:

Victoria Police in future annual reports:

- (a) discuss variances from cost performance targets, in addition to non-cost performance targets; and**
- (b) include an acronym glossary.**

4.5.6 Victoria State Emergency Service

The annual reports for the Victoria State Emergency Service have been laid out similarly for 2009-10 and 2010-11. A 'goals and objectives' section is structured according to the Service's *2009-2012 Strategic Plan*,²¹⁷ and is followed by reports from the chair and the chief executive officer. These reports relate to the Service's activities as an entity, and its major actions throughout the year. Information about structure and governance follows, with more detailed operational reports, including regional reports, rounding out the discussion.

The Committee considers that this structure satisfies two of its criteria for better annual reporting given in Chapter 2. The report provides an overview of the Service in its early pages, and sets out its goals, objectives and achievements.

215 *ibid.* p.41

216 *ibid.*, p.27

217 Victoria State Emergency Service, *2009-2012 Strategic Plan*, n.d., p.3

The Committee noted that neither the chair's report nor the chief executive officer's report contained forward-looking discussion. However, future plans for the Victoria State Emergency Service are discussed throughout the report of operations in the *Annual Report 2010-11*, such as the SafeGate (occupational health and safety statistics recording), the State Flood Emergency Plan and a review of the Community Emergency Risk Process. The Committee considers that this is beneficial, contributing to the transparency of the organisation, and will enable future assessment of the outcomes of these plans, supporting accountability.

The Victoria State Emergency Service's annual report for 2009-10 was tabled well after the publication of the Interim Report of the Victorian Bushfires Royal Commission, which was published in August 2009. While this annual report mentioned that the Victoria State Emergency Service has '*implemented a number of changes to... operational support and relief activities*',²¹⁸ few discussions of specific changes resulting from the Royal Commission were found in the annual report for 2009-10. The final report of the Victorian Bushfires Royal Commission was published in July 2010, but the *Annual Report 2010-11* mentioned the Royal Commission only briefly, the main subjects of discussion for the year being storm and flood responses. The Committee considers that publication of the Final Report of the Victorian Bushfires Royal Commission represented an important event for the Service and an overview of the year should contain reference to it and its recommendations.

Both annual reports have two different organisational charts, one showing the internal structure of the Authority and one showing where the Authority fits into the Victorian Government. This second chart provides a useful orientation for reader understanding.

The Victoria State Emergency Service does not report performance measures, although the Service is known to contribute to measures for the Department of Justice. For example, the Service's contribution to the performance measure 'Municipal Customer Satisfaction' is mentioned in a footnote in the Department of Justice's annual report.²¹⁹ The Committee has recommended in Chapter 3 above that agencies which significantly contribute to performance measures report results in their own annual reports.

Results for occupational health and safety indicators included in the 2010-11 annual report were significantly higher than the previous year.²²⁰ However there was no discussion of either the cause of the increase or any reason for incomparability. When contacted, the Victoria State Emergency Service responded that:²²¹

In February 2011, VICSES launched an online incident management system to encourage reporting of incidents and hazards. Prior to this, there existed a paper-based system. This initiative has resulted in not only greater accuracy in capturing incident reports but also an improved incident reporting culture (86 incidents and hazards logged in the first 4 months) and reporting accuracy.

The Committee considers that, where data are not reported consistently, especially where this leads to significant variations from one year to another, this fact should be explained in the annual report.

218 Victoria State Emergency Service, *Annual Report 2009-10*, p.6

219 Department of Justice, *Annual Report 2010-11*, p.65

220 Victoria State Emergency Service, *Annual Report 2010-11*, p.31

221 Victoria State Emergency Service, response to the Committee's 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 18 January 2012, p.4

The Committee also noted that the number of health and safety claims exceeding 13 weeks in 2010-11 was higher than the number of lost time claims.²²² The Committee inquired about these data, and the Service responded, '*it is difficult to get the history on this report, but these numbers seem unlikely based on the above figures*'.²²³ The Committee considers that the Service should investigate this matter further and endeavour to include accurate figures for 2010-11 in its 2011-12 annual report.

The *Annual Report 2009-10* contained a discussion of 'After Action Reviews', using, as an example, one following a hailstorm in March 2010.²²⁴ This type of review is intended as a way of enabling operational improvement, and the report included information from the review about experiences of affected members of the public and their level of satisfaction with the response of the Victoria State Emergency Service. The Committee considers the inclusion of this information to be valuable and would like to see it expanded in future reports to detail specific areas where the Victoria State Emergency Service could have improved their operational responses, along with any plans for change resulting from these reviews.

FINDING:

Reports of the Victoria State Emergency Service's year's activities and future plans are extensive. The Victoria State Emergency Service contributes to budget performance measures that are reported by the Department of Justice, but it does not separately report its contributions. Comprehensive discussion of trends in occupational health and safety figures is not presented in the annual report.

RECOMMENDATION 43:

The Victoria State Emergency Service in future annual reports:

- (a) report its results on the relevant performance measures in the budget papers, including targets, actual outcomes and reasons for variances;**
- (b) provide reasons for significant variations in occupational health and safety results from previous years' figures; and**
- (c) include updated occupational health and safety figures for 2010-11 in its 2011-12 annual report.**

222 Victoria State Emergency Service, *Annual Report 2010-11*, p.31

223 Victoria State Emergency Service, response to the Committee's 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 18 January 2012, p.4

224 Victoria State Emergency Service, *Annual Report 2009-10*, p.15

APPENDIX: COMPLIANCE OF ANNUAL REPORTS WITH FINANCIAL REPORTING DIRECTIONS AND TABLING DEADLINES

Table A.1: Review of the disclosure indices in the 2009-10 annual reports (FRD 10 – Disclosure Index)

Entity	Meets all requirements of FRD 10	Incorrect page references	No page references	Disclosure Index not included in the annual report
Ambulance Victoria		X		
Country Fire Authority		X		
Department of Education and Early Childhood Development	X			
Department of Health	X			
Department of Human Services		X		
Department of Innovation, Industry and Regional Development		X		
Department of Justice		X		
Department of Planning and Community Development		X		
Department of Premier and Cabinet		X		
Department of Primary Industries		X		
Department of Sustainability and Environment		X		
Department of Transport	X			
Department of Treasury and Finance		X		
Emergency Services Telecommunications Authority				X
Metropolitan Fire and Emergency Services Board				X
Ombudsman Victoria		X		
Department of Parliamentary Services				X
Victorian Auditor-General's Office		X		
Victorian Electoral Commission		X		
Victoria Police	X			
Victorian State Emergency Services Authority			X	
Total	4	13	1	3
Total (%)	19	62	5	14

Source: 2009-10 annual reports

Table A.2: Review of the disclosure indices in the 2010-11 annual reports (FRD 10 – Disclosure Index)

Entity	Meets all requirements of FRD 10	Incorrect page references	No page references	Disclosure Index not included in the annual report
Ambulance Victoria	X			
Country Fire Authority		X		
Department of Business and Innovation		X		
Department of Education and Early Childhood Development		X		
Department of Human Services	X			
Department of Health		X		
Department of Justice			X	
Department of Planning and Community Development	X			
Department of Premier and Cabinet		X		
Department of Primary Industries		X		
Department of Sustainability and Environment	X			
Department of Transport	X			
Department of Treasury and Finance		X		
Emergency Services Telecommunication Authority				X
Metropolitan Fire and Emergency Services Board				X
Ombudsman Victoria		X		
Department of Parliamentary Services				X
Victoria Police		X		
Victorian Auditor-General's Office	X			
Victorian Electoral Commission		X		
Victorian State Emergency Services Authority			X	
Total	6	10	2	3
Total (%)	29	48	9	14

Source: 2010-11 annual reports

Table A.3: Occupational health and safety measures reported in the 2010-11 annual reports

Agency	Performance measures included in annual report
Ambulance Victoria	<ul style="list-style-type: none"> • Number of workplace fatalities • Lost time injury frequency rate • Average number of standard claims per 100 FTE staff • Average cost per WorkCover standard claim • Number of hazards/incident reports lodged • Percentage of WorkCover standard claims with a RTW plan initiated • Percentage of employees immunised against influenza (include ACO) • Average number of OHS related training hours per staff • Percentage of Health & Safety Representatives (HSR) positions filled
Country Fire Authority	<ul style="list-style-type: none"> • Number of volunteers attending the Health Program
Department of Business and Innovation	<ul style="list-style-type: none"> • Number of incidents/hazards • Rate per 100 FTE • Number of standards claims • Rate of claims per 100 FTE • Number of lost claims • Rate of lost time claims per 100 FTE • Number of lost time claims exceeding 13 weeks • Rate of lost claims exceeding 13 weeks per 100 FTE • Fatalities claims • Average cost per standard claim • Department's premium rate • % of claims with a return to work plan < 30 days • Evidence of OHS policy statement, OHS objectives, regular reporting to senior management of OHS, an OHS plan (signed by CEO or equivalent). • Evidence of OHS criteria(s) in purchasing guidelines (including goods, services and personnel) • Evidence of designated work groups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs). Compliance with agreed structure on DWGs, HSRs, and IRPs • Internal audits/inspections • Identified issues arising from internal audits • HSR provisional improvement notices (PINs) • WorkSafe notices • Induction training • People managers training • Contractors, temps and visitors training • HSR initial 5 day training • HSR refresher training

Agency	Performance measures included in annual report
Department of Education and Early Childhood Development	<ul style="list-style-type: none"> • Number of incidents/hazards • Rate of incidents per 100 FTE • Number of standards claims • Rate of claims per 100 FTE • Number of lost time claims • Rate of lost time claims per 100 FTE • Number of claims exceeding 13 weeks • Rate of claims exceeding 13 weeks per 100 FTE • Fatalities claims • Average cost per standard claim • Department's premium rate • % of claims with a return to work plan < 30 days • Evidence of OHS policy statement, OHS objectives, regular reporting to senior management of OHS, an OHS plan (signed by CEO or equivalent) • Evidence of OHS criteria(s) in purchasing guidelines (including goods, services and personnel) • Evidence of designated work groups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs). • Compliance with agreed structure on DWGs, HSRs, and IRPs • Percentage of internal audits/inspections conducted as planned • Percentage of issues identified and actioned arising from: <ul style="list-style-type: none"> – internal audits – HSR provisional improvement notices (PINs) – WorkSafe notices • Percentage of managers and staff who have received OHS training: <ul style="list-style-type: none"> – induction – management training – contractors, temps and visitors • Percentage of HSRs trained: <ul style="list-style-type: none"> – acceptance of role – re-training (refresher) – reporting of incidents and injuries

Agency	Performance measures included in annual report
Department of Health	<ul style="list-style-type: none"> • Number of incidents/hazards • Rate of incidents per 100 FTEs • Number of accepted standardised claims • Rate of accepted standardised claims per 100 FTEs • Number of time loss claims • Rate of time loss claims per 100 FTEs • Number of 13 weeks claims • Rate of 13 week claims per 100 FTE • Number of fatality claims • Average cost per standard claim • Percentage of claims that have return to work plans • Evidence of OHS policy statement, OHS objectives, regular reporting to senior management of OHS, an OHS plan (signed by CEO or equivalent) • Evidence of OHS criteria(s) in purchasing guidelines (including goods, services and personnel) • Evidence of designated work groups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs) • Compliance with agreed structure on DWGs, HSRs, and IRPs • Percentage of internal audits/inspections conducted as planned • HSR provisional improvement notices • WorkSafe notices • Percentage of managers and staff who have received OHS training: <ul style="list-style-type: none"> – induction – management training – contractors, temps and visitors • Percentage of HSRs trained: <ul style="list-style-type: none"> – acceptance of role – re-training refresher
Department of Human Services	<ul style="list-style-type: none"> • Number of incidents/hazards • Rate of incidents per 100 FTE • Number of standards claims • Rate of claims per 100 FTE • Number of time loss claims • Rate of time loss claims per 100 FTE • Number of claims exceeding 13 weeks • Rate of claims exceeding 13 weeks per 100 FTE • Number of fatality claims • Average cost per standard claim • Percentage of returning to work arrangements initiated for claims exceeding 20 days

Agency	Performance measures included in annual report
Department of Justice	<ul style="list-style-type: none"> • Number of incidents/hazards • Rate of incidents per 100 FTE • Number of standards claims • Rate of claims per 100 FTE • Number of lost claims • Rate of lost claims per 100 FTE • Number of claims exceeding 13 weeks • Rate of claims exceeding 13 weeks per 100 FTE • Fatality claims • Average cost per standard claim • Percentage of claims with a return to work plan < 30 days • Evidence of OHS policy statement, OHS objectives, regular reporting to senior management of OHS, an OHS plan (signed by CEO or equivalent) • Evidence of OHS criteria(s) in purchasing guidelines (including goods, services and personnel) • Evidence of designated work groups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs). • Compliance with agreed structure on DWGs, HSRs, and IRPs • Percentage of internal audits/inspections conducted as planned • Percentage of issues identified and actioned arising from: <ul style="list-style-type: none"> – internal audits – HSR provisional improvement notices (PINs) – WorkSafe notices • Percentage of managers and staff who have received OHS training: <ul style="list-style-type: none"> – induction – management training – contractors, temps and visitors • Percentage of HSRs trained: <ul style="list-style-type: none"> – acceptance of role – re-training refresher • Perception Survey: <ul style="list-style-type: none"> (i) level of support and recognition of HSRs (ii) workplace consultation and participation (iii) management commitment (iv) awareness of OHS policies (v) reporting of incidents and injuries
Department of Parliamentary Services	<ul style="list-style-type: none"> • Number of incidents • Number of minor claims • Number of standard claims • Number of lost time claims • Number of claims exceeding 13 weeks • Return to work compliance • OHS committee meetings • OH&S representative initial and refresher training participation • OHS training on food safety, manual handling, working at heights reporting on number of employees to be trained and attendance rate • Mechanisms of incident: (number) <ul style="list-style-type: none"> – Being hit by objects – Body stress and strain – Heat, radiation, electricity – Hazard – Mental stress – Other – Slips, trips and falls

Agency	Performance measures included in annual report
Department of Planning and Community Development	<ul style="list-style-type: none"> • Number of incidents/hazards • Rate of incidents per 100 FTE • Number of standards claims • Rate of claims per 100 FTE • Number of lost claims • Rate of lost claims per 100 FTE • Number of claims exceeding 13 weeks • Rate of claims exceeding 13 weeks per 100 FTE • Fatality claims • Average cost per standard claim • Percentage of claims with a return to work plan < 30 days • Evidence of OHS policy statement, OHS objectives, regular reporting to senior management of OHS, an OHS plan (signed by CEO or equivalent) • Evidence of OHS criteria(s) in purchasing guidelines (including goods, services and personnel) • Evidence of designated work groups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs) • Compliance with agreed structure on DWGs, HSRs, and IRPs • Percentage of internal audits/inspections conducted as planned • Percentage of issues identified and actioned arising from: <ul style="list-style-type: none"> – internal audits – HSR provisional improvement notices (PINs) – WorkSafe notices • Percentage of managers and staff who have received OHS training: <ul style="list-style-type: none"> – induction – management training – contractors, temps and visitors • Percentage of HSRs trained: <ul style="list-style-type: none"> – acceptance of role – re-training refresher • Perception Survey: <ul style="list-style-type: none"> (i) level of support and recognition of HSRs (ii) workplace consultation and participation (iii) management commitment (iv) awareness of OHS policies (v) reporting of incidents and injuries
Department of Premier and Cabinet	<ul style="list-style-type: none"> • Number of: <ul style="list-style-type: none"> – Ergonomic assessments – Flu vaccinations – Online OH&S training – Incidents and injuries – WorkCover claims – WorkHealth checks conducted

Agency	Performance measures included in annual report
Department of Primary Industries	<ul style="list-style-type: none"> • Incidents with injury • Incidents without injury • Rate per 100 FTE • Standard WorkCover claims • Rate per 100 FTE • Standard Musculoskeletal Disorder (MSD) Claims • Standard Musculoskeletal Disorder (MSD) claims rate per 100 FTE • Standard stress claims • Standard stress claims rate per 100 FTE • Time lost standard WorkCover claims • Time lost standard claims rate per 100 FTE • Number of claims exceeding 13 weeks time lost • Rate per 100 FTE • Total days compensated due to injury • Average claim costs • Fatality claims • Percentage of claims with RTW plan <30 days • Evidence of OHS Policy Statement, OHS Objectives, regular reporting to senior management and OHS Plans • Evidence of OHS criteria in purchasing guidelines • Evidence of agreed structure of Designated Work Groups (DWGs), Health and Safety Representatives (HSRs) and Issue Resolution Procedures (IRPs) • Compliance with agreed structure on DWGs, HSRs and IRPs • Percentage of internal audits/inspections conducted as planned • Percentage of issues resolved arising from: <ul style="list-style-type: none"> – Internal audits – HSR provisional improvement notices (PINs) – WorkSafe notices • Managers and staff who have received training <ul style="list-style-type: none"> – Induction: managers, employees, contractors – OHS Roles and Responsibilities managers and employees – HSR Initial – HSR Refresher – Vehicle-related (covers defensive driving, trailer towing, four-wheel drive, all terrain vehicles) – Handling Occupational Violence – First Aid – Site-based emergency • Number of visits • Number of WorkSafe notices issued

Agency	Performance measures included in annual report
Department of Sustainability and Environment	<ul style="list-style-type: none"> • Number of incidents with injury • Number of lost time incidents • Number of Hazards • Incident rate per 100 FTE • Number of standard claims • Rate per 100 FTE • Standard claims with lost time • Rate per 100 FTE • Number of fatalities • Average cost per claim (\$) • Percentage of claims with RTW plan initiated for claims exceeding 20 days per 100 FTE • Total staff trained for OHS • Attendance numbers for general OHS training, manager OHS training, mandatory essential, construction induction and online induction
Department of Transport	<ul style="list-style-type: none"> • Number of incidents/hazards • Rate of incidents per 100 FTE • Number of standards claims • Rate of claims per 100 FTE • Number of lost time claims • Rate of lost time claims per 100 FTE • Number of claims exceeding 13 weeks • Rate of claims exceeding 13 weeks per 100 FTE • Compensated fatalities • Average cost per standard claim • Percentage of claims with a return to work plan < 30 days • Evidence of OHS policy statement, OHS objectives, regular reporting to senior management of OHS, an OHS plan (signed by CEO or equivalent) • Evidence of OHS criteria(s) in purchasing guidelines (including goods, services and personnel) • Evidence of designated work groups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs). • Compliance with agreed structure on DWGs, HSRs, and IRPs • Percentage of staff and managers with OHS training: <ul style="list-style-type: none"> – induction policy – contractors / temps and visitors • Percentage of Health and Safety Representatives with OHS training: <ul style="list-style-type: none"> – acceptance of role – re-training and refresher • OH&S Survey

Agency	Performance measures included in annual report
Department of Treasury and Finance	<ul style="list-style-type: none"> • Number and rate of incidents • Number and rate of standardised claims • Number and rate of lost time claims • Number of claims exceeding 13 weeks • Fatality claims • Average cost per claim • Percentage of claims that have return to work plan • Evidence of policy statement and objectives • Regular reporting to senior management • Presence of signed OHS plans • Evidence of OHS criteria in purchasing guidelines • Evidence of agreed structure of Designated Work Groups (DWGs) Health and Safety • Representatives (HSRs) and issue resolution procedures • Percentage of internal audits/inspections conducted as planned • Percentage of issues identified, actioned arising from: <ul style="list-style-type: none"> – internal audits – HSR provisional improvement notices – WorkSafe notices – OHS Committee recommendations – OHS projects • Number of managers and staff that have received OHS training: <ul style="list-style-type: none"> – induction – management training – contractors, temporary visitors • Percentage of HSRs trained: <ul style="list-style-type: none"> – acceptance or role – refresher training • Perception survey
Emergency Services Telecommunications Authority	<ul style="list-style-type: none"> • Number of lost time accidents
Metropolitan Fire and Emergency Service	<ul style="list-style-type: none"> • Reduction in WorkCover claims
Ombudsman Victoria	<ul style="list-style-type: none"> • No performance indicators reported
Victoria Police	<ul style="list-style-type: none"> • Number of incidents • Rate (per 100 FTE) of incidents • Number of standard claims (lodged this year) • Rate of standard claims per 100 FTEs • Number of standard claims (Claims lodged in any year that became standard this year) • Number of Lost Time claims • Rate of Lost Time claims per 100 FTE • Number of claims lodged this year that exceeded 13 weeks where a compensation payment was made • Compensated fatalities • Average cost per claims: Actual costs • Average cost per claims: Costs plus estimates • Return to work: percentage of claims that have return to work plans
Victorian Auditor-General's Office	<ul style="list-style-type: none"> • No performance indicators reported

Agency	Performance measures included in annual report
Victorian Electoral Commission	<ul style="list-style-type: none"> • Number of incident notifications • Number of hazard notifications • Number of claims for compensation • Number and days of lost time injuries
Victoria State Emergency Service	<ul style="list-style-type: none"> • Number of incidents • Number of time lost claims • Number of claims exceeding 13 weeks • Number of fatality claims • Average cost per claim

Source: 2010-11 annual reports

Table A.4: Review of the occupational health and safety disclosures in the 2009-10 annual reports (FRD 22B – Standard Disclosures in the Report of Operations)

Entity	Meets all requirements of FRD 22B regarding occupational health and safety and better practice	Meets FRD 22B requirements regarding occupational health and safety but not better practice		Does not meet all requirements of FRD 22B regarding occupational health and safety (no performance indicators)
		(only one performance indicator used)	(no comparative data for prior years)	
Ambulance Victoria	X			
Country Fire Authority		X		
Department of Education and Early Childhood Development	X			
Department of Health	X			
Department of Human Services	X			
Department of Innovation, Industry and Regional Development	X			
Department of Justice	X			
Department of Parliamentary Services			X	
Department of Planning and Community Development	X			
Department of Premier and Cabinet			X	
Department of Primary Industries	X			
Department of Sustainability and Environment	X			
Department of Transport	X			
Department of Treasury and Finance			X	
Emergency Services Telecommunications Authority		X		
Metropolitan Fire and Emergency Services Board				X
Ombudsman Victoria				X
Victoria Police	X			
Victorian Auditor-General's Office				X
Victorian Electoral Commission	X			
Victorian State Emergency Services Authority			X	
Total	12	2	4	3
Total (%)	57	10	19	14

Source: 2009-10 annual reports

Table A.5: Review of the occupational health and safety disclosures in the 2010-11 annual reports (FRD 22B – Standard Disclosures in the Report of Operations)

Entity	Meets all requirements of FRD 22B regarding occupational health and safety and better practice	Meets FRD 22B requirements regarding occupational health and safety but not better practice		Does not meet all requirements of FRD 22B regarding occupational health and safety (no performance indicators)
		(only one performance indicator used)	(no comparative data for prior years)	
Ambulance Victoria	X			
Country Fire Authority		X		
Department of Business and Innovation	X			
Department of Education and Early Childhood Development	X			
Department of Health	X			
Department of Human Services	X			
Department of Justice	X			
Department of Parliamentary Services			X	
Department of Planning and Community Development	X			
Department of Premier and Cabinet			X	
Department of Primary Industries	X			
Department of Sustainability and Environment	X			
Department of Transport	X			
Department of Treasury and Finance			X	
Emergency Services Telecommunication Authority		X		
Metropolitan Fire and Emergency Services Board		X	X	
Ombudsman Victoria				X
Victoria Police	X			
Victorian Auditor-General's Office				X
Victorian Electoral Commission	X			
Victorian State Emergency Services Authority			X	
Total	12	3	5	2
Total (%)	57	14	24	10

Source: 2010-11 annual reports

Table A.6: Review of the consultancy disclosures in the 2009-10 annual reports (FRD 22B – Standard Disclosures in the Report of Operations)

Entity	Meets all requirements of FRD 22B regarding consultancies	Did not identify whether amounts were GST exclusive	No disclosure of consultancies under \$100,000	No disclosure of consultancies over \$100,000
Ambulance Victoria	X	X		
Country Fire Authority	X	X		
Department of Education and Early Childhood Development	X			
Department of Health	X			
Department of Human Services	X			
Department of Innovation, Industry and Regional Development	X			
Department of Justice	X			
Department of Parliamentary Services	X			
Department of Planning and Community Development	X			
Department of Premier and Cabinet	X			
Department of Primary Industries	X			
Department of Sustainability and Environment ^(a)				X
Department of Transport	X	X		
Department of Treasury and Finance	X			
Emergency Services Telecommunications Authority	X	X		
Metropolitan Fire and Emergency Services Board	X	X		
Ombudsman Victoria	X			
Victoria Police	X	X		
Victorian Auditor-General's Office	X			
Victorian Electoral Commission	X			
Victorian State Emergency Services Authority		X	X	
Total	19	7	1	1
Total (%)	90	33	5	5

Note: (a) The Department advised the Committee that there were no consultancies over \$100,000 in 2009-10, but did not indicate that there were none in its report – Department of Sustainability and Environment, response to the Committee's 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 21 December 2011, p.13.

Source: 2009-10 annual reports

Table A.7: Review of the consultancy disclosures in the 2010-11 annual reports (FRD 22B – Standard Disclosures in the Report of Operations)

Entity	Meets all requirements of FRD 22B regarding consultancies	Did not identify whether amounts were GST exclusive	No disclosure of consultancies under \$100,000	No disclosure of consultancies over \$100,000	No disclosure of consultancies
Ambulance Victoria	X				
Country Fire Authority	X	X			
Department of Business and Innovation	X				
Department of Education and Early Childhood Development	X				
Department of Human Services	X				
Department of Health	X				
Department of Justice	X				
Department of Parliamentary Services					X
Department of Planning and Community Development	X				
Department of Premier and Cabinet	X				
Department of Primary Industries	X				
Department of Sustainability and Environment ^(a)				X	
Department of Transport	X	X			
Department of Treasury and Finance	X				
Emergency Services Telecommunication Authority	X	X			
Metropolitan Fire and Emergency Services Board	X				
Ombudsman Victoria	X				
Victoria Police	X	X			
Victorian Auditor-General's Office	X	X			
Victorian Electoral Commission	X	X			
Victorian State Emergency Services Authority		X	X		
Total	18	7	1	1	1
Total (%)	86	33	5	5	5

Note: (a) The Department advised the Committee that there were no consultancies over \$100,000 in 2010-11, but did not indicate that there were none in its report – Department of Sustainability and Environment, response to the Committee's 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire — Part Two, received 21 December 2011, p.13.

Source: 2010-11 annual reports

Table A.8: Review of the summaries of financial results in the 2009-10 annual reports (FRD 22B – Standard Disclosures in the Report of Operations)

Entity	Meets all requirements of FRD 22B and the Model Report regarding the summary of financial results	Not all information detailed in the Model Report provided	Failed to provide data for the four preceding years
Ambulance Victoria			X
Country Fire Authority			X
Department of Education and Early Childhood Development	X		
Department of Health	X		
Department of Human Services	X		
Department of Innovation, Industry and Regional Development	X		
Department of Justice	X		
Department of Parliamentary Services		X	X
Department of Planning and Community Development			X
Department of Premier and Cabinet			X
Department of Primary Industries	X		
Department of Sustainability and Environment	X		
Department of Transport	X		
Department of Treasury and Finance	X		
Emergency Services Telecommunications Authority		X	X
Metropolitan Fire and Emergency Services Board			X
Ombudsman Victoria		X	X
Victorian Auditor-General's Office	X		
Victorian Electoral Commission			X
Victoria Police	X		
Victorian State Emergency Services Authority	X		
Total	12	3	9
Total (%)	57	14	43

Source: 2009-10 annual reports

Table A.9: Review of the summaries of financial results in the 2010-11 annual reports (FRD 22B – Standard Disclosures in the Report of Operations)

Entity	Meets all requirements of FRD 22B and the Model Report regarding the summary of financial results	Not all information detailed in the Model Report provided	Failed to provide data for the four preceding years
Ambulance Victoria			X
Country Fire Authority			X
Department of Business and Innovation	X		
Department of Education and Early Childhood Development	X		
Department of Human Services	X		
Department of Health	X		
Department of Justice	X		
Department of Parliamentary Services		X	X
Department of Planning and Community Development			X
Department of Premier and Cabinet			X
Department of Primary Industries	X		
Department of Sustainability and Environment	X		
Department of Transport	X		
Department of Treasury and Finance	X		
Emergency Services Telecommunication Authority		X	X
Metropolitan Fire and Emergency Services Board			X
Ombudsman Victoria		X	X
Victoria Police	X		
Victorian Auditor-General's Office	X		
Victorian Electoral Commission			X
Victorian State Emergency Services Authority	X		
Total	12	3	9
Total (%)	57	14	43

Source: 2010-11 annual reports

Table A.10: Review of the tabling dates for the 2009-10 annual reports compared to deadlines

Entity	Date annual report tabled	Financial Management Act deadline	Premier's Circular
Ambulance Victoria	6 October 2010	Met	Not met
Country Fire Authority	16 September 2010	Met	Met
Emergency Services Telecommunications Authority	16 September 2010	Met	Met
Department of Education and Early Childhood Development	16 September 2010	Met	Met
Department of Health	16 September 2010	Met	Met
Department of Human Services	16 September 2010	Met	Met
Department of Innovation, Industry and Regional Development	16 September 2010	Met	Met
Department of Justice	15 September 2010	Met	Met
Department of Parliamentary Services, Department of Legislative Assembly and Department of Legislative Council	15 September 2010	Met	Met
Department of Planning and Community Development	16 September 2010	Met	Met
Department of Premier and Cabinet	16 September 2010	Met	Met
Department of Primary Industries	14 September 2010	Met	Met
Department of Sustainability and Environment	16 September 2010	Met	Met
Department of Transport	16 September 2010	Met	Met
Department of Treasury and Finance	16 September 2010	Met	Met
Metropolitan Fire Emergency Services Board	16 September 2010	Met	Met
Ombudsman Victoria	1 September 2010	Met	Met
Victoria Police	16 September 2010	Met	Met
Victorian Auditor-General's Office	5 October 2010	Met	Not met
Victorian Electoral Commission	16 September 2010	Met	Met
Victorian State Emergency Services Authority	16 September 2010	Met	Met
Total met		21	19
Total met (%)		100	90

Source: compiled by the Secretariat based on data from the Parliament of Victoria

Table A.11: Review of the tabling dates for the 2010-11 annual reports compared to deadlines

Entity	Date annual report tabled	Financial Management Act deadline	Premier's Circular
Ambulance Victoria	1 September 2011	Met	Met
Country Fire Authority	12 October 2011	Met	Not met
Emergency Services Telecommunications Authority	8 November 2011	Met	Not met
Department of Business and Innovation	11 October 2011	Met	Not met
Department of Education and Early Childhood Development	13 September 2011	Met	Met
Department of Health	26 October 2011	Met	Not met
Department of Human Services	15 September 2011	Met	Met
Department of Justice	1 September 2011	Met	Met
Department of Parliamentary Services, Department of Legislative Assembly and Department of Legislative Council	15 September 2011	Met	Met
Department of Planning and Community Development	13 September 2011	Met	Met
Department of Premier and Cabinet	1 September 2011	Met	Met
Department of Primary Industries	14 September 2011	Met	Met
Department of Sustainability and Environment	13 September 2011	Met	Met
Department of Transport	14 September 2011	Met	Met
Department of Treasury and Finance	27 October 2011	Met	Not met
Metropolitan Fire Emergency Services Board	15 September 2011	Met	Met
Ombudsman Victoria	14 September 2011	Met	Met
Victoria Police	11 October 2011	Met	Not met
Victorian Auditor-General's Office	30 August 2011	Met	Met
Victorian Electoral Commission	11 October 2011	Met	Not met
Victorian State Emergency Services Authority	12 October 2011	Met	Not met
Total met		21	13
Total met (%)		100	62

Source: compiled by the Secretariat based on data from the Parliament of Victoria

