

## Government Responses to the Recommendations of

### PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE'S

#### 109<sup>th</sup> Report to the Parliament - Report on the 2009-10 and 2010-11 Financial and Performance Outcomes

DEPARTMENT OF TREASURY AND FINANCE

Pursuant to Section 36 of the *Parliamentary Committees Act 2003*, this paper provides a response to the recommendations contained in the Public Accounts and Estimates Committee's (PAEC) 109<sup>th</sup> Report.

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

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

Row 1: Indicates the title of this paper.

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

Column 1: Contains PAEC's recommendations as published in its 109<sup>th</sup> Report.

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

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

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<b>Recommendation 1, Chapter 1.5 <i>The review process</i>, page 9</b>		
In future years, departments provide timely responses to the Committee's questionnaires, with answers that are informative and without modifications to the question.	Support in principle	The Government has processes in place for the preparation of timely and informative responses to questionnaires.
<b>Recommendation 2, Chapter 2.3 <i>Economic conditions that influenced financial outcomes</i>, page 17</b>		
The Department of Treasury and Finance explain in the annual financial report for the State the impact that the movement in each economic indicator has had on revenue and other financial outcomes derived by the State.	Not support	<p>The annual financial report (AFR) already provides details of movements in several key indicators and it is not proposed to expand this content in the manner proposed. The Department of Treasury and Finance currently includes and will continue to include references to relevant economic indicators when explaining material variances between actual financial outcomes for the general government sector and the prior year's actual result.</p> <p>Further information relevant to the link between economic indicators and financial outcomes can be derived from the long time series of macroeconomic indicators and financial variables available on the Victorian Budget website. This information is updated for actuals a month or so after the AFR is tabled.</p>
<b>Recommendation 3, Chapter 2.5 <i>Analysis of operating and net result for 2009-10 in the general government sector</i>, page 20</b>		
The Department of Treasury and Finance include a commentary on material variances between actual financial outcomes for the general government sector for the current year with the prior year's actual results in the annual financial report for the State.	Support	The Department of Treasury and Finance will provide commentary on material variances between the actual financial outcomes for the general government sector for the current year and the prior year's actual results in the annual financial report.

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**Recommendation 4, Chapter 2.7 Asset expenditure and debt movements in 2009-10 in the general government sector, page 32**

<p>Regarding asset investment projects, where significantly less than the budget estimate is spent in a year, the Department of Treasury and Finance disclose in the annual financial report for the State:</p> <p>(a) the reasons for the underspend;</p> <p>(b) the asset projects affected; and</p> <p>(c) the impact on the achievement of planned outcomes.</p>	<p>Not support</p>	<p>Note 31 of the annual financial report already discloses variances between actuals and budgets, including cash flow variances in net cash flow from investing activities such as investment in fixed assets. Further information is included in whole of government variance explanations where material variances are linked to a particular asset project.</p> <p>Departmental reporting on published performance measures already requires departments to provide an explanation for any material variance in performance measures. This includes instances where changes in expenditure on asset investment projects affect departmental performance measures.</p>
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**Recommendation 5, Chapter 3.7 Asset investment and debt movements in 2010-11 in the general government sector, page 71**

<p>In addition to linking asset initiatives with service delivery outcomes, the Department of Treasury and Finance also demonstrate the effect that investment in fixed assets has had on:</p> <p>(a) enhancing the ongoing economic capacity of the State;</p> <p>(b) improving longer-term productivity growth; and</p> <p>(c) creating new jobs and securing existing jobs.</p>	<p>Support in principle</p>	<p>The Department of Treasury and Finance will enhance the description of linkages between specific projects and specific economic effects where this can appropriately be done.</p>
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<b>Recommendation 6, Chapter 3.7 Asset investment and debt movements in 2010-11 in the general government sector, page 77</b>		
The Department of Treasury and Finance compare the actual figures for non-financial public sector debt to targets established in the debt management strategy, explaining any significant variations.	Support	As set out in the <i>2012-13 Budget</i> , the Department of Treasury and Finance (DTF) confirms that the Government is adopting new fiscal parameters against which progress will be measured. The Government's medium-term fiscal strategy is that 'general government net debt is reduced as a percentage of GSP over the decade to 2022.' DTF will measure and report the State's performance in meeting this strategy in all major financial reporting publications.
<b>Recommendation 7, Chapter 3.8 Comparison of financial performance for the six months ended 30 June 2011 with the six months ended 31 December 2010 and the financial objectives/planned actions for 2010-11, page 82</b>		
At year end, the Department of Treasury and Finance report specific outcomes achieved against the Government's financial management plan, including coverage of how it has performed against its fiscal strategies.	Support in principle	The Government already provides commentary on specific outcomes against the Government's financial management plan and fiscal objectives in the front end chapters of the annual financial report and detailed commentary against the Government's original financial management plan in the annual financial report chapter. In addition, quarterly variance commentary against the financial management plan is also provided in the quarterly financial reports.
<b>Recommendation 8, Chapter 4.2 Comparability of figures, page 97</b>		
The Minister for Finance give consideration to adjusting the Standing Directions and Financial Reporting Direction 8B to require departments to have the Auditor-General audit the 'budget performance outcomes' statements in annual reports.	Not support	While the recommendation refers to 'budget performance outcome' statements, it is assumed that PAEC intended to refer to 'budget portfolio outcome' statements.  The <i>Audit Act 1994</i> [s15] provides the Auditor-General full discretion to audit public sector activity focusing on the achievement of efficiency, effectiveness and economy, including compliance with legislation. This discretion allows the Auditor-General to use his or her professional judgement to identify areas requiring audit and to act accordingly. The Government considers this discretionary power appropriate in focusing audit effort.

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**Recommendation 9, Chapter 4.2 Comparability of figures, page 97**

<p>The Minister for Finance give consideration to adjusting the Standing Directions and Financial Reporting Direction 8B to clearly specify that the 'budget portfolio outcomes' statement should compare actual results for a year with the initial budget estimates made before the start of that year.</p>	<p>Support in principle</p>	<p>As noted by the Committee, Financial Reporting Direction (FRD) 8B already requires departments to compare their portfolio financial statements published in the budget papers with the actual results for the portfolio, with "Budget Papers" being defined in the FRD as "the budget papers for the State of Victoria for the corresponding financial year". While the requirements of FRD 8B are considered to be clearly specified, the Department of Treasury and Finance will reiterate the requirements of the FRD through communications with departments and the Model Report.</p>
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**Recommendation 10, Chapter 4.2 Comparability of figures, page 97**

<p>The Minister for Finance give consideration to adjusting the Standing Directions and Financial Reporting Direction 8B to require explanations to be given for all significant or material variations between initial budget estimates and actual results, as is required for performance measures.</p>	<p>Support in principle</p>	<p>The Department of Treasury and Finance will work with the Minister for Finance to examine possible revisions to Financial Reporting Direction 8B to make clearer the explanations to be included for significant or material variations between initial estimates and actual results.</p>
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**Recommendation 11, Chapter 4.3 Departments' net results from transactions, page 115**

<p>The Environment Protection Authority monitor and report on job creation as a result of the Landfill Levy.</p>	<p>Support</p>	<p>The Department of Sustainability and Environment supports this recommendation and, with support from its portfolio agencies, will develop a model to monitor and report on employment creation associated with the Landfill Levy.</p>
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**Recommendation 12, Chapter 4.3 Departments' net results from transactions, page 119**

The Department of Transport include details in future annual reports of measures taken to reduce fare evasion and estimates of the impact of those measures.	Support	The responsibility for implementing measures to reduce fare evasion and for estimating the impact of these measures was transferred to Public Transport Victoria (PTV) on 2 April 2012. This information will be included in PTV's annual reports.
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**Recommendation 13, Chapter 4.4 Revenue foregone, page 137**

The Department of Treasury and Finance include details of the trends and actual results of tax expenditures and concessions in the annual financial report for the State.	Not support	<p>Tax expenditures and part of concessions represent revenue foregone and, as a result, no actual results are available.</p> <p>Reporting of actual results as suggested would not provide a complete picture of the actual results of tax expenditure and concessions, and therefore would be misleading. Departments currently report some actual concession information and will continue to do so.</p> <p>The Department of Treasury and Finance will continue to update its estimates of tax expenditures and concessions biannually in the budget and budget update.</p>
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**Recommendation 14, Chapter 4.5 Employee Expenses, page 143**

The State Services Authority investigate and report publicly on the reasons for the decrease in Victorian public service staff at lower grades and the increase in staff at higher grades in recent years.	Support	<p>The State Services Authority (SSA) has conducted such analysis and published commentary on this analysis in the 2010 and 2011 <i>State of the Public Sector in Victoria</i> reports. The changes in classification spread are a result of a number of factors, including the introduction of new technology reducing the need for clerical jobs, the outsourcing of some routine operational work and an increase in the complexity of roles required to plan and direct service delivery due to greater accountability and performance management requirements.</p> <p>The SSA notes that a similar shift has occurred in the Australian Public Service, for similar reasons as identified in Victoria.</p> <p>The SSA will continue to monitor changes in the classification profile of the VPS.</p>
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**Recommendation 15, Chapter 4.5 Employee Expenses, page 146**

The State Services Authority investigate and report publicly on the reasons for the increase in executives' remuneration packages and identify whether the increased packages are matched by increased work value.	Under review	Preliminary research undertaken by the State Services Authority (SSA) provides analysis on executive remuneration trends. The Government will determine whether undertaking work value assessments for VPS executive officer positions is warranted.
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**Recommendation 16, Chapter 4.5 Employee Expenses, page 146**

The Department of Treasury and Finance amend Financial Reporting Direction 21A to require departments to provide at least three years of data about their total expenditure on executive remuneration and to explain any significant variations from one year to the next.	Not support	Financial Reporting Direction (FRD) 21A has been reissued as FRD 21B in June 2012. FRD 21B specifically requires reasons for significant variations of total executive officer remuneration between the current and previous reporting period to be disclosed. As significant variations between reporting periods are required to be disclosed in each annual report going forward, users can readily undertake a trend analysis of movements in executive officer remuneration by referring to the entity's current and past annual reports.
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**Recommendation 17, Chapter 4.5 Employee Expenses, page 148**

The Government ensure that all departments have systems in place that allow them to accurately and completely monitor their expenditure on contractors.	Support in principle	The Financial Management Framework already requires all public sector agencies to implement and maintain an effective internal control framework over expenditure transaction processing and management, including policies and procedures for timely and accurate recording of expenditure in their financial records. These requirements also apply to expenditure on contractors. The Department of Treasury and Finance will continue to monitor and facilitate agencies' compliance with these requirements as part of the Financial Management Compliance Framework.
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<b>Recommendation 18, Chapter 4.6 Savings and efficiencies, page 153</b>		
Targets for future savings initiatives in budget papers be set in such a way that it is possible for the Parliament and community to ascertain whether or not the targets are achieved. For example, targets could detail expenditure in certain areas (factoring in the savings initiatives and other factors), rather than the amount of savings.	Not support	While the Government understands the rationale for this recommendation, the proposed level of reporting is considered to be impractical. Departments are responsible for managing expenditure within the funding provided, and in doing so will achieve the overall savings target. In many cases departments have flexibility as to how savings are achieved. Therefore, it is not possible to detail the estimated expenditure in that area as recommended by PAEC.
<b>Recommendation 19, Chapter 4.6 Savings and efficiencies, page 157</b>		
The Auditor-General consider conducting an audit of departments to identify whether their disclosure of expenditure on consultants in annual reports is being made in accordance with government guidance.	n/a	The Victorian Auditor-General's Office responds directly to the Committee in relation to PAEC recommendations.



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**Recommendation 20, Chapter 4.6 Savings and efficiencies, page 158**

The Government clearly indicate whether or not it intends expenditure on contractors to be reduced in order to meet the savings target for the line item 'consultants' in the 'Government election commitment savings' initiative.	Support in principle	As the Committee noted in its report, the expenditure on 'consultants' varies significantly depending on the definition applied. The Government is considering clarification of the definition of consultants that it inherited from the time of the previous government.  While the new definition may affect the number of contracts classified as consultancies it will not affect the Government's savings target or the achievement of this target.
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**Recommendation 21, Chapter 4.6 Savings and efficiencies, page 160**

All departments which transition to shared services ensure that they set up appropriate mechanisms to capture and report the savings that result from the transition.	Support in principle	The strategic intent behind the sharing of services is to provide the Victorian Government with savings. These savings are not just based on economies of scale or reduction of costs, but also include efficiencies, enabling increased resources to be devoted to front-office public service delivery.  The Government supports in principle the recommendation that when departments transition to shared services, appropriate mechanisms are established to capture and report the resulting savings. However, there may be circumstances where some efficiencies are not able to be apportioned across departments, or where certain information is not readily available, which may impair the ability of departments to provide complete information.
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**Recommendation 22, Chapter 5.1 General government sector output delivery in 2009-10 and 2010-11, page 163**

The Department of Treasury and Finance indicate in budget papers whether exceeding, coming under or precisely achieving the target is preferable for each performance measure.	Support in principle	Budget Paper No. 3 <i>Service Delivery</i> , currently indicates whether exceeding or coming under performance measures is preferable in some instances. The Department of Treasury and Finance will seek opportunities to broaden this practice.
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<b>Recommendation 23, Chapter 5.2 Departmental performance in 2009-10 and 2010-11, page 166</b>		
The Department of Business and Innovation seek advice from a suitably qualified source to explore ways of improving the Department's performance with respect to meeting performance measure targets.	Support	The Department of Business and Innovation undertook a review of its performance measures prior to the <i>2012-13 Budget</i> . New performance measures were developed to align performance reporting and monitoring with the new Performance Management Framework.
<b>Recommendation 24, Chapter 5.3 Output performance in 2009-10 and 2010-11, page 176</b>		
The Department of Justice review the output cost for the Infringement and Orders Management output to ensure that the total cost is set at an appropriate level for the delivery of this output.	Support in principle	<p>There are existing whole of government processes in place to ensure that total output costs are set at an appropriate level for the delivery of outputs. The Department of Justice complies with these annual processes.</p> <p>One of the processes is the annual review of all performance measure targets, including output cost, that is undertaken in consultation with the Department of Treasury and Finance (DTF). Once all performance measure targets are reviewed and agreed, they are approved by the Minister for Finance and the Treasurer, and published in the budget papers.</p> <p>Published budgets are also reviewed as part of the budget update and allow reallocation of funding and movements of output and asset funds to out years and vice versa to better align actual expenditure with budgets. This process is also undertaken in consultation with DTF and all changes are approved by the Minister for Finance and the Treasurer, and facilitated under the <i>Financial Management Act 2004</i>.</p> <p>These processes allow the Department to ensure that the output cost is set at an appropriate level for the delivery of the Infringement and Orders Management output.</p>
<b>Recommendation 25, Chapter 5.3 Output performance in 2009-10 and 2010-11, page 177</b>		
The Department of Business and Innovation review the Investment Attraction and Facilitation and Exports outputs to ensure that the non-cost performance measures provide a comprehensive overview of what is being provided with the funding.	Support	In addition to the work done to review its performance measures prior to the <i>2012-13 Budget</i> , the Department of Business and Innovation is also undertaking a further review of its Investment Attraction and Facilitation and Exports outputs.

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**Recommendation 26, Chapter 5.4 Issues with performance measures, page 179**

When a target for a performance measure is a range and not a single number, the Department of Treasury and Finance explain the reasons for which a range was set, as well as the rationale for the range given, in the budget papers.	Not support	The Department of Treasury and Finance considers that the rationale for setting a range for a performance measure is likely to be quite detailed and as such, these explanations would be more suitable in departmental annual reports or websites. However, the Department of Treasury and Finance will consider reviewing guidance in the Model Report to help entities form a judgement on whether a performance measure requires an explanation with that level of detail.
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**Recommendation 27, Chapter 5.4 Issues with performance measures, page 179**

The Department of Treasury and Finance change the Model Report to specify that, where a performance measure has a range for a target, any result falling outside that range constitutes a significant variation requiring explanation in annual reports.	Not support	Where a performance measure has a range for a target, an assessment as to whether a result falling outside of that range constitutes a significant variation would depend on the specific nature and the measurement scale against which the performance is being measured. For example, where performance is targeted within a range of 85-90 per cent, an actual performance 91 per cent (which falls outside the target range) would not be considered a significant variation that requires explanation. Accordingly, the Department of Treasury and Finance does not support the assessment that any performance result falling outside the target range constitutes a significant variation. However, the Department of Treasury and Finance will review the guidance in the Model Report to help entities form a judgement on whether a variance between actual and target performance constitutes a significant variation.
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<b>Recommendation 28, Chapter 5.4 Issues with performance measures, page 181</b>		
Where the Department of Education and Early Childhood Development bases results for performance measures on a survey result, the Department report the mid-point of the range as the performance measure result, and disclose the confidence interval in the comments.	Support	Where the Department of Education and Early Childhood Development bases results for performance measures on survey results, the Department will report the mid-point of the range as the performance measure result and disclose the confidence interval in the comments, where necessary and appropriate.
<b>Recommendation 29, Chapter 5.4 Issues with performance measures, page 181</b>		
For all measures where results are extrapolated from a sample, departments report confidence limits for each result.	Not support	<p>The Government is supportive of efforts to increase transparency of departmental performance. However, it is not necessarily practical to report confidence limits for all measures where results are extrapolated from a sample. Where relevant, alternate reporting methods, such as online information sets, could be used to provide greater evidence to support performance data (including confidence limits, where relevant) and enable greater transparency at low cost.</p> <p>The Department of Treasury and Finance will continue to work with departments to improve the quality of performance measurement.</p>
<b>Recommendation 30, Chapter 5.4 Issues with performance measures, page 182</b>		
Where departments have performance measures that are based on project milestones, they calculate results based on the original milestones for the project, and not milestones that have been subsequently altered to reflect changes.	Support in principle	The Government notes that there are instances where project milestones change due to unforeseen factors outside the control of a department, for example material changes to the scope of a project. In these instances it may be appropriate to include adjusted milestones in reporting. However, the Government supports including original milestones in reporting where they remain relevant and provide meaningful comparisons.

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**Recommendation 31, Chapter 5.4 Issues with performance measures, page 183**

Departments review quality performance measures that are solely based on compliance with legislation, to identify whether more challenging service levels might be set as targets.	Support	As part of ongoing improvement to output performance measures, the Department of Treasury and Finance will continue to work with departments to identify improvements to performance measures.
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**Recommendation 32, Chapter 5.4 Issues with performance measures, page 184**

The Department of Treasury and Finance provide guidance in the Model Report to help departments determine whether a delay in a performance measure with a date as a target is significant or material.	Support in principle	The Department of Treasury and Finance will review, with a view to improving, the guidance in the Model Report to help entities form a judgement on whether a delay in a performance measure with a date as a target is significant or material.
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**Recommendation 33, Chapter 5.4 Issues with performance measures, page 184**

Departments review their performance measures to determine whether providing results at the 50th and 90th percentiles would convey a more comprehensive understanding of departmental performance to stakeholders.	Support in principle	Performance measures are developed by departments in consultation with the Department of Treasury and Finance and taking into account national standards and agreements. Consideration of 50th and 90th percentile measurements will be undertaken as part of these deliberations and incorporated where appropriate.
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<b>Recommendation 34, Chapter 5.4 Issues with performance measures, page 186</b>		
Departments review those performance measures which solely indicate whether or not a task was performed and, where meaningful, replace them with measures of the timeliness or quality of the task's performance.	Support	In the <i>2012-13 Budget</i> , departments have increased clarity of performance measures and review performance targets. These changes included increasing the number of quality and timeliness measures. Part of the ongoing and periodic process of refinement to improve performance measures will be undertaken as part of the 2013-14 budget.
<b>Recommendation 35, Chapter 5.4 Issues with performance measures, page 186</b>		
The Department of Transport revise its performance measure 'Regional Rail Link' to more clearly define the measure.	Support	The Department of Transport has implemented this recommendation in the <i>2012-13 Budget</i> , with the previous performance measure 'Regional Rail Link' renamed 'Progress of Regional Rail Link' in order to clearly define the measure.
<b>Recommendation 36, Chapter 5.4 Issues with performance measures, page 190</b>		
The Department of Justice ensure that the target for the 'Reduction in crimes against the person' performance measure be set with regard to past or expected future performance and Victoria Police's priorities.	Support	The 'Reduction in crimes against the person' output measure was discontinued in 2012-13 and replaced with a measure that controls for population, that is, 'Reduction in crimes against the person (rate per 100 000 population)'.  Victoria Police and the Department of Justice will closely monitor performance against all the policing services output measures as part of the annual reporting and review process.
<b>Recommendation 37, Chapter 5.4 Issues with performance measures, page 193</b>		
The Department of Business and Innovation develop new procedures to calculate expected outcomes and targets for performance measures.	Support	The Department of Business and Innovation undertook a review of its performance measures and associated data sets and business rules in the development of its revised 2012-13 performance measures. The revised data sets provide a more meaningful and rigorous overview of performance.

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<b>Recommendation 38, Chapter 5.4 Issues with performance measures, page 194</b>		
The Department of Treasury and Finance ensure that it has systems in place to identify errors in the calculation of expected outcomes for performance measures.	Support	The Department of Treasury and Finance will continue to liaise with departments on performance measures and expected outcomes for all targets and ensure that they are appropriately validated.
<b>Recommendation 39, Chapter 5.4 Issues with performance measures, page 194</b>		
The Department of Treasury and Finance ensure that it has systems in place to assess whether targets as suggested by departments are appropriately realistic and robust.	Support	The Department of Treasury and Finance will continue to liaise with departments on the robustness of performance measures and targets.
<b>Recommendation 40, Chapter 5.4 Issues with performance measures, page 194</b>		
The Department of Treasury and Finance develop a new quality performance measure for itself that measures the accuracy of the expected outcomes published in the budget papers.	Not support	The Government does not support this recommendation as it would not provide meaningful information about the Department of Treasury and Finance's (DTF) performance. While DTF takes an active role in reviewing departmental performance measures, the establishment of individual departmental performance measures and expected outcomes is the responsibility of the relevant department and portfolio minister.
<b>Recommendation 41, Chapter 5.4 Issues with performance measures, page 197</b>		
The Department of Treasury and Finance provide more guidance to departments on required standards of explanations for variances for performance measures.	Support in principle	The Department of Treasury and Finance (DTF) already issues formal information to departments covering the required standards of performance measure explanations. DTF will continue to request that standard footnotes are provided for all variances of year on year targets for performance measures, and any material variance between targets and expected outcomes.

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**Recommendation 42, Chapter 5.4 *Issues with performance measures*, page 199**

The Department of Treasury and Finance amend the Model Report to instruct departments to identify any figures reported as actual results in annual reports which are estimates.	Support in principle	Figures that are estimates of expected final results rather than actual final results should already be identified as such. The Department of Treasury and Finance will take steps to reinforce to departments, through the Model Report, that where 'actuals' are not available at the time of finalising their annual report, and an 'estimate' is used instead, that this fact be fully disclosed.
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**Recommendation 43, Chapter 6.2 *Investment in financial assets for policy purposes*, page 203**

The Department of Treasury and Finance provide a plain English definition of 'investments in financial assets for policy purposes' as well as a report detailing the investments that were funded under this item and the outcomes of these investments.	a) Support b) Not support	a) The Department of Treasury and Finance (DTF) supports the first part of the recommendation. The definition of net cash flows from investments in financial assets (policy purposes) is included in the Notes to the financial statements (Note 38: Glossary of technical terms) in the State's 2010-11 Annual Financial Report (AFR) (page 20). DTF will review the definition for the 2011-12 AFR with the view to improving clarity.  b) DTF does not support the second half of the recommendation as it is not the function of the AFR to report on the specifics of individual investments, including performance outcomes. Information on major investments can generally be found in the annual reports of relevant government departments and agencies.
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**Recommendation 44, Chapter 6.3 *Investigation of asset projects*, page 219**

The Department of Business and Innovation Investigate ways of decreasing variances between budget estimates of yearly expenditure and actual asset expenditure in a year.	Support	The Department of Business and Innovation, through Major Projects Victoria, specialises in delivering complex projects. This complexity means that there are often variances between budget estimates of yearly expenditure and actual expenditure. The Department's project managers will continue to explore ways of decreasing these variances on a project by project basis.
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**Recommendation 45, Chapter 6.3 Investigation of asset projects, page 222**

<p>In updating the 2011-12 Model Report, the Department of Treasury and Finance require departments to report on all completed asset investment projects. This report should include:</p> <p>(a) the total actual investment;</p> <p>(b) the total estimated investment reported at the start of the project;</p> <p>(c) the final completion date;</p> <p>(d) the completion date reported at the start of the project;</p> <p>(e) a description of issues that caused variances in the project; and</p> <p>(f) how the department intends to avoid such issues in future similar projects.</p>	<p>(a) Support in principle</p> <p>(b) Support in principle</p> <p>(c) Support in principle</p> <p>(d) Support in principle</p> <p>(e) Support in principle</p> <p>(f) Not support</p>	<p>The Department of Treasury and Finance will consider possible changes to the Model Report regarding the matters referred to in parts (a), (c) and (e) of this recommendation.</p> <p>In relation to recommendations 45(b) and (d), there are instances where project milestones change due to unforeseen factors outside the control of a department, for example material changes to the scope of a project. In these instances it may be appropriate to include adjusted milestones in reporting. However, DTF supports including original milestones in reporting for completeness where the original milestones remain relevant and provide meaningful comparisons.</p> <p>DTF does not support recommendation 45(f) as annual reports are intended to report on historical performance rather than future projects. The Government's High Value/High Risk (HVHR) project assurance process, which has been in place since December 2010, seeks to address the issues noted in part (f). The objective of HVHR is to ensure that major infrastructure and ICT investments are delivered successfully, on time and budget. The process provides for increased central oversight, more rigorous scrutiny and approval processes for infrastructure and ICT projects identified as being high value and/or high risk.</p>
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<b>Recommendation 46, Chapter 6.3 Investigation of asset projects, page 227</b>		
The benchmark study commissioned by Major Projects Victoria to compare the contract delivery performance of large-scale capital projects undertaken by the Victorian Government with similar projects undertaken by interstate governments and the private sector be made publicly available.	Support	The University of Melbourne Performance Benchmark Study of Victorian Projects is published on the Major Projects Victoria website, <a href="http://www.mpv.vic.gov.au">www.mpv.vic.gov.au</a> .
<b>Recommendation 47, Chapter 6.3 Investigation of asset projects, page 229</b>		
The Department of Business and Innovation develop a set of performance measures for Major Projects Victoria that measures the performance of projects assisted by the unit compared to original targets.	Support	Major Projects Victoria's projects are delivered in accordance with parameters of time, cost and quality agreed with client agencies under the terms of the governance arrangements of each project.  The Victorian Auditor-General's Office has recently completed a performance audit of Major Projects Victoria that includes in its scope Major Projects Victoria's performance measures. The outcome of this audit may inform the development of a revised set of performance measures for Major Projects Victoria.
<b>Recommendation 48, Chapter 6.3 Investigation of asset projects, page 229</b>		
The Victorian Auditor-General's Office conduct a performance audit of Major Projects Victoria to ensure that it:  (a) delivers value for money; and  (b) has appropriate mechanisms in place to demonstrate that it delivers value for money.	n/a	The Victorian Auditor-General's Office responds directly to the Committee in relation to PAEC recommendations.

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**Recommendation 49, Chapter 6.3 *Investigation of asset projects*, page 229**

<p>The Department of Business and Innovation include in the Department's annual report a list of projects that contribute to the key performance measure 'Delivery of nominated Major Projects Victoria projects complies with agreed plans' in that year.</p>	<p>Support</p>	<p>The Department of Business and Innovation's 2011-12 Annual Report includes the list of projects that contributed to the key performance measure 'Delivery of nominated Major Projects Victoria projects complies with agreed plans'.</p>
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PAEC recommendation	Response	Action taken to date and commitment to further action
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<b>Recommendation 50, Chapter 6.4 Existing reporting mechanisms, page 233</b>		
Asset investment projects reported in the budget papers should be uniquely identified to allow an unambiguous determination of the project in successive years.	Support in principle	To ensure projects can be identified from year-to-year, a footnote is already included where projects have been renamed or are listed differently to the previous year. The Department of Treasury and Finance will continue to footnote these changes in <i>Budget Paper No. 4 State Capital Program</i> .
<b>Recommendation 51, Chapter 6.4 Existing reporting mechanisms, page 235</b>		
The Department of Treasury and Finance review its system for producing the budget papers to ensure that they contain the most up-to-date information about asset investment projects.	Support in principle	The process for producing the budget papers is continuously reviewed. Given the time required for formal sign off and production of budget papers there is a practical limit as to how close the date for more current information can be to the budget tabling date. However, the information included is the most up-to-date information available at the point of formal sign off.
<b>Recommendation 52, Chapter 6.4 Existing reporting mechanisms, page 236</b>		
To complement the State Capital Program budget paper, actual results for all asset projects should be reported each year in a single source at the end of the financial year. Consideration should be given to including, as a minimum, the information suggested in Section 6.4.2 of this report.	Not support	<p>The Government does not support all aspects of this recommendation (as outlined in Section 6.4.2) because:</p> <ul style="list-style-type: none"> <li>• the annual financial report for the State of Victoria does not report the details of individual asset projects; and</li> <li>• discussing root causes for variations and changes to projects may be in conflict with commercial-in-confidence obligations.</li> </ul> <p>Nonetheless, Budget Paper No. 4 <i>State Capital Program</i> already reports the total estimated investment, estimated expenditure to the end of the financial year, the estimated expenditure for the budget year and the remaining expenditure for asset projects.</p>

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 53, Chapter 8.3 Reports and advice, page 259</b>		
<p>The Victorian Auditor-General's Office add to the information currently provided in its annual report:</p> <p>(a) the audit cost compared to the original budget for each audit; and</p> <p>(b) the anticipated tabling date for each performance audit report planned to be completed in the following year.</p>	n/a	The Victorian Auditor-General's Office responds directly to the Committee in relation to PAEC recommendations.
<b>Recommendation 54, Chapter 8.3 Reports and advice, page 261</b>		
<p>When publishing material on its website in relation to performance audits in progress, which includes information about when each report is expected to be tabled, the Victorian Auditor-General's Office also include particulars of the year in which each audit was initially earmarked for completion.</p>	n/a	The Victorian Auditor-General's Office responds directly to the Committee in relation to PAEC recommendations.
<b>Recommendation 55, Chapter 8.3 Reports and advice, page 263</b>		
<p>The Victorian Auditor-General's Office explore avenues for having a greater focus on the statutory requirements in section 3A(1)(b) of the <i>Audit Act 1994</i> in relation to examining effectiveness and economy in the conduct of performance audits in future.</p>	n/a	The Victorian Auditor-General's Office responds directly to the Committee in relation to PAEC recommendations.

PAEC recommendation	Response	Action taken to date and commitment to further action
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**Recommendation 56, Chapter 8.3 Reports and advice, page 265**

In relation to the annual peer review of performance audit reports, the Victorian Auditor-General consider discussing with the Australasian Council of Auditors-General the possibility of expanding the criteria to include a focus on efficiency.

n/a

The Victorian Auditor-General's Office responds directly to the Committee in relation to PAEC recommendations.

**Recommendation 57, Chapter 8.3 Reports and advice, page 265**

The Victorian Auditor-General's Office reconsider establishing a performance measure that quantifies the impact that performance audits have had in terms of public sector entities generating efficiency gains from their operations.

n/a

The Victorian Auditor-General's Office responds directly to the Committee in relation to PAEC recommendations.

**Recommendation 58, Chapter 8.4 Parliament, page 267**

The Victorian Auditor-General's Office obtain feedback on how briefing sessions on the key findings of the Auditor-General's reports could be made more appealing or convenient to members of Parliament in order to increase the attendance rate in the future.

n/a

The Victorian Auditor-General's Office responds directly to the Committee in relation to PAEC recommendations.

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 59, Chapter 8.5 Audit clients, page 269</b>		
<p>To assist in interpreting the overall quality of performance audits, the Victorian Auditor-General's Office supplement information reported against its performance measures by:</p> <p>(a) benchmarking the average score of audit reports by external assessors against other jurisdictions; and</p> <p>(b) disclosing the credentials of the external assessors.</p>	n/a	The Victorian Auditor-General's Office responds directly to the Committee in relation to PAEC recommendations.
<b>Recommendation 60, Chapter 8.5 Audit clients, page 271</b>		
<p>To strengthen relationships with audit clients, the Victorian Auditor-General's Office:</p> <p>(a) examine the reasons why particular performance audit clients considered that the audit approach had not been clearly explained to them; and</p> <p>(b) adopt appropriate means to improve communication with clients.</p>	n/a	The Victorian Auditor-General's Office responds directly to the Committee in relation to PAEC recommendations.
<b>Recommendation 61, Chapter 8.6 People, page 273</b>		
<p>The Victorian Auditor-General's Office disclose in its annual report the level of expenditure incurred on staff training and development in each year.</p>	n/a	The Victorian Auditor-General's Office responds directly to the Committee in relation to PAEC recommendations.

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 62, Chapter 8.6 People, page 273</b>		
The Victorian Auditor-General's Office disclose in its annual report key areas of organisational alignment identified through staff surveys as requiring improvement, together with strategies to address these areas of concern.	n/a	The Victorian Auditor-General's Office responds directly to the Committee in relation to PAEC recommendations.
<b>Recommendation 63, Chapter 8.6 People, page 275</b>		
The Victorian Auditor-General's Office consider surveying staff on a continuous basis about whether they would recommend the Victorian Auditor-General's Office as a preferred employer and, if not, the reasons for which they have not given positive responses. These matters should be addressed where appropriate.	n/a	The Victorian Auditor-General's Office responds directly to the Committee in relation to PAEC recommendations.
<b>Recommendation 64, Chapter 8.8 Disclosure of operational activities on a regional basis, page 282</b>		
To illustrate the breadth of audit activity and the way in which audit resources are deployed throughout Victoria, the Victorian Auditor-General's Office report on the geographic coverage of audits (both financial and performance). This may be disclosed in the Victorian Auditor-General's Office's annual report or on its website.	n/a	The Victorian Auditor-General's Office responds directly to the Committee in relation to PAEC recommendations.



PAEC recommendation	Response	Action taken to date and commitment to further action
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**Recommendation 65, Chapter 9.1 *Summary of the Government responses to the Committee's report on the 2008-09 financial and performance outcomes, page 287***

<p>The Government reconsider implementing (via appropriate guidance materials) the recommendations noted in Table 9.3 that were accepted by the previous Government and to be implemented as part of the Public Finance and Accountability Bill.</p>	<p>Under review</p>	<p>The Government is committed to the continued enhancement of Victoria's Financial Management Framework. As such, the Government will continue to develop and implement those enhancements that align with its financial management reform agenda, including those outlined in table 9.3 where relevant.</p>
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