

CHAPTER 11: ANALYSIS OF THE GOVERNMENT RESPONSE TO RECOMMENDATIONS IN THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE REPORT ON THE 2008-09 BUDGET ESTIMATES – PART THREE

Key findings of the Committee:

- 11.1 The Government has improved the level of detail provided in its response to the Committee's recommendations.
- 11.2 The Committee maintains its recommendation that the Auditor-General undertake further performance audits of the Courts.
- 11.3 There was an increase in the percentage of recommendations accepted, or accepted in principle, at 79.6 per cent from 66.1 per cent. The Government appears to have taken into account the Committee's recommendations in response to Recommendation 21 of the Report on the 2008-09 Budget Estimates – Part Three that an 'acceptance in part' response from the Government should clarify which part of a recommendation is accepted and which is not.
- 11.4 There was a 50 per cent reduction in the number of recommendations rejected by the Government.
- 11.5 Where further action is planned in response to a recommendation, the Committee would appreciate details about the review process to be undertaken.
- 11.6 There are two recommendations from the Committee's last Budget Estimates reports under review by the Government. The Committee would appreciate an update on progress against these recommendations.

11.1 Background

Section 36 of the *Parliamentary Committees Act 2003*, requires that the Government respond to recommendations contained in a Committee report within six months of the report being tabled:

Section 36 Government responses

- (1) *If a Joint Investigatory Committee's report to the Parliament recommends that the Government take a particular action with respect to a matter, within 6 months of the report being laid before both Houses of the Parliament or being received by the clerks of both Houses of the Parliament, the appropriate responsible Minister must provide the Parliament with a response to the Committee's recommendations.*

The Victorian Government's response to the recommendations of the Committee, made in the *Report on the 2008-09 Budget Estimates Part Three* was tabled out of session on 15 April 2009, within the required six months of the Committee's report being tabled.

11.2 Government response to recommendations

The Committee made 49 recommendations in the *Report on the 2008-09 Budget Estimates – Part Three*. The Government provided a response to all but one recommendation (Recommendation 41) which was determined to be *not applicable* as it pertained to the operations of the Auditor-General.

In relation to this recommendation made by the Committee that the Auditor-General conducts further performance audits of the Courts, the Committee subsequently sought and received a response directly from the Auditor-General to this operational matter that flowed from the Committee's inquiry into the Budget Estimates. The Auditor-General indicated that this matter should be considered as part of:²⁴⁹

- deliberations with the Committee on proposed performance audit topics to be included in the Auditor-General's Office's annual plan; and
- the announced Inquiry by the Committee into the *Audit Act 1994*.

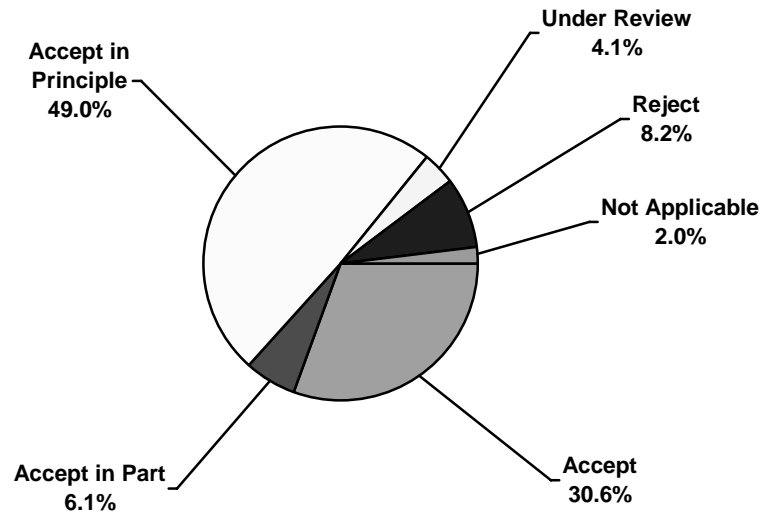
In responding to the Committee's recommendations, the Government continues to respond in five categories as follows:

- Accept;
- Accept in Part;
- Accept in Principle;
- Under Review; and
- Reject.

Figure 11.1 illustrates how the Government responded to the Committee's recommendations contained in the *Report on the 2008-09 Budget Estimates*.

²⁴⁹ Mr D Pearson, Auditor-General, letter to Mr B Stensholt, Chair, Public Accounts and Estimates Committee, received 4 September 2009

Figure 11.1: Government response to the Committee's recommendations in the Report on the 2008-09 Budget Estimates



Source: Victorian Government, response to the Committee's Report on the 2008-09 Budget Estimates, tabled 15 April 2009

The recommendations made by the Committee in the *Report on the 2008-09 Budget Estimates – Part Three* focused on key themes of government policy, budget initiatives, department outputs and the *Growing Victoria Together* vision. A summary of the Government's responses in relation to government policy are listed in Table 11.1.

Table 11.1 Summary of Government responses to the Committee's Report on the 2008-09 Budget Estimates

Report Chapter	Accept			Reject	Under Review	Total
	Wholly	In Part	In Principle			
Introduction	1	-	2	-	-	3
COAG Reform Agenda and Productivity in Victoria	-	-	1	1	-	2
Departmental Asset Investment	1	-	-	1	-	2
Departmental Workforce – Comparative Analysis	1	-	-	-	-	1
Departmental Output Structures and Performance Measures	1	-	3	-	-	4
Regional Victoria Initiatives and Related Issues	-	-	1	1	1	3
Concessions and Subsidies	2	1	1	-	-	4
Analysis of the Government Response to Recommendations in the PAEC <i>Report on the 2007-08 Budget Estimates</i>	-	-	2	-	-	2
Thriving Economy	-	-	3	-	-	3
Quality Health and Education	4	1	1	-	-	6
Healthy Environment	-	-	3	-	1	4
Caring Communities	1	1	5	1	-	8 ^(a)
Vibrant Democracy	4	-	2	-	-	6
Total number of recommendations	15	3	24	4	2	48 ^(b)
Percentage of total recommendations	30.6	6.1	49.0	8.2	4.1	98.0 ^(b)

Notes: (a) within the Caring Communities chapter Recommendation 41 was deemed to be not applicable to the government as it pertained to operational aspects of the Auditor-General

(b) total discounts recommendation 41

Source: Victorian Government, *Response to the Committee's Report on the 2008-09 Budget Estimates*, tabled 15 April 2009

11.2.1 Accepted recommendations

The Government used three 'accept' categories in its response to the Committee's report: *accept*, *accept in part*, and *accept in principle*. There was an increase in the percentage of recommendations in the 2008-09 Report accepted by the Government compared with the 2007-08 report. The increase was 5.3 per cent in the *accept* and *accept in principle* categories. Significantly, there was a 60.1 per cent decrease in the number of recommendations receiving an *accept in part* response.

Accept in Part

The Committee's previous assessment of government use of the *accept in part* response category in the *Report on the 2008-09 Budget Estimates – Part Three* recommended that more information be provided.²⁵⁰ In Recommendation 21 the Committee addressed the lack of information provided with *accept in part* responses. The Committee recommended that:²⁵¹

Where a Committee recommendation is accepted in part the Government responses should make clear which part they accept and which part they do not, including information about why they do not accept the particular parts.

The Government accepted in principle this recommendation and committed to a review of its responses to Committee recommendations. The Government committed to:²⁵²

... review the responses it provides to PAEC recommendations and seek to provide further clarification of proposals in part, where practical.

The Committee notes, and is encouraged by, the significant reduction in the number of responses in this category, a total of three from the *Report on the 2008-09 Budget Estimates – Part Three* compared with a total of nine the previous year. The Committee welcomes this development. A review of recommendations receiving an *accept in part* response is presented in Table 11.2.

Accept in Principle

The Committee also welcomes the Government's response to concerns regarding the level of action identified in *accept in principle* responses.²⁵³ The Government provided detailed actions for 15 of the 22 (68.2 per cent) recommendations it accepted in principle. However, the Committee noted a lack of detail in responses to recommendations in the Committee's *Healthy Environment* chapter. The response *no further action was planned* was provided for the three recommendations from this chapter that were *accepted in principle*.

The frequency of the *accept in principle* response category differs between Section B – *Key Themes* and Section C – *Growing Victoria Together* in the Committee's *Report on the 2008-09 Budget Estimates – Part Three*. The Department of Treasury and Finance formulated the Government responses for Section B while Section C responses were provided by relevant government departments.

There was a consistent format in responses to recommendations from Section B with eight of 14 responses receiving either an *accept* or *accept in principle* response. The recommendations are subject to the outcomes of a major review by the Department of Treasury and Finance into public finance practices and legislation.

The Committee remains interested in the review processes and outcomes flowing from planned actions to be undertaken by the Department of Treasury and Finance in relation to those recommendations impacted by its current review of public finances practices and legislation. The Committee itself has recently tabled its report on *New Directions in Accountability, Inquiry into Victoria's Public Finance Practices and Legislation* (June 2009).

²⁵⁰ Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates– Part Three*, October 2008, pp.154, 157

²⁵¹ *ibid.* p.157

²⁵² Victorian Government, *Government Response to the Recommendations of the Public Account and Estimates Committee's 80th Report on the 2008-09 Budget Estimates*, tabled 19 April 2009, p.14

²⁵³ Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates– Part Three*, October 2008, p.157

Table 11.2: Summary of recommendations from the Committee's Report on the 2008-09 Budget Estimates accepted in part by the government

Recommendation	Government response	Committee comment
<p>16 In terms of fully disclosing the extent of revenue forgone to the State arising from the granting of concessions, including tax exemptions in the form of tax expenditures, the Department of Treasury and Finance ensure the Budget Papers contain a greater dissection quantifying the value of taxation exemptions granted, fees waived to particular groups and income not collected due to regulatory reform.</p>	<p>A detailed breakdown of expenditure is provided in the 2008-09 Budget and can be found in Chapter 5 of <i>Budget Paper No.4, Statement of Finances</i>.</p> <p>The Department of Treasury and Finance does not separately report on the income derived from regulatory reform from other tax income as this information cannot currently be accurately extracted.</p>	<p>The Government indicated that it would investigate 'a finer breakdown of tax expenditures and the feasibility of including the value of fees waived'.²⁵⁴ The Committee looks forward to extended future reporting on these.</p> <p>While the government accepts the Committee's concern regarding detail and transparency in relation to concessions and tax exemptions no apparent changes have been made to address it in this years budget.</p>
<p>25 The Department of Education and Early Childhood Development include in its annual report a comparative assessment of educational outcomes prior to and following the implementation of initiatives within the Victorian Schools Plan.</p>	<p>The Department of Education and Early Childhood Development has developed a benefits evaluation framework that will be used to collect feedback on the benefits achieved from the completion of <i>Victorian Schools Plan</i> capital projects.</p> <p>This benefits evaluation framework includes the short term benefits that will be achieved, such as improved learning environment, reduced maintenance requirements, improved interior natural lighting and improved ventilation levels. These measures will be able to be reported on once an individual school project has been delivered and is available for announcement, with long-term measures of improved student outcomes becoming evident in the following 12-24 months. Detailed post occupancy evaluation results are expected to be available after 12 months of building use.</p> <p>A summary of these benefits for a sample of projects are anticipated to be included in the 2008-09 Annual Report.</p> <p>The capital initiatives in the <i>Victorian Schools Plan</i> are just one of the initiatives adopted by the State Government to improve student outcomes, which are attributed to a number of factors.</p>	<p>The Committee remains interested in improved educational outcomes and best practice management in assessing such improvements.</p>

²⁵⁴ Victorian Government, *Government Response to the Recommendations of the Public Account and Estimates Committee's 80th Report on the 2008-09 Budget Estimates*, tabled 19 April 2009, p.11

Recommendation	Government response	Committee comment
<p>39 That the Government review the Departmental Output Statements in Budget Paper No. 3 with a view to ensuring that the strategic actions identified in the Victorian Indigenous Affairs Framework are adequately reflected.</p>	<p>The Department of Planning and Community Development is currently reviewing its output statements, which already includes performance measures relating to indigenous activities, as well as being aligned to other strategic directions.</p> <p>However, it would be inappropriate to amend the Department's output statements to specifically reflect the 21 Strategic Change Indicators in the Victorian Indigenous Affairs Framework (VIAF) as the VIAF is a Whole of Victorian Government framework and its implementation is a shared responsibility of various departments.</p> <p>Further, the Department of Planning and Community Development annually produce the <i>Whole of Government Report on Indigenous Affairs</i>. This report was reviewed in 2007 so that its architecture reflects the VIAF priorities and Strategic Change Indicators.</p>	<p>The Committee recognised that responsibility for Indigenous Affairs extends beyond the Department of Planning and Community Development and therefore did not restrict Recommendation 39 to the output statements of this department.</p> <p>The Committee is interested in improved output statements across government to reflect the Victorian Indigenous Affairs Framework and the role of the Department in developing them.</p>

Recommendation 23: **The Department of Treasury and Finance provide further detailed information relevant to further actions involved in review processes that are identified in relevant responses to Committee recommendations.**

The Committee found that the degree and quality of detail varied in responses provided to recommendations in Section C comprising GVT chapters. These recommendations are responded to by relevant departments and do not exhibit the consistency of the detailed responses in Section B, provided by the Department of Treasury and Finance.

The Committee looks forward to greater detail in responses to this review especially in the *Growing Victoria Together* section of its report.

11.2.2 Recommendations ‘Under Review’

Two recommendations for last year’s report are *under review*. This compares with three *under review* for the 2007 Estimates Report. These are listed in Table 11.3 together with comment from the Committee.

While there is no requirement under the Act for the Government to provide further or final reporting on recommendations *under review*, the Committee would appreciate an appropriate update from the Government against all these recommendations.

11.2.3 Recommendations that were rejected

There was a reduction in the number of Committee recommendations rejected by the Government. Four (8.2 per cent) recommendations from the *Report on the 2008-09 Budget Estimates – Part Three* were rejected compared with eight or 13.6 per cent the previous year.

The Committee’s review of the Government’s reasons for rejecting recommendations is presented in Table 11.4.

Table 11.3: Review of recommendations ‘Under Review’ by the Government

Recommendation		Government response	Committee comment
13	From 2009-10, a new budget paper providing a comprehensive overview of the State government programs and initiatives for regional and rural Victoria, be provided.	<p>Through various Budget Papers, including the Budget Overview and Budget Information Paper No. 1, the Government currently reports on the initiatives that are specifically targeted to each of the six regional geographic segments in Victoria. Further, the Government publishes progress reports on the implementation of regional-specific programs, such as Provincial Victoria.</p> <p>State-wide initiatives are not currently included in these regional reports as the impacts of such initiatives cannot be reliably dissected between the regions and metropolitan areas.</p> <p>For the <i>2008-09 Budget</i>, the Department of Treasury and Finance conducted a review of the structure and contents of the Budget Papers. The purpose of the review was to improve the effectiveness and readability of the papers. The key changes arising from this review is that Budget Paper No. 2 was restructured to provide greater information on the PNFC sector and to clarify the impact of risks on estimates.</p>	The Committee looks forward to the Department of Treasury and Finance providing updates in relation to Government’s acceptance of the tabling of a new budget paper on regional and rural Victoria. The Committee has reinforced this recommendation in its report on <i>New Directions in Accountability</i> (June 2009).
34	The Department of Transport and the Port of Melbourne Corporation disclose fully, the costs incurred by each party in defending the legal challenge to the Channel Deepening Project.	On 15 July 2008, the Application (Blue Wedges Inc) was ordered by the Federal Court to pay the Respondents’ (including the Port of Melbourne and the State of Victoria) costs of the application, including the costs of the motion, notice of which was given by the Application on 6 February 2008. The final costs awarded pursuant to that order have not been determined.	The Committee looks forward to an appropriate update from the Department of Transport and Port of Melbourne Corporation on the final costs in relation to the Channel Deepening Project.

Table 11.4: Review of recommendations rejected by the Government

Recommendation	Government response	Committee comment
<p>4 In terms of achieving general efficiencies of an administrative nature that are expected to be derived (or any other specific efficiency initiatives announced in future budgets), the Budget Papers should disclose:</p> <p>(a) A breakdown by department and various components that make up such efficiencies; and</p> <p>(b) How savings have been utilised in the Budget.</p>	<p>The Government and its departments do not normally apply any income derived from savings or efficiencies to specific projects as it is contrary to the principles of the Government's financial management and accountability framework. However, in some situations, such as the Government's <i>Efficient Government</i> policy, the value and sources of savings revenue is disclosed.</p> <p>The State Government's financial framework focuses on the delivery of outputs and outcomes rather than the day-to-day management of departmental inputs. This framework is in line with practice across the Australian public sector and based on international experience.</p> <p>Under this framework, departments are not required to report to the Government how agreed efficiency targets are achieved as this is an internal management concern.</p>	<p>Because of the significance of efficiency targets assigned to departments, the Committee remains of the position it has expressed in previous Budget Estimates reports that:</p> <ul style="list-style-type: none"> • there should be a simple reconciliation of aggregated targeted savings; • savings information provided complement departmental reporting; and • assigned budget efficiency savings reflect each department's organisational circumstances.
<p>6 The Department of Human Services include in their annual report, details of expenditure to date and progress made on all major infrastructure projects with a TEI in excess of \$10 million.</p>	<p>Departments are currently not required to disclose in their annual reports the progress made towards the implementation of individual capital projects. The reporting and disclosure practices of government have been established based on current accepted accounting standards and legislation.</p> <p>As with all departments, the Department of Human Services reports annually on the expenditure made on capital projects in <i>Budget Information Paper No. 1</i>.</p>	<p>The comparatively large size of the Department of Human Services' asset investment portfolio requires specific reporting beyond the minimum requirements of currently accepted accounting standards and legislation.</p>
<p>15 To ensure that the approved allocation of funding of the Regional Infrastructure Development Fund is fully committed and spent in a timely manner the Government will need to accelerate the number of announced projects over the next two years.</p>	<p>Regional Development Victoria (RDV) has historically committed Regional Infrastructure Development Fund (RIDF) allocations in accordance with annual budget phasing.</p> <p>The number of RIDF-funded projects approved in 2006-07 and 2007-08 have increased significantly compared to previous years.</p> <p>Actual expenditure of funding typically lags behind these approvals. This is reflective of the long lead time required for infrastructure projects and the milestone and performance based funding agreements that are a feature of the RIDF.</p>	<p>The Committee continues to look for an accelerating rate of expenditure on regional infrastructure development.</p>

Recommendation		Government response	Committee comment
40	That the Department of Justice reinstate the individual measures associated with timeliness in relation to each of the major courts of Victoria.	<p>To improve the efficiency of government reporting, the Department of Justice identified which performance measures were repetitious and, where possible, consolidated these for reporting in Budget Paper No. 3, <i>Service Delivery</i>.</p> <p>The Department of Justice reports on the timeliness performance measures for each Court in the <i>Annual Reports of the Courts</i> and in the <i>Productivity Commission's Report on Government Services</i>.</p>	The Committee supports the reinstatement of the important measures associated with timelines for each major Victorian Court as performance measures in Budget Papers.