

CONTENTS

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE MEMBERSHIP - 56TH PARLIAMENT	1
DUTIES OF THE COMMITTEE	3
CHAIR'S FOREWORD	5
RECOMMENDATIONS	7
SECTION A: OVERVIEW	19
CHAPTER 1: INTRODUCTION AND RESPONSES TO THE REPORT ON THE 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES	21
1.1 Background	21
1.2 Objectives of the Inquiry	21
1.3 Scope of the Inquiry	22
1.3.1 Coverage of departments and other Government agencies	22
1.3.2 Analysis of annual reports	24
1.4 The review process	24
1.5 Government response to the Committee's <i>Report on the 2006-07 Financial and Performance Outcomes</i>	25
1.5.1 Auditor-General's Response	25
1.5.2 Government's Response	26
1.6 Cost of Inquiry	28
CHAPTER 2: OVERVIEW OF THE STATE'S 2007-08 FINANCIAL AND PERFORMANCE OUTCOMES	29
2.1 Introduction	30
2.2 Summary of government's consolidated financial result for 2007-08	31
2.3 Summary of government's consolidated financial position at 30 June 2008	34
2.4 Operating result for 2007-08 in the general government sector	35
2.4.1 Analysis of the 2007-08 operating surplus in the general government sector	36
2.5 Infrastructure investments in 2007-08 in the general government sector	38

SECTION B: FINANCIAL OUTCOMES	41
CHAPTER 3: REVENUE AND REVENUE FOREGONE	43
3.1 Introduction	45
3.2 Revenue	45
3.2.1 Revenue summary	45
3.2.2 Revenue - the Government's strategy and outlook for 2007-08	47
3.2.3 Revision to revenue expectations during 2007-08	48
3.2.4 Revenue outcomes for 2007-08	49
3.2.5 Subsequent events reporting	51
3.2.6 Financial Report for the State of Victoria – analysis of end of year revenue outcomes with prior year actuals	53
3.2.7 Accuracy of revenue estimation	53
3.3 Revenue foregone	54
3.3.1 Tax expenditures managed by the Department of Treasury and Finance	54
3.3.2 Concessions and subsidies	58
CHAPTER 4: UPDATE ON RISK MANAGEMENT PRACTICES IN THE PUBLIC SECTOR	67
4.1 Introduction	68
4.2 Guidance and support tools on risk management available to departments and agencies since June 2007	69
4.3 Responses received from departments and agencies on risk management strategies	71
4.3.1 Analysis of responses from departments	71
4.3.2 Analysis of responses from non-departmental agencies	73
CHAPTER 5: PUBLIC SECTOR INFRASTRUCTURE AND ASSET INVESTMENT PROGRAM	75
5.1 Introduction	76
5.2 Departmental explanations from instances of variations in asset spending against 2007-08 expenditure projections	77
5.3 Analysis of information presented in tables 5.3 and 5.4	77
5.3.1 Major infrastructure projects with actual expenditure lower than estimated in 2007-08	77
5.3.2 Major infrastructure projects with actual expenditure in excess of budget for 2007-08	79
5.3.3 Major infrastructure projects with zero expenditure in 2007-08	80
5.4 Revision of completion dates for major infrastructure projects	94
5.4.1 Effect of project rescheduling on 2007-08 financial outcomes	94
5.4.2 Revised completion dates and budgetary consequences	94
5.4.3 Projects with significantly revised completion targets	95

CHAPTER 6: STAFFING	103
6.1 Victorian Public Sector Workforce Overview	104
6.2 Salary Costs and Performance Bonuses	105
6.2.1 Staff numbers and salary costs in departments	105
6.2.2 Staff numbers and salary costs in selected agencies	108
6.2.3 Performance Bonuses in Government Departments	110
6.2.4 Percentage spread of bonuses for departments and selected agencies	113
6.3 Critical Workforce Shortages	114
6.3.1 Department of Education and Early Childhood Development	115
6.3.2 Department of Human Services	116
6.3.3 Department of Innovation, Industry and Regional Development	117
6.3.4 Department of Justice	117
6.3.5 Department of Planning and Community Development	118
6.3.6 Department of Primary Industries	119
6.3.7 Department of Sustainability and Environment	119
6.3.8 Department of Transport	120
6.3.9 Department of Treasury and Finance	121
CHAPTER 7: PROCUREMENT	123
7.1 Introduction	123
7.1.1 Victorian Government Purchasing Board	124
7.1.2 Value-for-money in procurement	125
7.2 Cost, timeliness and quality of service	125
7.2.1 Cost	126
7.2.2 Timeliness	126
7.2.3 Quality of service	128
7.3 Risk management and accountability frameworks	129
7.3.1 Risk management	129
7.3.2 Accountability framework	130
7.3.3 Conclusion	131
7.4 Achievement of value for money	131
7.4.1 Reported achievement of value-for-money	131
7.5 Probity controls in procurement contracts under the tender threshold	133
7.5.1 Departmental practices	134
7.5.2 Agency practices	135
7.5.3 Conclusion	137
CHAPTER 8: GRANTS	139
8.1 Background	139
8.1.1 Grant definition used	140
8.2 Grant applications	141
8.2.1 Application process	141
8.2.2 Financial accounting requirements of applicants	142
8.3 Grant programs and recipients	143
8.3.1 Three largest grants allocated in 2007-08	143

8.4	Accountability of grant recipients	148
8.4.1	Reporting project outcomes and grant funds expenditure	148
8.4.2	Reconciling grant objectives and outcomes with organisational objectives and outcomes	149
8.5	Grant allocations by departments and agencies	150
8.5.1	Grant allocations	150
8.6	Conclusions	152
CHAPTER 9: EFFICIENCIES		155
9.1	Nature of the government’s contemporary efficiency strategies	156
9.2	Departmental performance against targeted savings in 2007-08	157
9.2.1	Efficiency savings achieved by departments in 2007-08	158
9.2.2	Departmental actions to achieve savings targets in 2007-08	163
9.3	Some concluding comments on efficiencies	164
SECTION C: PERFORMANCE OUTCOMES		173
CHAPTER 10: REPORT CARD BY DEPARTMENTS ON PORTFOLIO OUTCOMES ACHIEVEMENTS		175
10.1	Introduction	176
10.2	Program Outcomes	177
10.2.1	Department of Human Services	177
10.2.2	Department of Innovation, Industry and Regional Development	179
10.2.3	Department of Education and Early Childhood Development	180
10.2.4	Department of Transport	181
10.2.5	Department of Justice	182
10.2.6	Department of Premier and Cabinet	183
10.2.7	Department of Primary Industries	184
10.2.8	Department of Sustainability and Environment	185
10.2.9	Department of Treasury and Finance	187
10.2.10	Department of Planning and Community Development	188
10.3	Issues in Program Outcome Reporting	189
10.4	Critical Future Priorities	190
10.4.1	Background	190
10.4.2	Engaging across Jurisdictions and Portfolio Structures	190
10.4.3	Preparing to Meet Workforce Planning Challenges	194
10.4.4	Building and Strengthening Citizens’ Trust in Public Institutions	198
10.4.5	Developing More Responsive Public Services	201
10.4.6	Supporting Development of Citizens’ Individual Responsibility	203
10.4.7	Developing Systems and Skills	205
10.4.8	Fostering Agility to Support High-performing Public Sector	207
CHAPTER 11: PERFORMANCE TARGETS		209
11.1	Introduction	210
11.1.1	Background	210
11.1.2	Overview	210

11.2	Department of Human Services	213
11.2.1	Total output costs	213
11.2.2	Performance against output targets	214
11.3	Department of Education and Early Childhood Development	218
11.3.1	Total output costs	218
11.3.2	Performance against output targets	218
11.4	Department of Transport	219
11.4.1	Total output costs	219
11.4.2	Performance against output targets	221
11.5	Department of Justice	226
11.5.1	Total output costs	226
11.5.2	Performance against output targets	227
11.6	Department of Innovation, Industry and Regional Development	229
11.6.1	Total output costs	229
11.6.2	Performance against output targets	232
11.7	Department of Sustainability and Environment	239
11.7.1	Total output costs	239
11.7.2	Performance against output targets	241
11.8	Department of Primary Industries	243
11.8.1	Total output costs	243
11.8.2	Performance against output targets	245
11.9	Department of Premier and Cabinet	248
11.9.1	Total output costs	248
11.9.2	Performance against output targets	249
11.10	Department of Planning and Community Development	252
11.10.1	Total output costs	252
11.10.2	Performance against output targets	254
11.11	Department of Treasury and Finance	257
11.11.1	Total output costs	257
11.11.2	Performance against output targets	259
CHAPTER 12:	ENVIRONMENTAL OUTCOMES	261
12.1	Introduction	262
12.2	Environmental Reporting Directions of the Minister for Finance – FRD 24C	262
12.2.1	Energy use	263
12.2.2	Waste production	266
12.2.3	Paper Use	268
12.2.4	Water Consumption	271
12.2.5	Greenhouse Gas Emissions	277
12.2.6	Procurement	281
12.3	Costs/Savings Associated with Environmental Initiatives	281
12.3.1	Financial Costs/Savings	281
12.3.2	Environmental Impact of Publications	283
12.4	Issues in Reporting of Office-based Environmental Data by Government Entities	283

CHAPTER 13: REGIONAL AND RURAL OUTCOMES	285
13.1 Rural health workforce – resourcing strategies	286
13.2 Wellbeing of young people in rural settings – access to dental, sexual health and mental health services	287
13.2.1 Dental Health Care	287
13.2.2 Sexual Health Care	288
13.2.3 Mental Health Care	289
13.3 Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest	291
13.4 Staff located in central office and regions in the Department of Education and Early Childhood Development	297
13.5 Administration of Drought Assistance Packages	298
13.6 Victorian Natural Disasters Relief Trust Account	302
13.7 Automatic Locking Doors on Passenger V/Line Trains	303
CHAPTER 14: THRIVING ECONOMY	305
14.1 Introduction	307
14.2 Linkage of issues examined to the <i>Growing Victoria Together</i> visions	307
14.3 Department of Innovation, Industry and Regional Development	308
14.3.1 Effectiveness of small business support programs	308
14.3.2 Skilling Victorians – outcomes from the development of education and training opportunities	311
14.3.3 Brand Victoria initiative	315
14.4 Department of Planning and Community Development	316
14.4.1 Reduction in the regulatory burden for not-for-profit organisations	316
14.5 Department of Treasury and Finance	318
14.5.1 Water sector’s capital expenditure program – increase in net debt levels to provide for growth	318
14.5.2 Victoria’s productivity and competitiveness	319
14.5.3 Improving value for money from government services for optimising service delivery	319
14.6 Regional Development Victoria	321
14.6.1 Aviation infrastructure improvements	321
CHAPTER 15: QUALITY HEALTH AND EDUCATION	323
15.1 Introduction	325
15.2 Linkage of issues examined to the <i>Growing Victoria Together</i> visions	325
15.3 High quality, accessible health and community services	326
15.3.1 Access to outpatient services	326
15.3.2 Postponements and cancellations of elective surgery	330
15.3.3 Vocational education and training places – nursing and allied staff	336
15.3.4 Replacement of critical medical equipment	337
15.3.5 Provision of individual support in home and community-based settings	339

15.4	Melbourne Health	341
15.4.1	Management of key challenges	341
15.5	Department of Education and Early Childhood Development	343
15.5.1	The Victorian Schools Plan – allocation of funding among schools	343
15.5.2	Percentage of Victorian primary school students achieving the national benchmark level in Year 3 writing and Year 5 numeracy	348
15.5.3	National benchmark results for Indigenous students for 2007	349
15.5.4	Overseas fee paying student program – demographics, revenue generation and program management	350
15.5.5	Children’s services – incidents and complaints	352
15.5.6	Significant fires at government schools	354
15.5.7	Years 6 and 8 students measured as either overweight or obese	356
15.5.8	Depressive symptoms among students in Years 6 and 8	360
 CHAPTER 16: HEALTHY ENVIRONMENT		 365
16.1	Introduction	367
16.2	Linkage of issues examined to the <i>Growing Victoria Together</i> visions	367
16.3	Protecting the environment for future generations	368
16.3.1	Waste Management in Victoria	368
16.3.2	Hazardous Waste Disposal	368
16.3.3	HazWaste Fund	369
16.3.4	Contaminated Sites	372
16.3.5	2007-08 Bushfire Season	372
16.3.6	Climate Change	377
16.3.7	Tackling Climate Change – Environment Protection Authority	377
16.3.8	Solar Photovoltaic Power Station	378
16.3.9	Energy Reduction Initiatives in the Department of Education and Early Childhood Development	379
16.3.10	Equine Influenza Outbreak	381
16.4	Efficient use of natural resources	381
16.4.1	Management of Victoria’s Waterways	381
16.4.2	Lower Wimmera River Health Ecological Risk Assessment Program	386
16.4.3	Fish Deaths	387
16.4.4	Large-Scale River Restoration Program	389
16.4.5	Schools Water Efficiency	391
 CHAPTER 17: CARING COMMUNITIES		 393
17.1	Introduction	394
17.2	Linkage of issues examined to the <i>Growing Victoria Together</i> visions	394
17.3	Building friendly, confident and safe communities	395
17.3.1	Policing, crime and justice	395
17.3.2	Safer transport	410
17.4	A fairer society that reduces disadvantage and respects diversity	416
17.4.1	Addressing cultural diversity	416
17.4.2	Building community	423
17.4.3	Social housing	426
17.4.4	Early childhood intervention services	428

CHAPTER 18: VIBRANT DEMOCRACY	431
18.1 Introduction	432
18.2 Linkage of issues examined to the <i>Growing Victoria Together</i> visions	432
18.3 Department of Premier and Cabinet	433
18.3.1 Extension of the Community Cabinet program in 2007-08	433
18.4 Melbourne Health	434
18.4.1 'Activity Performance' reporting	434
18.5 Department of Human Services	436
18.5.1 2007-08 Financial results for the hospital sector	436
18.5.2 Social housing – debt recovery procedures	438
18.5.3 Improvements to the Department of Human Services Risk Management Framework	439
18.6 Melbourne Health	440
18.6.1 Turnaround in financial result for 2007-08	440
18.6.2 Increase in Private Practice fees	440
18.6.3 Reduction in the expense item 'Supplies and Consumables'	441
18.6.4 Internal audit recommendations	441
18.7 Department of Treasury and Finance	443
18.7.1 Implications of the net financial result for the State for 2007-08	443
18.8 Treasury Corporation of Victoria	444
18.8.1 Unrealised losses in 2007-08	444
18.8.2 Operational risk management plans	445
18.8.3 Debt forecasts	446
18.9 Victorian Managed Insurance Agency	446
18.9.1 Effect of the downturn in global investment markets	446
18.9.2 Timeliness of claims handling	447
18.9.3 Internal audit/risk management and compliance recommendations – Action taken	448
SECTION D: OTHER	449
CHAPTER 19: REVIEW OF ANNUAL REPORTS OF DEPARTMENTS AND AGENCIES	451
19.1 Introduction	452
19.2 Review criteria	452
19.2.1 Compliance with the Financial Management Act 1994, the Standing Directions and Financial Reporting Directions of the Minister for Finance	452
19.2.2 Performance reporting	453
19.3 Summary of findings	453
19.3.1 Compliance with the Financial Management Act 1994, Standing Directions and Financial Reporting Directions of the Minister for Finance	453
19.3.2 Performance reporting	456
19.3.3 Timeliness of Reporting	457
19.4 Detailed findings of review	459
19.4.1 Department annual reports	459
19.4.2 Government agency annual reports	466

CHAPTER 20: VICTORIAN AUDITOR-GENERAL'S OFFICE	469
20.1 Introduction	471
20.2 Reports and advice	472
20.2.1 Major audit reports	472
20.2.2 Product mix of the Office – Better Practice Guides	473
20.3 Parliament	474
20.3.1 Survey of Parliamentarians	474
20.4 Clients	476
20.4.1 Quality – client feedback on performance audits	476
20.4.2 Client feedback on financial audit services and reports	477
20.5 People	481
20.5.1 Staff turnover	481
20.6 Organisation	482
20.6.1 Timely preparation and tabling of Annual Report	482
20.6.2 Cost of performance audits	483
20.6.3 Expenditure incurred on financial audits	485
20.6.4 Cost effectiveness of the Office's business units	486
APPENDICES	489
APPENDIX 1: DEPARTMENTAL OUTCOMES ACHIEVEMENTS	491
APPENDIX 2: DEPARTMENTAL CRITICAL FUTURE PRIORITIES	523
MINORITY REPORT	549
EXTRACT FROM THE MINUTES OF PROCEEDINGS	553