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# Government Responses to the Recommendations of

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE'S

### 118th Report to Parliament - Review of the Performance Measurement and Reporting System

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#### CONSOLIDATED RESPONSE

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) 118<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> PAEC recommendation	<b>2</b> Response	<b>3</b> 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 118<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.

PAEC recommendation	Response	Action taken to date and commitment to further action
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<b>Recommendation 1, p2, Chapter 1: Key findings and recommendations</b>		
<p>Recommendation 1: The Department of Education and Early Childhood Development:</p> <p>(a) review the departmental objectives listed in Appendices A3.1 and A3.2;</p> <p>(b) review the performance measures listed in Appendix A4.1;</p> <p>(c) review the targets for the performance measures listed in Appendix A5.1; and</p> <p>(d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance’s guidelines and avoid the types of problems highlighted in Appendix A5.11.</p>	<p>Support</p>	<p>(a) The Department of Education and Early Childhood Development (DEECD) is in the process of reviewing the department’s objectives, indicators and outputs and developing a comprehensive “Outcomes and Performance Framework” which is a results-based framework that focuses on developing outcome-oriented indicators to track progress against the department’s objectives of achievement, engagement, wellbeing, and productivity.</p> <p>The Department has reviewed the productivity indicators and included new indicators that are not centred on enrolments but better capture the cost effectiveness of the provision of education services. A number of new unit cost of service indicators has been included under the departmental objective ‘productivity’ in the DEECD 2013–17 Strategic Plan and the 2014–15 Budget Paper No. 3.</p> <p>(b) The six performance measures outlined in Appendix A4.1 will be reviewed as part of the comprehensive review of Budget Paper No. 3 to ensure that the performance indicators are measured in a way that is clear, meaningful and robust. Where possible, the Department has provided an explanation where the recommendation is not supported.</p> <p>(c) DEECD reviews and assesses the targets for all performance measures annually to ensure that the targets provide the best benchmark to monitor and assess the performance of our service delivery. The Department will focus on the 14 performance measure targets outlined in Appendix A5.1 in the comprehensive review of the objectives, outputs, performance measures and targets in Budget Paper No. 3.</p> <p>(d) The Department reviews and assesses all performance measures every year, to reflect and ensure that they meet the Department of Treasury and Finance (DTF) guidelines and align to the Departmental strategic plan. DEECD will continue to improve explanations in future budget papers and annual reports to clearly identify the underlying cause for variances between targets and expected/actual outcomes and changes to targets.</p>

PAEC recommendation	Response	Action taken to date and commitment to further action
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**Recommendation 2, p3, Chapter 1: Key findings and recommendations**

<p>The Department of Environment and Primary Industries:</p> <p>(a) review the performance measures listed in Appendix A4.2;</p> <p>(b) review the targets for the performance measures listed in Appendix A5.2; and</p> <p>(c) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance’s guidelines and avoid the types of problems highlighted in Appendix A5.12.</p>	<p>Support</p>	<p>The Department of Environment and Primary Industries (DEPI) annually reviews performance measures and associated targets. This review is undertaken in consultation with DTF and endeavours to improve the clarity, transparency, relevance and appropriateness of the Department’s performance information. The Department will endeavour to improve the quality of explanations for variations in future budget papers and annual reports in accordance with DTF guidance.</p>
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**Recommendation 3, p3, Chapter 1: Key findings and recommendations**

<p>The Department of Health:</p> <p>(a) review the departmental objectives listed in Appendix A3.1;</p> <p>(b) review the performance measures listed in Appendix A4.3;</p> <p>(c) review the targets for the performance measures listed in Appendix A5.3; and</p> <p>(d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance’s guidelines and avoid the types of problems highlighted in Appendix A5.13.</p>	<p>(a) Not support</p> <p>(b) Support in principle</p> <p>(c) Support in principle</p> <p>(d) Support</p>	<p>(a) The Department of Health’s (DH’s) objectives as shown in Budget Paper No.3 – <i>Service Delivery</i>, are linked to the Department’s strategic priorities. The strategic priorities are published in the <i>Victorian Health Priorities Framework 2012-2022</i>. The Department views the clear linkages between its strategic priorities and departmental objectives as a useful tool in decision making and goal setting. Changes to the Department’s objectives may be considered as part of an overall strategic priorities review in due course.</p> <p>(b) DH reviews its full suite of performance measures as part of the annual output statement review led by DTF. The published performance measures are agreed by DH and DTF, and are developed in accordance with DTF guidelines.</p> <p>(c) The Department reviews all its performance measure targets as part of the annual output statement review. The published performance measure targets are developed in accordance with DTF guidelines.</p> <p>(d) Explanatory footnotes in the Budget Papers are developed in collaboration with DTF as part of the annual output statement review and budgetary process. The explanatory footnotes in the 2014-15 Budget Papers were developed in accordance with DTF guidelines. The Department will ensure that explanatory notes in future Budget Papers and annual reports comply with relevant DTF guidelines.</p>
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<b>Recommendation 4, p3 Chapter 1: Key findings and recommendations</b>		
<p>The Department of Human Services:</p> <p>(a) review the departmental objectives listed in Appendix A3.2;</p> <p>(b) review the performance measures listed in Appendix A4.4;</p> <p>(c) review the targets for the performance measures listed in Appendix A5.4; and</p> <p>(d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.14.</p>	Support	<p>(a) The Department of Human Services (DHS) has reviewed departmental objectives listed in Appendix A3.2 and considers the existing indicators suitable given the high level nature of the objectives.</p> <p>(b) DHS has reviewed some of the performance measures listed in Appendix A4.4. DHS will review the remaining performance measures listed in Appendix A4.4.</p> <p>(c) DHS has reviewed some of the targets listed in Appendix A5.4. DHS will review the remaining targets in Appendix A5.4.</p> <p>(d) DHS will ensure that explanations in future budget papers and annual reports conform with DTF guidelines and avoid the types of problems highlighted in Appendix A5.14.</p>
<b>Recommendation 5, p3 Chapter 1: Key findings and recommendations</b>		
<p>The Department of Justice:</p> <p>(a) review the departmental objectives listed in Appendix A3.1;</p> <p>(b) review the performance measures listed in Appendix A4.5;</p> <p>(c) review the targets for the performance measures listed in Appendix A5.5; and</p> <p>(d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.15.</p>	Support	<p>(a) The Department of Justice (DOJ) has reviewed departmental objectives listed in Appendix A3.1.</p> <p>(b) DOJ has reviewed performance measures listed in Appendix A4.5.</p> <p>(c) DOJ has reviewed the targets for the performance measures listed in Appendix A5.5.</p> <p>(d) DOJ will ensure that explanations in future budget papers and annual reports conform with DTF guidelines and avoid the types of problems highlighted in Appendix A5.15.</p>

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**Recommendation 6, p4 Chapter 1: Key findings and recommendations**

<p>The Department of Premier and Cabinet:</p> <p>(a) review the performance measures listed in Appendix A4.6;</p> <p>(b) review the targets for the performance measures listed in Appendix A5.6; and</p> <p>(c) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.16.</p>	<p>Support</p>	<p>The Department of Premier and Cabinet (DPC) will review the performance measures listed in A4.6 and will review the targets for the performance measures listed in Appendix A5.6 as part of the formal annual review process. The Department will endeavour to ensure that explanations for variances in targets or expected / actual outcomes are in line with DTF guidelines.</p>
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**Recommendation 7, p4 Chapter 1: Key findings and recommendations**

<p>The Department of State Development, Business and Innovation:</p> <p>(a) review the departmental objectives listed in Appendices A3.1 and A3.2;</p> <p>(b) review the performance measures listed in Appendix A4.7;</p> <p>(c) review the targets for the performance measures listed in Appendix A5.7; and</p> <p>(d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.17.</p>	<p>Support</p>	<p>(a) The Department of State Development, Business and Innovation (DSDBI) regularly reviews its departmental objectives, objective indicators and outputs. Not all departmental objectives have been reviewed at this stage. Objective indicators will continue to be reviewed as part of a broader review of performance measurement for the Department.</p> <p>(b) The Department regularly reviews its performance measures. As part of the review process the Department considers the clarity of measures, counting rules and whether alternative measures could be used to better demonstrate outcomes and outputs. All measures under the Energy and Resources Output have been reviewed as part of the 2014-15 budget process. Measures for the Innovation and Technology and Small Business Assistance (listed in Appendix A4.7) have not been reviewed at this stage.</p> <p>(c) As part of the 2014-15 review of performance measures and targets process, the Department reviewed the targets for the measures in Appendix A5.7. Performance targets for 2014-15 for many of these measures have been amended.</p> <p>(d) The Department is working towards ensuring footnotes in budget papers and annual reports provide adequate explanation. Footnotes have been provided in the 2014-15 Budget Papers and the Department worked with DTF to ensure the footnotes conformed to guidelines.</p>
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**Recommendation 8, p4 Chapter 1: Key findings and recommendations**

<p>The Department of Transport, Planning and Local Infrastructure:</p> <p>(a) review the departmental objectives listed in Appendix A3.1;</p> <p>(b) review the performance measures listed in Appendix A4.8;</p> <p>(c) review the targets for the performance measures listed in Appendix A5.8; and</p> <p>(d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.18.</p>	<p>Support in principle</p>	<p>(a) The Department of Transport, Planning and Local Infrastructure (DTPLI) is developing new departmental objectives which are expected to be included in the 2015-16 budget papers.</p> <p>(b) All of DTPLI's performance measures were reviewed in line with the development of the 2014-15 budget papers. Where appropriate, performance measures were amended for increased clarity and meaningfulness. For example, the 'Progress of Regional Rail Link' measure was renamed to 'Progress of Regional Rail Link expenditure' in the 2014-15 Budget Papers to increase clarity. DTPLI will continue to review all performance measures for future reporting purposes, including the measures identified in Appendix A4.8.</p> <p>(c) Targets for all output performance measures were reviewed as part of the development of the 2014-15 budget papers. DTPLI will continue to review all targets for future reporting purposes, including those identified in Appendix A5.8.</p> <p>(d) DTPLI will ensure that explanations given for variations to output performance will continue to conform with DTF guidelines as part of the development of future budget papers and annual reports.</p>
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**Recommendation 9, p4 Chapter 1: Key findings and recommendations**

<p>The Department of Treasury and Finance:</p> <p>(a) review the departmental objectives listed in Appendix A3.1;</p> <p>(b) review the performance measures listed in Appendix A4.9;</p> <p>(c) review the targets for the performance measures listed in Appendix A5.9; and</p> <p>(d) ensure explanations in future budget papers and annual reports conform with the Department of Treasury and Finance's guidelines and avoid the types of problems highlighted in Appendix A5.19.</p>	<p>Support</p>	<p>As part of its annual review, DTF will review its departmental objectives, objective indicators, and performance measures and take into consideration relevant reporting requirements and guidance material. The Department will ensure that it conforms with DTF guidelines.</p>
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**Recommendation 10, p4 Chapter 1: Key findings and recommendations**

<p>The Parliamentary Departments:  (a) review the performance measures listed in Appendix A4.10; and  (b) review the targets for the performance measures listed in Appendix A5.10.</p>	<p>N/A</p>	<p>The Department of Parliamentary Services will respond directly to PAEC.</p>
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**Recommendation 11, p5 Chapter 1: Key findings and recommendations**

<p>The Victorian Auditor-General's Office review the performance measures listed in Appendix A4.11.</p>	<p>N/A</p>	<p>The Auditor-General will respond directly to PAEC.</p>
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PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 12, p6 Chapter 1: Introduction</b>		
When conducting annual reviews of their performance measurement systems, departments consider the sorts of analyses undertaken by the Committee in this report and conduct similar analyses to identify items of the system that could be improved.	Support	The Government supports the principle that departments should continuously improve their performance measurement systems. As part of their annual reviews into performance measurement systems, departments will take into consideration the sorts of analyses undertaken by PAEC in its <i>Review of the Performance Measurement and Reporting System March 2014</i> (PAEC 118 Report to Parliament).
<b>Recommendation 13, p32 Chapter 3: Departmental Objectives and Departmental Objective Indicators</b>		
In preparing future budget papers, departments focus on ensuring that the causal connection between outputs and departmental objectives is clear.	Support	The Government supports the principle that departments should ensure there exists a meaningful link between objectives and outputs, and will endeavour to ensure that the causal connection between outputs and departmental objectives is evident.
<b>Recommendation 14, p32 Chapter 3: Departmental Objectives and Departmental Objective Indicators</b>		
The Department of Education and Early Childhood Development and Department of Health clarify the causal connection between their outputs and departmental objectives in future years by establishing objectives which are relevant to only some of their outputs, rather than objectives to which all outputs contribute.	Support in principle	DEECD has begun a comprehensive Budget Paper No. 3 review, with a view to improve alignment in the 2015-16 budget papers and annual reports. DEECD has also commenced work to refresh outcome indicators for the Department's Strategic Plan to ensure it can track progress and performance relating to the strategic outcome areas of achievement, engagement, wellbeing and productivity.
	Not support	The linkages between departmental objectives and outputs for DH, as they relate to the 2014-15 budget, are shown in 2014-15 Budget Paper Number 3, p.131, 132. Similar tables showing linkages between departmental objectives and outputs have been published in prior years.
<b>Recommendation 15, p33 Chapter 3: Departmental Objectives and Departmental Objective Indicators</b>		
In updating the Model Report to detail reporting on departmental objective indicators, the Department of Treasury and Finance use the Department of Education and Early Childhood Development's 2012-13 annual report as a model.	Support	The 2013-14 <i>Model Report for Victorian Government Departments</i> now includes disclosures of departmental objectives, indicators and progress towards their achievement in the Report of Operations. As stated in the 2013-14 Budget Paper No.3 <i>Service Delivery</i> , departments will be required to report progress against those indicators in their annual reports.



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**Recommendation 16, p35 Chapter 3: Departmental Objectives and Departmental Objective Indicators**

The Department of Treasury and Finance alter its guidance to specify that all key aspects of departmental objectives should be measured by objective indicators.	Support	The Government supports the principle that all key aspects of departmental objectives should be measured by objective indicators. Current DTF guidance states that “each departmental objective may require one or more indicators in order to demonstrate performance and that the objective has been achieved”.
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**Recommendation 17, p35 Chapter 3: Departmental Objectives and Departmental Objective Indicators**

The Department of Treasury and Finance alter its guidance to recommend a higher number of indicators than three as the maximum for each departmental objective.	Under review	The intent of the Framework is to have a small number of high level indicators for each departmental objective to complement the output performance framework which provides comprehensive information about the outcomes of Parliament’s appropriation to departments. The Government will further consider whether, and in what circumstances, a greater number of indications for each departmental objective could be published.
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**Recommendation 18, p46 Chapter 4: The Clarity and Quality of Performance Measures**

The Department of Treasury and Finance update the guidance for performance measures in ‘BFMG-09 Output Specification and Performance Measures’ to note that it should be clear whether exceeding, coming under or precisely achieving the target is preferable for each performance measure. <i>page 46</i>	Support in principle	The Government supports the principle of ensuring that performance results are interpretable. BFMG-09 guidance states performance measures should be selected on the basis of their ability to indicate the successful delivery of outputs. DTF will give consideration to ways to improve BFMG 09 to improve the clarity of performance measures.
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PAEC recommendation	Response	Action taken to date and commitment to further action
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**Recommendation 19, p46 Chapter 4: The Clarity and Quality of Performance Measures**

<p>The Department of Treasury and Finance amend the Model Report to recommend that departments, when reporting on their performance measures, adopt a system similar to that implemented by Victoria Police, which indicates whether:</p> <p>(a) the target was achieved or exceeded in a desirable way;</p> <p>(b) the actual result varied from the target in an undesirable direction but by less than 5 per cent; or</p> <p>(c) the actual result varied from the target in an undesirable direction by more than 5 per cent.</p>	<p>Under review</p>	<p>The Department of Treasury and Finance will give consideration to ways to improve the 2014-15 Model Report in light of Government's response to recommendation 18.</p>
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**Recommendation 20, p48 Chapter 4: The Clarity and Quality of Performance Measures**

<p>When conducting base reviews of outputs, the Department of Treasury and Finance ensure that the performance measures cover all the major activities of the output.</p>	<p>Support</p>	<p>Key considerations of Cost Control and Efficiency Reviews (formerly base reviews) include the appropriateness of performance measures of the agency/departments, and the adequacy of internal strategies to monitor financial and non-financial performance. The reviews include the examination of whether the current suite of department/agency performance measures covers the major activities of the output/s or program/s being reviewed.</p>
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**Recommendation 21, p51 Chapter 4: The Clarity and Quality of Performance Measures**

<p>The Department of Health review those outputs with no quality measures to identify whether meaningful quality measures could be added.</p>	<p>Support in principle</p>	<p>DH reviews its full suite of performance measures as part of the annual output statement review. The Department will consider potential quality measures for outputs where no quality measures are reported, as part of the annual process.</p>
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PAFC recommendation	Response	Action taken to date and commitment to further action
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<b>Recommendation 22, p51 Chapter 4: The Clarity and Quality of Performance Measures</b>		
The Department of Transport, Planning and Local Infrastructure review those outputs with no quality measures to identify whether meaningful quality measures could be added.	Support in principle	All of DTPLI's outputs were reviewed as part of the development of the 2014-15 Budget Papers. Where appropriate, new quality measures were introduced. DTPLI increased the number of quality measures by five per cent between 2013-14 and 2014-15. DTPLI will continue to review all output performance measures for future reporting purposes.
<b>Recommendation 23, p52 Chapter 4: The Clarity and Quality of Performance Measures</b>		
The Department of Treasury and Finance update the Budget and Financial Management Guidances to specify that, within an output, the quantity, quality, timeliness and cost measures should all relate to the same activities.	Support in principle	The Budget and Financial Management Guidance (BFMG) states that, <i>in general, outputs should capture the full activities and costs that make up a service.</i> However, it may not be practical for all activities to be measured across quantity, quality, timeliness and cost. The output as a whole should reflect efficiency and effectiveness (quality, quantity and timeliness) and the achievement of value for money (cost). The BFMG reflects this focus on outputs at a level of aggregation, rather than at the activity level.
<b>Recommendation 24, p53 Chapter 4: The Clarity and Quality of Performance Measures</b>		
In future budget papers, the Department of Treasury and Finance introduce a new category of performance measure to be called 'demand measures'. A performance measure should be classified as a demand measure when:  (a) it provides important information about the services provided by a department; but  (b) the results are not primarily determined by the department's actions.	Under review	Some departmental outputs are subject to fluctuations in demand for services. The current framework already provides mechanisms to reallocate resources to meet areas of greatest priority and to transparently report on these to the parliament via annual performance statements.  The Government will give further consideration to whether enhancements to the performance measurement framework can better address issues relating to demand levels.

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<b>Recommendation 25, p56 Chapter 4: The Clarity and Quality of Performance Measures</b>		
When reviewing performance measures with departments, the Department of Treasury and Finance pay particular attention to measures with targets of 100 per cent, to ensure that these measures are appropriately challenging.	Support	DTF, in conjunction with departments, will ensure that measures with a target of 100 per cent are reviewed to ensure they are appropriately framed.
<b>Recommendation 26, p57 Chapter 4: The Clarity and Quality of Performance Measures</b>		
All departments seek to better align the time periods measured by performance measures within each output, so that, as far as possible, all measures within an output relate to the same time period.	Support	The Government supports the principle that departments should seek to better align the time periods measured by performance measures within each output as far as possible, so that all measures within an output relate to the same time period.
<b>Recommendation 27, p62 Chapter 4: The Clarity and Quality of Performance Measures</b>		
Departments review measures with ranges as targets, and modify them to single numbers except where a range is necessary and appropriate.	Support	The Government supports the principle that measures with ranges as targets should be modified to a single number except where a range is necessary and appropriate.
<b>Recommendation 28, p63 Chapter 4: The Clarity and Quality of Performance Measures</b>		
<p>The Department of Treasury and Finance update the Model Report to explicitly require departments to provide explanations where:</p> <p>(a) a performance measure has a target of greater than or less than a specific number; and</p> <p>(b) the actual result varies from that specific number by 5 per cent or more.</p>	Not support	Current guidance requests that departments explain <u>all</u> 'significant' movements between targets and expected outcomes. 'Significant' means a five per cent variance (either higher or lower) or a change that may be of public interest. The Government considers that where a performance measure has a target of greater than or less than a specific number and the actual result exceeds or is below the target respectively, the Department has met the target and an explanation is not required.

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 29, p63 Chapter 4: The Clarity and Quality of Performance Measures</b>		
The Department of Treasury and Finance update the Model Report to require departments to provide explanations for any variances between the target and actual result when the target is 100 per cent.	Not support	Current guidance requests that departments explain all 'significant' movements between targets and expected outcomes. 'Significant' means a five per cent variance (either higher or lower). The Government considers that including variances of five per cent or more provides a consistent approach to disclosure of under or over performance across all service delivery.
<b>Recommendation 30, p74 Chapter 4: The Clarity and Quality of Performance Measures</b>		
The Department of State Development, Business and Innovation continue to review those performance measures for which results have consistently exceeded targets to ensure that targets in future budget papers are more challenging than in previous years.	Support	As part of the review process for the 2014-15 Budget, DSDBI revised targets for performance measures where results had been previously exceeded. Targets have been increased across a number of outputs.
<b>Recommendation 31, p74 Chapter 4: The Clarity and Quality of Performance Measures</b>		
The Department of State Development, Business and Innovation examine the performance measures it has received from other departments to determine methods of improving its target setting in future budgets.	Support	DSDBI has recently conducted a review of performance measures in the Energy and Resources portfolio. As a result of the review, the total number of measures has been reduced from 28 to nine.
<b>Recommendation 32, p77 Chapter 5: Setting Targets and Reporting Results</b>		
The Department of Treasury and Finance amend its guidance to also require explanations for targets that are significantly higher than the previous year's expected outcome.	Support	The Government supports this recommendation. The current guidance requires footnotes for 'significant' movements between targets and expected outcomes; 'significant' is defined as a five per cent variance (increase or decrease). DTF will review its guidance to ensure clarity.

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<b>Recommendation 33, p81 Chapter 5: Setting Targets and Reporting Results</b>		
The Department of Treasury and Finance provide guidance for departments on better practice techniques for estimating expected outcomes.	Support	The Government supports this recommendation. DTF will develop guidance for departments on better practice principles for estimating expected outcomes.
<b>Recommendation 34, p83 Chapter 5: Setting Targets and Reporting Results</b>		
The Department of State Development, Business and Innovation review its policy of setting conservative estimates for expected outcomes.	Support-in-principle	There are factors outside of DSDBI's control that can impact on the ability to forecast expected outcomes. As part of the 2014-15 budget process, the Department has identified a number of expected outcomes that will exceed the 2013-14 targets and has adjusted accordingly. DSDBI will continue to use the most relevant and available data to estimate expected outcomes.
<b>Recommendation 35, p84 Chapter 5: Setting Targets and Reporting Results</b>		
The Department of Treasury and Finance alter guidance to explicitly state that the requirement to provide explanations for expected variances from targets extends to measures that are proposed to be discontinued.	Support	The Government supports this recommendation. DTF will clarify the guidance to explicitly require explanations for expected variances from targets in measures that are proposed to be discontinued.
<b>Recommendation 36, p87 Chapter 5: Setting Targets and Reporting Results</b>		
The Model Report be updated to require explanations for variances between targets and actual results to indicate whether the causes of the variances are internal or external factors, as is required for explanations in the budget papers.	Support	The Department of Treasury and Finance will give consideration to ways to improve the Model Report to ensure that the requirements for explanations of variances are consistent with the requirements for budget papers.

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 37, p89 Chapter 5: Setting Targets and Reporting Results</b>		
The Department of Justice, in future annual reports, ensure that explanations are provided for all variances from targets of 5 per cent or more, as required by the Model Report.	Support	The Department of Justice will include explanations for all variances of five per cent or more in its 2013-14 annual report.
<b>Recommendation 38, p89 Chapter 5: Setting Targets and Reporting Results</b>		
The Department of Treasury and Finance specify in the Model Report that the 5 per cent variation threshold for requiring an explanation is not the same as a 5 percentage point variation.	Support	DTF will update the guidance to explain the difference between per cent and percentage point.
<b>Recommendation 39, p90 Chapter 5: Setting Targets and Reporting Results</b>		
The Department of Treasury and Finance update the Model Report to explicitly note that explanations are required for positive outcomes as well as negative outcomes.	Support	The Department of Treasury and Finance will give consideration to ways to improve the 2014-15 Model Report consistent with the Government's response to recommendation 18.
<b>Recommendation 40, p96 Chapter 6: The Role of the Department of Treasury and Finance</b>		
The Government consider requiring a nominated person to certify the accuracy and appropriateness of the performance measurement system of each department in the annual report, as is done in Western Australia.	Under review	Under Victoria's legislative framework, Ministers and the Accountable Officers of their departments have responsibility for management of their performance measurement systems while Government, through the Minister for Finance, is responsible for the appropriateness of the performance measures to be used to assess whether the output has been delivered. The current framework thus does not support nomination of a single person to certify the accuracy and appropriateness of the performance measurement system of each department. The Government will give further consideration to whether, and in what manner, any further certification in relation to performance measures could be provided.

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<b>Recommendation 41, p101 Chapter 6: The Role of the Department of Treasury and Finance</b>		
The Department of Treasury and Finance review this report to identify any additional ways that it might assess components of the performance measurement system when working collaboratively with departments.	Support	The Government recognises the valuable analysis and findings of PAEC's 118th Report into the performance measurement system. DTF will review this report to identify any additional ways that it might assess components of the performance measurement system when working collaboratively with departments.



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**Recommendation 42, p103 Chapter 6: The Role of the Department of Treasury and Finance**

<p>The Department of Premier and Cabinet undertake annual reviews of departments' performance measurement systems. These reviews should ensure that the performance measurement system is adequate to meet the Government's requirements and should consider departmental objectives, departmental objective indicators, performance measures and performance measure targets. These reviews should consider whether:</p> <p>(a) each of these components complies with Government guidance;</p> <p>(b) performance measures are clear, meaningful and robust;</p> <p>(c) targets for performance measures are appropriately challenging and realistic;</p> <p>(d) the components as a group comprehensively describe the departments' activities; and</p> <p>(e) the components are sufficient to provide a clear picture of departmental performance. <i>page 103</i></p>	<p>Not support</p>	<p>The Government notes PAEC's finding that placing quality control processes with DPC may ensure that issues with the performance management system are addressed. Under Victoria's accountability system, relevant Ministers are responsible for approving departmental performance measures.</p>
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PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 43, p103 Chapter 6: The Role of the Department of Treasury and Finance</b>		
The Government ensure that departments are required to address any issues with their components of the performance measurement and reporting system which are identified through quality control processes	Support in Principle	The Government supports the principle of this recommendation. Departments already review any issues raised by DTF as part of the budget quality control process.
<b>Recommendation 44, p104 Chapter 6: The Role of the Department of Treasury and Finance</b>		
In undertaking the planned review of 'public sector performance measurement and reporting', the Auditor-General consider the issues identified in this report. The audit could identify and report on the reasons why Government guidance with respect to the performance measurement and reporting system is not always followed by departments and how this might be rectified.	N/A	The Auditor-General will respond directly to PAEC.
<b>Recommendation 45, p104 Chapter 6: The Role of the Department of Treasury and Finance</b>		
The Auditor-General, on a cyclical basis, review departmental objectives, departmental objective indicators, performance measures and targets to ensure they meet with better-practice criteria.	N/A	The Auditor-General will respond directly to PAEC.
<b>Recommendation 46, p107 Chapter 7: Review of the 2012-13 Annual Reports</b>		
The Victorian Auditor-General consider the findings of this report when conducting the planned audit into 'compliance with non-financial requirements of annual reporting'.	N/A	The Auditor-General will respond directly to PAEC.

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 47 p110 Chapter 7: The Review of the 2012-13 Annual Reports</b>		
The Department of Treasury and Finance include a model set of budget portfolio outcomes statements in future Model Reports.	Support in principle	The <i>2013-14 Model Report for Victorian Government Departments</i> provides extensive guidance to assist entities in mandatory reporting of their budget portfolio outcomes. The Department of Treasury and Finance will give consideration to ways to improve the Model Report.
<b>Recommendation 48 p111 Chapter 7: The Review of the 2012-13 Annual Reports</b>		
The Department of Treasury and Finance work with departments to ensure that they are aware of and understand the requirements for budget portfolio outcomes.	Support	DTF provides information and training sessions with departments to cover the key changes and requirements of the Model Report each year. The Department will ensure that these sessions will incorporate appropriate training and education covering the reporting requirements for budget portfolio outcomes.
<b>Recommendation 49 p113 Chapter 7: The Review of the 2012-13 Annual Reports</b>		
The Department of Treasury and Finance require all departments and agencies to include 'nil reports' when their activities do not trigger the disclosure requirements of relevant Financial Reporting Directions or the Model Report.	Support	The 2014-15 Model Report for Victorian Government Departments will require entities to explicitly state 'nil reports' when their activities or circumstances do not trigger the specified disclosure requirements and thresholds of relevant Financial Reporting Directions.
<b>Recommendation 50 p113 Chapter 7: The Review of the 2012-13 Annual Reports</b>		
The Department of Treasury and Finance update the 2012-13 Model Report to reflect the disclosure of advertising expenditure required by FRD 22D.	Support	The <i>2013-14 Model Report for Victorian Government Departments</i> includes the requirement that entities disclose expenditure on government advertising, as referenced to Financial Reporting Direction (FRD) 22D <i>Standard Disclosures in the Report of Operations</i> . An example of the disclosure is included in Appendix 2 of FRD 22D.
<b>Recommendation 51 p115 Chapter 7: The Review of the 2012-13 Annual Reports</b>		
The Department of Treasury and Finance update the Model Report to require additional disclosure about completed capital projects, using the Department of Environment and Primary Industries' <i>2012-13 Annual Report</i> as a model.	Support in Principle	The Government supports appropriate disclosure about completed capital projects. The Department of Treasury and Finance will give consideration to ways to improve the 2014-15 Model Report.