

Government Responses to the Recommendations of PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE'S 69th Report on the 2004-2005 Budget Outcomes

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) 69th Report.

Guide for Readers:

Following is the explanation of the format of this paper.

1 Chapter number and topic			
2 Responsibility			
1 PAEC Recommendation	2 Response	3 Action Taken to Date	4 Further Action Planned

- Row 1: Indicates the number and topic of the response to the PAEC recommendations.
- Row 2: Indicates the Department with primary responsibility for responding to the recommendation as outlined in the PAEC Report.
- Column 1: Contains the PAEC's recommendations as published in its 69th Report.
- Column 2: Indicates the Government's response to each recommendation (**Accept, Accept in part/principle, Under Review or Reject**).
- Column 3: Indicates those actions relevant to the implementation of the recommendation that have been taken to date.
- Column 4: Indicates the additional actions planned that are relevant to implementation of the recommendation, together with an explanation of the Government's position concerning the recommendation.

CHAPTER 1: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

INTRODUCTION AND RESPONSES TO PREVIOUS BUDGET OUTCOMES REPORT

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 1 (Page 65)

<p>The financial report of the Parliamentary Departments disclose appropriation transfers between output groups.</p>	<p>Accept in Principle</p>	<p>Transfers between groups have not previously been shown.</p>	<p>As the output groups have now been aligned with the Parliamentary Departments, any appropriation transfers will be disclosed within financial reports as required under section 31 of the Financial Management Act 1994.</p>
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• Recommendation 2 (Page 68)

<p>The Department of Treasury and Finance amend section 4.2, paragraph (k) of the Standing Directions of the Minister for Finance to clearly specify the output targets to be included in annual reports.</p>	<p>Accept in Principle</p>	<p>The Standing Directions of the Minister for Finance 4.2 (k) require Government departments to include a comparison of all output targets specified in the State Budget with actual performance against those targets. Currently, all departments comply with this requirement, with actual output performance measure results (for quantity, quality, timeliness and cost measures) reported against published output targets in departments' 2004-05 Annual Reports.</p> <p>In addition, all departments are required to disclose detailed financial statements (including revenue and expenses) on an output basis consistent with AAS29 and the requirements set out in DTF's Model Financial Report for Victorian Government Departments.</p> <p>However, DTF has noted that there may be some scope for a difference in interpretation of the Standing Direction 4.2 (k), given that in 2004-05, two departments did not report output cost targets and associated output cost results in the section of their annual report where they reported their output performance measure results.</p>	<p>The Department of Treasury and Finance will review the existing Standing Direction 4.2(k) to determine whether further clarification is required.</p>
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CHAPTER 1: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

INTRODUCTION AND RESPONSES TO PREVIOUS BUDGET OUTCOMES REPORT

PAEC Recommendation

Response

Action Taken to Date

Further Action Planned

• **Recommendation 3 (Page 68)**

The Department of Treasury and Finance issue guidance to departments clarifying their responsibility for reporting in their annual reports, performance targets for outputs delivered by portfolio agencies.

Accept in Principle

Outputs reflect the aggregate of goods and services which are either produced or delivered by, or on behalf of, a department and its agencies, including its portfolio agencies. As such, the quantity, quality, timeliness and cost performance measures reported are intended to help assess each department's performance in service delivery.

Portfolio agencies are separate reporting entities and guidance currently exists around the timing, extent and nature of the annual reports that they are required to prepare. This guidance, set out in Australian equivalents to International Financial Reporting Standards, Standing Directions and the Victorian Model Financial Report for Government Departments, prescribes the level of information in relation to their financial and operational performance, including any service delivery targets that may be relevant in that particular year.

The Department of Treasury and Finance will review existing guidance and determine whether further clarification is required or whether additional guidance may be required.

• **Recommendation 4 (Page 69)**

The Department of Treasury and Finance issue instructions to departments about specifying the threshold for disclosing explanations for significant variations between output targets and actual performance in their annual reports.

Accept in Principle

Standing Directions of the Minister for Finance 4.2 (k) require departments to provide a 'comparison' between output targets and actual performance against those targets. In their 2004-05 Annual Reports, many departments provided explanations where significant or material variances in expected performance occurred.

In addition, in the Departmental output statements which are published in Budget Paper Number 3 *Service Delivery*, the Actual performance measure result is published alongside the estimates for the next two financial years. In the 2006-07 Budget, the Department of Treasury and Finance (DTF) worked closely with departments to enhance the level of information disclosed in relation to movements in targets and actual results between budget years. In particular, DTF issued clear guidance in *Budget and Financial Management Information Request No 30 Final Information Requirements and Timelines for the 2006-07 Budget* that required departments to consider providing a footnote where there is a movement in the performance measure which is materially or otherwise significant, which is generally any movement above 5-10 per cent.

The Department of Treasury and Finance will continue to work with departments to enhance and improve the level and nature of disclosure of variations in performance results.

CHAPTER 1: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

INTRODUCTION AND RESPONSES TO PREVIOUS BUDGET OUTCOMES REPORT

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
---------------------	----------	----------------------	------------------------

• Recommendation 5 (Page 70)

<p>The Department of Treasury and Finance review the guidelines for reporting asset investment projects in Budget Information Paper No.1, Public Sector Asset Investment Program, to include asset projects currently excluded by the guidelines.</p>	<p>Reject</p>	<p>The purpose of the Public Sector Asset Investment Program – Budget Information Number 1 (BIP 1) is to outline major asset investment in the financial year for the general government sector and major public non-financial corporations, as well as <i>Partnerships Victoria</i> projects. BIP 1 provides a highly comprehensive and detailed listing of public sector asset investments that will either increase service delivery capacity or sustain the existing service capacity of assets.</p> <p>Each year, the Department of Treasury and Finance (DTF) assesses the guidance it provides in relation to the threshold for reporting of asset investments in BIP 1. Currently, BIP 1 excludes finite projects due for completion in the previous financial year with a final planned capital expenditure of less than \$30,000.</p> <p>This threshold has been established with the view that public sector assets with less than \$30,000 estimated expenditure are minor capital works expected to be completed within a financial year. Information about existing projects with remaining expenditure of less than \$30,000 in the completion year can be found in earlier editions of BIP 1 depending on levels of remaining expenditure.</p>	<p>BIP 1 is intended to outline major asset projects. The remaining asset expenditure not reported in BIP 1 generally relates to minor capital works that are expected to be completed within one financial year. As such DTF believes that the \$30,000 threshold does not undermine the accountability and transparency of the document as over 95% of asset expenditure at a point in time is reported. DTF, through its commitment to the continuous improvement of Victoria's financial reporting framework, will continue to ensure that reporting guidelines remain relevant and transparent.</p>
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• Recommendation 6 (Page 71)

<p>The Department of Treasury and Finance include in Financial Reporting Direction 22 a requirement for departments to provide explanations for year-on-year movements in non-executive officer positions.</p>	<p>Under Review</p>	<p>Financial Reporting Direction 22A <i>Standard Disclosures in the Report of Operations</i> sets out the information disclosure requirements for entities in their Annual Report. These requirements include the disclosure of workforce data specific to Victorian public sector (VPS) employees (non-executive officer positions).</p> <p>In November 2005, a working group, comprising the State Services Authority, the Department of Premier and Cabinet and the Department of Treasury and Finance, undertook a review of the disclosure of workforce data by Departments.</p>	<p>Proposed variations to disclosure requirements are the subject of consultations with Departments.</p>
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CHAPTER 1: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

INTRODUCTION AND RESPONSES TO PREVIOUS BUDGET OUTCOMES REPORT

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
---------------------	----------	----------------------	------------------------

• Recommendation 7 (Page 71)

The Department of Treasury and Finance amend the Standing Directions to require agencies to make the disclosure recommended by the Committee in recommendation no.68 in its Report on the 2003-04 Budget Outcomes.

Accept in Principle

Recommendation 68 in the Committee's 62nd Report to Parliament requested the disclosure by DPC portfolio agencies of financial policies pertaining to funding depreciation in their annual financial statements.

The Department of Treasury and Finance consider that there is currently no need to amend the Standing Directions given that there already are a number of guidances in relation to the disclosure of accounting policies. For example, Financial Reporting Direction 103 *Non-Current Physical Assets* and Australian equivalents to International Financial Reporting Standards set out the disclosure requirements of accounting policies used that are relevant to gaining an understanding of the financial report.

Portfolio agencies are separate reporting entities and guidance currently exists around the timing, extent and nature of the annual financial reports that they are required to prepare. In particular AASB 101 requires the separate disclosure in Note 1 to the financial statements in relation to the accounting policies that are used.

The Department of Treasury and Finance consider that existing disclosure requirements are sufficient.

The Department of Treasury and Finance will continue to ensure that departments and portfolio agencies continue to be aware of these requirements.

CHAPTER 3: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

NEW VPS STAFFING STRUCTURE; STRESS CLAIMS; AND PERFORMANCE BONUSES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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<p>• Recommendation 8 (Page 89)</p>			
<p>The State Services Authority, or the Victorian WorkCover Authority:</p> <p>(a) undertake further research on workplace bullying in the Victorian public sector;</p> <p>(b) evaluate the effectiveness of existing deterrent strategies; and</p> <p>(c) if necessary, develop further strategies to address these problems.</p>	<p>Under Review</p>	<p>The Government advises that the State Services Authority expects to undertake work in this area over 2006 – 2007 pertaining to the functions of the Public Sector Standards Commissioner (PSSC).</p>	<p>The PSSC has noted Recommendation 8 of the PAEC Report and will consider this in scoping work in this area.</p>
<p>• Recommendation 9 (Page 93)</p>			
<p>The State Services Authority, or the Victorian WorkCover Authority, continue to conduct evaluations of departmental strategies to promote early return to work following a stress related claim.</p>	<p>Accept in Principle</p>	<p>During 2004-05, WorkSafe in consultation with government departments and public sector unions developed and implemented a pilot stress prevention program in 2 departments.</p>	<p>WorkSafe is evaluating the findings from the pilot program on the effectiveness of risk management approaches and will be developing guidance material during 2006.</p>
<p>• Recommendation 10 (Page 94)</p>			
<p>The State Services Authority, or the Victorian WorkCover Authority, continue to conduct research into the factors contributing to stress related workers compensation claims in the Victorian public sector.</p>	<p>Accept in Principle</p>	<p>During 2004-05, WorkSafe in consultation with government departments and public sector unions developed and implemented a pilot stress prevention program in 2 departments.</p>	<p>WorkSafe is evaluating the findings from the pilot program on the effectiveness of risk management approaches and will be developing guidance material during 2006.</p>

CHAPTER 3: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

NEW VPS STAFFING STRUCTURE; STRESS CLAIMS; AND PERFORMANCE BONUSES

PAEC Recommendation

Response

Action Taken to Date

Further Action Planned

• Recommendation 11 (Page 96)

To ensure that processes established for executive performance assessment and allocation of performance pay across government agencies are fair and provide bonus ranges that are generally consistent across the Victorian public sector, the State Services Authority encourage all agencies to make performance incentive payments that fall within the bands specified by the government.

Accept

The current policy provides a template for performance management outcomes that ensures that only performance at the superior or outstanding level is rewarded with a bonus. Agencies are able to develop their own systems of performance management and assessment provided that the threshold for awarding a bonus is performance at a level above 'satisfactory' or 'competent'. As a result of the development of agency specific systems the percentage bonus parameters in the generic policy may not fit if a local system has more than four assessment levels. Variations, between Agencies, of percentage bonuses awarded could therefore occur for a level of performance above the threshold level.

The SSA/DPC will reiterate that bonuses are only payable at the threshold performance level.

• Recommendation 12 (Page 104)

Given that the vast majority of the most senior executives in government agencies continued to be assessed as performing at a level that exceeded the requirements of most or all criteria, and in some cases even far exceeded the expectations in the more critical areas, the characteristics of superior or exceptional performance be described in a personal achievements section of the annual reports of departments:

(a) as recognition of performance excellence for the year; and

Accept in Part

The Government is committed to the principle that bonus payments should be used for rewarding truly exceptional performance. It is not possible however to impose fixed criteria for the awarding of performance pay across the Government sector, such as those suggested, because of differences in department and agency functions and differences in executive roles. The Government encourages the role-modelling of outstanding executive performance, and believes the profiling of exceptional performers would be valuable. This is so particularly given the relative modesty of public sector executive remuneration in comparison with private sector equivalents, and the high quality outputs provided by the Victorian public sector whilst maintaining one of the lowest rates of wage growth of any sector in Australia. Although it would be inappropriate due to privacy considerations to require departments to profile executives in receipt of performance bonuses, the Government encourages departments and executives to consider this role modelling on a voluntary basis.

No further action planned

CHAPTER 3: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

NEW VPS STAFFING STRUCTURE; STRESS CLAIMS; AND PERFORMANCE BONUSES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
<p>(b) to demonstrate how this level of executive performance was linked to organisational performance, thereby contributing to achieving or exceeding planned outputs and outcomes for the year, bearing in mind that executives effectively carrying out their duties should not receive a bonus. As part of the process of disclosing the parameters used to determine eligibility, performance pay should be linked to performance on social, environmental and financial criteria as well as on ethical issues where appropriate.</p>			
<p>• Recommendation 13 (Page 104)</p>			
<p>The prevalence of bonuses paid to the most senior executives in agencies in a given year be reflected in the proportion of lower level executives receiving performance pay in the same performance assessment period.</p>	<p>Reject</p>	<p>Performance management systems are designed to ensure an impartial measure of an individual's performance. Forcing a distribution to ensure that executives at a certain level are equally represented in the distribution of bonuses is contrary to the design principles underpinning performance management.</p>	<p>SSA/DPC to reiterate to Agencies that performance should be measured and bonuses awarded impartially regardless of classification.</p>
<p>• Recommendation 14 (Page 104)</p>			
<p>Where the performance of executives has been assessed as superior or exceptional, performance criteria and targets be made more challenging for the following year.</p>	<p>Accept</p>	<p>Performance criteria should be set at a challenging but achievable level.</p>	<p>SSA/DPC to remind Agencies that performance targets for executives should be set at an appropriate level considering the classification of the employee.</p>

CHAPTER 3: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

NEW VPS STAFFING STRUCTURE; STRESS CLAIMS; AND PERFORMANCE BONUSES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 15 (Page 106)

<p>The financial statements and annual reports of all public sector agencies disclose full details of remuneration packages paid to the most senior executives in those organisations, including the payment of performance bonuses.</p>	<p>Accept in Principle</p>	<p>Financial Reporting Direction 21A Responsible Person and Executive Officer Disclosures in the Financial Report section 2(a) and (b) set out clear guidance to public sector agencies in relation to the disclosure of meaningful information to explain executive officer remuneration.</p> <p>In particular Section 2(a) requires that “additional information may need to be disclosed about the nature of such remuneration, for example, annual bonuses” and Section 2(b) requires that “base remuneration should be disclosed separately from actual remuneration. Any significant variations between total and base remuneration (ie annual bonuses) should be supported by explanatory commentary”.</p>	<p>The Department of Treasury and Finance will continue to work together with Departments to ensure compliance with FRD 21A, particularly in relation to providing commentary that sufficiently balances transparency and accountability with privacy for the individual.</p>
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CHAPTER 4: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

ENVIRONMENTAL REPORTING; PROJECT ROSETTA; ADVERTISING AND PROMOTIONAL EXPENDITURE

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
---------------------	----------	----------------------	------------------------

• Recommendation 16 (Page 119)

<p>The Minister for Finance amend Financial Reporting Direction 24 or establish a new Financial Reporting Direction mandating that annual reports of government departments and agencies include:</p> <p>(a) targets in areas such as paper use and water consumption to assess agency performance in reducing environmental impacts;</p> <p>(b) costs and savings (where available) of office-based environmental impacts, as well as the comparative data from the previous financial year; and</p> <p>(c) an environmental auditor's verification statement on the reliability and accuracy of data used for environmental reporting.</p>	<p>Accept in Principle</p>	<p>Financial Reporting Direction 24 <i>Reporting of Office-based Environmental Data by Government</i> (FRD 24) sets out the minimum reporting requirements for departments in relation to its office-based environmental impacts. FRD 24 has an operative date of 1 July 2005 and is therefore applicable to annual reports from 2005-06. The FRD addresses (a) in the first instance.</p> <p>FRD 24 sections 3 and 4 are explicit about the paper and water use disclosures required and make specific reference to the measurement of paper use and water consumption, including what should be measured. In addition, the Commissioner for Environmental Sustainability Review of Procurement recently recommended target setting for a small number of goods and services, and that these targets be considered for reporting in FRD 24. The Government has accepted this recommendation with the view that any targets set do not compromise the principle of ensuring value for money.</p> <p>At this stage, the FRD does not request information in relation to costs and savings. Given that the process of measuring and reporting environmental impact information is relatively new, the quantification of associated costs and savings, as well as other environmental impacts, is contingent upon the collection of quality data.</p> <p>The <i>Environment Protection Act 1970</i> requires departments to have their Environmental Management System (EMS) audited annually by an environmental auditor. At this stage the auditor's statement is not required to be included in departments' annual reports. Since the EMS process is relatively new the appropriate level and extent of accountability is still under consideration.</p>	<p>The Department of Treasury and Finance will continue to work with departments to improve the level and quality of information reported in respect to environmental impacts. In addition, the Department of Treasury and Finance, with the relevant environmental agencies, will continue to explore opportunities to improve the level and extent of environmental reporting.</p>
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CHAPTER 4: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

ENVIRONMENTAL REPORTING; PROJECT ROSETTA; ADVERTISING AND PROMOTIONAL EXPENDITURE

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
---------------------	----------	----------------------	------------------------

• Recommendation 17 (Page 119)

<p>The government, when determining future action to be taken beyond the June 2006 greenhouse targets:</p> <p>(a) examine the potential to redefine existing mandatory targets such as expanding the existing target on greenhouse gas emissions from the government vehicle fleet to include total energy use; and</p> <p>(b) include a requirement that agencies report in their annual reports progress on the degree to which mandatory greenhouse targets have been achieved against baseline data.</p>	<p>Accept in Principle</p>	<p>Within its Departmental Annual Report, the Department of Sustainability and Environment (DSE) currently reports a triple bottom line framework, underpinned by a framework of economic, social and environmental indicators.</p> <p>The Department of Treasury and Finance supports DSE's triple bottom line reporting and believes that DSE is a leader in triple bottom line reporting in the Victorian Public Sector.</p> <p>Some Office based agencies currently report on Government Energy Targets.</p>	<p>The Department of Treasury and Finance will continue to work with DSE to assist them where possible to enhance their existing triple bottom line reporting framework, with a view to encouraging application of the reporting framework by other departments as appropriate.</p> <p>The Government is examining the potential to redefine and expand targets to include total energy use. In <i>Our Environment Our Future</i> (Sustainability Action Statement 2006) – Section 16: Government Leading by Example, outlines the Government commitment to expansion of the Environmental Management System (16.1), Sustainable Government Decision Making (16.2) and Resource Efficiency (16.11).</p> <p>This will be discussed with the Department of Treasury and Finance.</p>
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• Recommendation 18 (Page 120)

<p>The Victorian Government develop a policy for the progressive introduction of reporting of non office based environmental impacts within annual reports of departments and agencies.</p>	<p>Under Review</p>	<p>The Department is currently developing a Sustainability Report – the decision to broaden this out across Government would not be made by DSE alone.</p>	<p>To be discussed with central agencies.</p>
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CHAPTER 4: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

ENVIRONMENTAL REPORTING; PROJECT ROSETTA; ADVERTISING AND PROMOTIONAL EXPENDITURE

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
---------------------	----------	----------------------	------------------------

• Recommendation 19 (Page 122)

<p>The Department of Sustainability and Environment:</p> <p>(a) be designated and supported as the first Victorian department to move to triple bottom line reporting; and</p> <p>(b) in conjunction with the Department of Treasury and Finance, have the lead responsibility for encouraging and assisting other departments in adopting triple bottom line reporting.</p>	<p>Accept in Principle</p>	<p>The Department has continued to improve its Triple Bottom Line (TBL) reporting in the Annual Report over the last three years.</p> <p>Through the Department's participation with the Public Sector Agency for Sustainability Reporting, the Department is leading the development of TBL reporting within the Victorian public sector.</p> <p>The department assists the Commissioner for Environmental Sustainability to conduct his strategic EMS audits by providing performance information. The department also follows the Minister for Finance's Direction (FRD24A) on office based environmental reporting.</p>	<p>A further refinement of TBL will be included in the 2005-06 Annual Report consistent with the Global Reporting Initiative (GRI). The Department is working the Public Sector Agency for Sustainability Reporting to support the Department's TBL development.</p> <p>The Department will continue to work with the Public Sector Agency for Sustainability Reporting on the development of TBL reporting within the Victorian public sector.</p>
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• Recommendation 20 (Page 136)

<p>The Department of Premier and Cabinet expand the guidelines for government advertising and communication to reflect the government quotas for the proportion of departmental advertising expenditure to be dedicated each year to:</p> <p>(a) culturally and linguistically diverse activities; and</p> <p>(b) activities associated with rural and regional audiences in Victoria.</p>	<p>Accept in Principle</p>	<p>Implementation of a new master advertising media buying framework will enable better and more timely internal reporting on expenditure components so that feedback on performance to date can be provided to departments prior to year-end.</p> <p>There have been improvements in training and development for government communications staff on use of specialist media to reach CALD and regional audiences.</p>	<p>DPC will review current guidelines, and mechanisms which encourage or enforce compliance with guidelines.</p>
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CHAPTER 4: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

ENVIRONMENTAL REPORTING; PROJECT ROSETTA; ADVERTISING AND PROMOTIONAL EXPENDITURE

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
---------------------	----------	----------------------	------------------------

<p>• Recommendation 21 (Page 136)</p>			
<p>The Department of Premier and Cabinet widen the guidelines for government advertising and communication to ensure that achieving value for money is a criterion for engaging in advertising activities.</p>	<p>Accept</p>	<ul style="list-style-type: none"> • Definition of value for money has several dimensions, but the establish of the Government Communications Review Group has established a strong peer review culture across departments which now assesses proposed communication activities in relation to: <ul style="list-style-type: none"> – Appropriate and proportionate use of resources; – Clear statement of objectives; – Unambiguous means of evaluation performance against stated objective. 	<p>A review of GCRG compliance mechanisms that improve and expand the ability of Government to further encourage or enforce value for money outcomes.</p>
<p>• Recommendation 22 (Page 137)</p>			
<p>The Department of Treasury and Finance expand the annual reporting requirements of departments to incorporate information on the cost and management of government advertising and promotional programs.</p>	<p>Accept in Principle</p>	<p>Financial Reporting Direction 22A <i>Standard Disclosures in the Report of Operations</i> requires departments to disclose any information in their annual report which may be relevant to the current reporting period. This guidance includes:</p> <ul style="list-style-type: none"> • Details of publications produced by the entity about itself; • Details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services; • A list of the major committees sponsored by the entity; as well as • Detailed expenditure information in relation to consultancies. <p>The Department of Treasury and Finance notes that the extent to which details in relation to this area of expenditure is disclosed is at the discretion of each department.</p>	<p>The Department of Treasury and Finance will continue to work with departments where necessary to ensure that information disclosure is appropriate and relevant.</p>

CHAPTER 4: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

ENVIRONMENTAL REPORTING; PROJECT ROSETTA; ADVERTISING AND PROMOTIONAL EXPENDITURE

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
---------------------	----------	----------------------	------------------------

• Recommendation 23 (Page 137)

<p>To enhance the transparency of government advertising and promotional programs, all departments be required to review their accounts relating to advertising and promotion to ensure that communication activities are appropriately reported on an annual basis.</p>	<p>Accept in Principle</p>	<p>Financial Reporting Direction 22A <i>Standard Disclosures in the Report of Operations</i> requires departments to disclose any information in their annual report which may be relevant to the current reporting period, including communication activities.</p>	<p>The Department of Treasury and Finance will continue to encourage departments to ensure that they correctly account for and report expenditure in relation to communication activities.</p>
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• Recommendation 24 (Page 137)

<p>The Department of Premier and Cabinet require all departmental communication units to report directly to their departmental Secretary.</p>	<p>Accept</p>	<p>DPC has conducted stand-alone audits of the communication functions within individual departments, and in each case, recommendations have included making the communications function a more senior and influential voice in management decision making.</p>	<p>Develop a best practice model for management of the communications and advertising function within the Victorian Government.</p>
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CHAPTER 5: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

PARLIAMENTARY DEPARTMENTS

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 25 (Page 168)

The Department of Parliamentary Services improve its level of accountability to the community by including in its annual report quantitative measures of actual and targeted levels of performance.	Accept in Principle	Parliament will continue to report on performance targets and results.	Where appropriate, quantitative measures will be used.
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• Recommendation 26 (Page 168)

The parliamentary departments include in their annual reports, summarised results of the survey of Members, with previous survey results included for comparative purposes. Key strategies the parliamentary departments intend to undertake to address issues raised by survey results should also be provided in their annual reports.	Reject	Results of Members and staff satisfaction survey are already used to report outcome measures.	No further action required.
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CHAPTER 6: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

VICTORIAN AUDITOR-GENERAL'S OFFICE

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• **Recommendation 27 (Page 178)**

<p>To demonstrate the impact that audits have had in terms of generating cost savings from the adoption of audit recommendations, the Victorian Auditor-General's Office give consideration to:</p> <p>(a) evaluating the benefits of topics for inclusion in the annual plan in terms of the ability to generate potential cost savings;</p> <p>(b) framing lines of enquiry in audit specifications specifically directed at exploring areas that may contribute to potential savings; and</p>	<p>Reject</p>	<p>Review of the adequacy of our current criteria for determining topics for inclusion in the annual plan.</p> <p>Review of the adequacy of our current procedures for determining lines of enquiry for individual audits.</p>	<p>No further action planned as, following review, the current selection criteria allow for effective consideration of all potential audit objectives and outcomes.</p> <p>Selection of topics for inclusion in the annual plan is based on robust selection criteria, which include potential for improved resource and financial management. It is not appropriate to give increased emphasis to one specific area, such as potential cost savings, in preference to other criteria when determining and prioritising audit topics.</p> <p>Individual audits may be directed to achieving a range of audit objectives and intended outcomes. Accordingly, the extent to which lines of enquiry are directed specifically at areas that may contribute to potential savings will continue to depend on the objectives and intended outcomes of each audit.</p>
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CHAPTER 6: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

VICTORIAN AUDITOR-GENERAL'S OFFICE

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
<p>(c) quantifying the scale and source of savings generated from the implementation of audit recommendations in the annual report of the Victorian Auditor-General's Office.</p>		<p>Discussions with the small number of audit offices in other jurisdictions, both Australian and international, that currently attempt to quantify cost savings arising from their audit activities.</p> <p>There are a number of limitations with introducing a measure of this nature. In particular:</p> <ul style="list-style-type: none"> • It is not possible to clearly attribute cost savings to the implementation of audit recommendations as any savings achieved may jointly result from a wide range of factors in addition to the recommendation, such as other management actions, the economic climate and government or industry-wide initiatives. • Cost savings measures only one of a range of potential outcomes that may result from an audit. Not all audits are intended to result in cost savings but may be designed to achieve other key outcomes such as greater compliance with legislative and policy requirements, better effectiveness or efficiency in the delivery of programs, or improved accountability to Parliament and other stakeholders. • Given the above limitations, the cost of attempting to quantify cost savings is difficult to justify. <p>Other audit offices that currently attempt to quantify cost savings expressed similar concerns over the use of cost savings as a measure of audit outcomes during our discussions with them.</p>	<p>Continue to look at ways of improving measurement of the outcomes of all our audit activities. However, given the limitations referred to above, no further action is planned at this stage relating to quantifying cost savings from audit recommendations.</p>
<p>• Recommendation 28 (Page 178)</p>			
<p>The Victorian Auditor-General's Office seek to establish a suitable target for the extent of validated financial savings to be generated each year from the implementation of audit recommendations by public sector agencies.</p>	<p>Under Review</p>	<p>VAGO has undertaken discussions with the small number of audit offices in other jurisdictions, both Australian and international, that currently establish a target for financial savings arising from their audit activities.</p>	<p>No further action is planned at this stage relating to setting targets for cost savings to be generated from audit recommendations.</p>

CHAPTER 6: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

VICTORIAN AUDITOR-GENERAL'S OFFICE

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 29 (Page 180)

<p>The Victorian Auditor-General's Office ensure comparisons are made against the original budgets for each audit when reporting the final costs of completing performance audits. To ensure that full accountability is preserved, explanations for budget variations should, in part, be linked to any changed circumstances that occurred during the course of the audit.</p>	<p>Accept in Principle</p>	<p>Ongoing assessment of the procedures and documentation used to approve any variations to original budgets and to monitor and record actual performance compared to approved budgets.</p>	<p>Explanations of reasons for budget changes are provided as part of existing approval processes. Any variations to original budgets for performance audits are approved by the Auditor-General following consideration of changed circumstances or other factors that have led to the request for a budget variation. Actual costs incurred are progressively compared to the approved budget throughout each audit. Explanations for any variations between actual costs and the approved budget are documented within the audit file.</p> <p>VAGO is currently undertaking a major project to enhance policies, guidance material and documentation for performance audits. This project will include consideration of possible improvements to the approval and monitoring of budgets, including requirements for clear documentation of any linkages between budget variations and changed circumstances occurring during audits.</p>
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• Recommendation 30 (Page 180)

<p>Where a performance audit budget is increased to reflect changing circumstances, the annual report of the Victorian Auditor-General's Office include an explanation about the affect of this adjustment on the remainder of the performance audit program for the year.</p>	<p>Accept in Part</p>	<p>A review of the level of disclosure made in the VAGO annual report of the impact, if any, on the delivery of our time and cost output targets due to changing circumstances within individual audits.</p>	<p>No further action proposed as explanations of any variation to overall output targets, including the number of major reports, are already provided, where applicable, in the annual report.</p>
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CHAPTER 6: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

VICTORIAN AUDITOR-GENERAL'S OFFICE

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 31 (Page 186)

<p>To finalise financial statement audits in a timely manner, the Auditor-General consider advising audit committees of the importance of reviewing and responding to draft management letters as soon as possible.</p>	<p>Accept</p>	<p>Audit committees are being progressively advised by senior audit staff, when they attend audit committee meetings, of the importance of reviewing and responding to draft management letters as soon as possible.</p>	<p>The process of advising audit committees of the importance of reviewing and responding to draft management letters as soon as possible will continue for future audit cycles.</p> <p>A range of other actions to improve the timeliness of issue of final management letters are being progressively implemented.</p>
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• Recommendation 32 (Page 187)

<p>To conclude the annual financial audit process, the Victorian Auditor-General's Office consider surveying client agencies to determine their expectations regarding an appropriate timeframe for receiving the finalised management letter.</p>	<p>Reject</p>	<p>No action required as the target for management letters was established as a result of extensive feedback from client agencies.</p> <p>A survey of client agencies is not considered necessary as the current target for the issue of management letters has been based on extensive feedback received from audited agencies in previous audit cycles and is reconsidered each year in light of any additional feedback received.</p>	<p>No further action planned.</p>
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CHAPTER 7: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF EDUCATION AND TRAINING

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• **Recommendation 33 (Page 194)**

<p>The Department of Education and Training centrally monitor levels of fixed term teacher employment to determine whether this is likely to act as a disincentive to attracting and retaining high quality teaching staff.</p>	<p>Accept in Principle</p>	<p>The Department has been centrally monitoring levels of fixed term employment since 1994 and will continue to do so.</p> <p>The Department is continuing to implement the Government's policy of maximising ongoing employment opportunities for teachers in Victorian Government schools. To date, almost 2000 teachers have been translated from fixed term to ongoing employment under the provisions of the <i>Victorian Government Schools Agreement 2004</i>. The Agreement requires that principals enter a reason for advertisement of each fixed term vacancy enabling better trend data to be established.</p> <p>The total number of teachers employed for fixed periods varies during the school year primarily due to the number of teachers on leave at any particular time. On average around 11% to 12% of teachers are absent on leave of six weeks or longer which accounts for more than 65% of all fixed term employment.</p> <p>The resignation rate of teaching service staff on fixed term agreements was 1.9% in 2004, implying that the majority of staff on fixed term agreements complete their period of fixed term employment.</p> <p>On the basis of the information available, the Department is satisfied that the vast majority of principals are employing fixed-term for genuine reasons and that the proportion of fixed term teachers reflects the current workforce requirements of schools. The Department does not believe that fixed term employment is a disincentive to attracting and retaining teaching staff.</p>	<p>No further action planned.</p>
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CHAPTER 7: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF EDUCATION AND TRAINING

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
---------------------	----------	----------------------	------------------------

• Recommendation 34 (Page 198)

<p>The Department of Education and Training assess the introduction of the balanced score card approach to performance management for the principal class, and use the outcomes to inform the future direction of this initiative.</p>	<p>Accept in Principle</p>	<p>The Department has assessed the introduction of the balanced score card prior to the introduction of the new Principal Class Performance and Development process.</p> <p>The key features of the new process include:</p> <ul style="list-style-type: none"> • a focus on school effectiveness and student outcomes through a strong alignment with the School Accountability and Improvement Framework; • inclusion of multiple sources of feedback on school and individual leadership effectiveness; • an emphasis on continuous learning and development; and • regular dialogue and quality conversations. <p>Guidelines for the new Principal Class Performance and Development Process were distributed in November 2005 and all Principal Class Officers are using the new process for the 2006 cycle.</p>	<p>Ongoing monitoring.</p>
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CHAPTER 7: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF EDUCATION AND TRAINING

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
----------------------------	-----------------	-----------------------------	-------------------------------

• Recommendation 35 (Page 200)

<p>The Department of Education and Training quickly resolve the placement of better performing principals in challenging schools and, if this initiative is to proceed, it be accompanied by the establishment of:</p> <ul style="list-style-type: none"> (a) goals and outcomes from these placements; (b) support arrangements for principals; and (c) incentive packages to encourage the take up of these placements. 	<p>Accept in Principle</p>	<p>The Development Program for High Performing Principals is continuing to be implemented and refined. At this stage of the program the direct placement of principals in challenging schools is still under review.</p> <p>The Department currently uses a range of strategies to support principals in challenging schools including, where appropriate, matching such principals with highly effective principals. Other strategies include:</p> <ul style="list-style-type: none"> • the development of improvement plans that include goals and outcomes and clearly defined intervention strategies; and • utilising the knowledge and expertise of high performing principals; <p>In addition, a range of initiatives are being implemented to support and develop the leadership skills of principals and leadership teams in challenging circumstances, including:</p> <ul style="list-style-type: none"> • Building Capacity for Improvement Program; • Innovative Designs for Enhancing Achievement in Improving Schools Program (IDEAS); • Mentoring for first time principals; and • Coaching to Enhance the Capabilities of Experienced Principals. 	<p>Any future roll out of initiatives of this type will include consideration of expected outcomes, support mechanisms and incentives for participants.</p>
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CHAPTER 7: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF EDUCATION AND TRAINING

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 36 (Page 201)

<p>The Department of Education and Training examine, as part of the school review process, the extent to which decisions by schools on the use of additional funding, arising from the Student Resource Package, are consistent with the department's goals of improved student engagement and learning outcomes.</p>	<p>Accept in Principle</p>	<p>The Student Resource Package has been implemented to ensure that additional funding invested in education is spent where there is the greatest potential and need for educational improvement.</p> <p>The school review is a key element of the new School Accountability and Improvement Framework, and is designed to provide an expert, independent analysis of student outcomes including: student learning; student engagement and wellbeing; and student pathways and transitions. The school review process assesses the extent to which a school achieves its goals and targets with the resources available to it. This includes any funding provided as part of the Student Resource Package.</p> <p>Schools set their goals and targets for student outcomes based on the needs of students in their school and under the oversight of the Regional Director. The School Accountability and Improvement Framework requires schools to report against these outcomes on an annual basis.</p>	<p>No further action planned.</p>
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CHAPTER 7: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF EDUCATION AND TRAINING

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 37 (Page 202)

<p>The Department of Education and Training conduct a longitudinal study of all students, who have either completed or have failed to complete the Victorian Certificate of Applied Learning and are not in employment or in other forms of education and training, as a means of determining additional action that may be required to address any significant concerns.</p>	<p>Accept in Principle</p>	<p>This issue is addressed as part of the Government's On Track initiative. On Track supports the successful transition of young people from school to further education, training and employment by following up on them six months after they leave school and providing further assistance if required.</p> <p>Longitudinal surveys are included in the On Track destination survey initiative. The first longitudinal survey is tracking 3,500 students who left school in 2003 over a five year period to enable more in-depth analysis of pathways from school to further study and work.</p> <p>A second longitudinal survey is following a further 5,710 students who left school in 2004. This survey has been designed to study specific student groups including students who undertook the Victorian Certificate of Applied Learning (VCAL).</p> <p>However, a separate longitudinal studying focused on VCAL completers is not planned because the VCAL completer cohort in any one year (by comparison with the number of year 12 completers) is too small to recruit a longitudinal sample that would provide robust data.</p>	<p>No further action planned.</p>
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CHAPTER 7: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF EDUCATION AND TRAINING

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 38 (Page 203)			
<p>The Department of Education and Training review the provision of departmental housing, taking into account:</p> <p>(a) whether there is a need to retain departmental housing in more attractive locations or provide other housing options and, conversely, whether additional housing should be provided in difficult-to-staff locations;</p> <p>(b) the appropriate level of maintenance taking into account the current condition of houses; and</p> <p>(c) the need for more formalised tenancy arrangements with teachers.</p>	<p>Accept in Principle</p>	<p>The Department is undertaking a review of the provision of teacher housing. The scope of the review includes an assessment of current teacher housing provision and future requirements.</p>	<p>The recommendations from the review will be considered and implemented as appropriate.</p>

CHAPTER 8: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF HUMAN SERVICES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
<p>• Recommendation 39 (Page 211)</p>			
<p>To enable meaningful analysis to be undertaken between planned and actual performance, the Department of Human Services ensure targets reflect sustainable improvements in service levels when performance has consistently exceeded expectations over prior years.</p>	<p>Accept in Principle</p>	<p>Outputs and associated performance measures are reviewed and refined on an annual basis as part of the State budget cycle. Where appropriate, performance targets are adjusted to reflect sustained and sustainable improvements in service performance.</p> <p>However, the setting of performance targets is influenced by a variety of factors including: funding for growth in demand for services, changes in service pricing and investment in new output services.</p> <p>Factors other than improvements in service performance also influence target setting. These include: improvements or changes in data quality and reporting reliability; changes to patterns of service delivery arising from service innovation, or increasing client and treatment complexity; additionally some targets reflect capacity funding rather than throughput activity.</p> <p>In addressing these influencing factors it is not necessarily appropriate to adjust targets following higher actual performance than the estimated target.</p>	<p>The Department of Human Services will continue to monitor performance trends and adjust future targets as appropriate.</p>
<p>• Recommendation 40 (Page 211)</p>			
<p>To assist in the understanding and interpretation of performance related information, the budget papers and the annual report of the Department of Human Services fully explain the basis for developing the new measure to quantify respite services provided to individuals, families or carers of people with disabilities.</p>	<p>Under Review</p>	<p>With changes to Disability legislation coming into effect from 1 July 2007 the Department has commenced a process of reviewing all performance measures and targets.</p>	<p>The performance measures for respite will be considered as part of the implementation of the Disability Act, along with all other performance measures and targets.</p>

CHAPTER 8: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF HUMAN SERVICES

PAEC Recommendation

Response

Action Taken to Date

Further Action Planned

• Recommendation 41 (Page 213)

Where it may not be clear whether a significant variance between planned activity and actual performance should be commended or viewed with concern, the Department of Human Services disclose in its annual report an explanation as to whether the result reported against the performance measure, represents a positive or a negative outcome for the department and the community.

Accept in Principle

The Department of Human Services' regular monitoring processes focus on performance against output targets, departmental response where there is variance between planned activity and actual performance, and an increasing emphasis on clarity concerning outcomes for communities. In this regard, footnotes are utilised in the annual report to provide clarification concerning output performance issues.

The Department of Human Services will continue to provide explanatory information in its annual report to ensure reporting clarity.

• Recommendation 42 (Page 217)

The Department of Human Services appropriately disclose in its reporting framework details about additional funding received and show the effect that this funding has had in terms of the ability of the department to meet or exceed its performance targets.

Reject

In accordance with the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, the Department of Human Services ensures that the Annual Report provides a comparison of the portfolio actual results to the published Budget Paper targets for the corresponding financial year.

No further action planned.

CHAPTER 8: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF HUMAN SERVICES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 43 (Page 221)

<p>The Department of Human Services ensure it has an effective monitoring regime in place so that corporate governance arrangements at Melbourne Health involving the role of the board, its audit committee, senior management, and internal audit provide ongoing and adequate oversight of financial management and accounting practices. Such a monitoring regime should cover all public hospitals in future.</p>	<p>Accept</p>	<p>Implementation of the recommendations of the Victorian Public Hospital Governance Reform Panel resulted in legislative and administrative changes to the monitoring of public hospital performance. Key recommendations included agreement of an annual Statement of Priorities (SoP) between the Minister and Board Chairs and a need for a stronger focus on monitoring key aspects of performance.</p>	<p>Current monitoring regime to be maintained. Provision of Board member education and training.</p>
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• Recommendation 44 (Page 221)

<p>After the investigations have been completed regarding the erroneous accounting entries made to overstate revenue at the NorthWestern Mental Health Service and to defer expenditure from previous financial periods, the Department of Human Services should disclose the causes that led to this situation and ensure that its financial management strategies address these causes in future.</p>	<p>Accept</p>	<p>The Melbourne Health accounting irregularities arose through fraudulent activity by employees of the health service. The independent reviews uncovered the extent of the irregularities, and identified a range of strategies and findings to improve the internal controls in place at the organisation.</p> <p>In September 2005, the Department wrote to all public health service Chief Executive Officers in relation to the key learning points from the independent reviews. The letter outlined the key recommendations from the reviews in respect of accounting irregularities and internal controls, and advised that these should be reviewed within their respective health services. These matters were also discussed at CEO and Board Chair forums.</p>	<p>No further action planned.</p>
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CHAPTER 8: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF HUMAN SERVICES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 45 (Page 224)

<p>The Department of Human Services take action to ensure that the new major redevelopment and upgrading works at regional health services, which commenced in 2004-05, are completed in a timely manner.</p>	<p>Accept</p>	<p>As a result of action taken in managing its program of major redevelopment and upgrade works, all of the projects at regional health services have progressed in a timely manner. All of the regional projects are now completed or near planned completion before end 2006, with one exception that is due for planned completion in early 2007.</p> <p>Major redevelopment and upgrading works are inherently complex in nature and in order to mitigate and avoid risks to timelines and budget, specialist capital project management procedures and processes are utilised to ensure the efficient and effective completion of all departmental capital projects.</p>	<p>The Department of Human Services will continue to utilise specialist project management methodologies. All new project works, including those in regional areas, will undergo detailed risk assessment to identify risks and develop risk mitigation strategies. Included in the risk assessments and mitigation plans are any factors that may be related to regional location that may potentially impact on project timelines.</p>
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• Recommendation 46 (Page 227)

<p>The Department of Human Services commission a mid term evaluation of the Public Dental Health Strategy to ensure that the government's four year funding program, which involved an additional \$97.2 million to 2007-08, remains well focused.</p>	<p>Accept in Principle</p>	<p>The Department of Human Services has commenced a mid term review of the Public Dental Health Strategy, with a focus on funding in the initial two years of the program as well as continued monitoring on the effectiveness of the strategy through data collation.</p>	<p>The Department of Human Services will continue to monitor and rollout the four year funding provided under the Public Dental Health Strategy, to ensure it remains focused and services delivered as originally envisaged.</p>
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• Recommendation 47 (Page 227)

<p>The Department of Human Services monitor dental health outcomes in community health clinics affected by workforce shortages, particularly those situated in the larger regional centres of Victoria such as Bendigo, Wangaratta, Shepparton, Wodonga, Warrnambool and Mildura.</p>	<p>Accept in Principle</p>	<p>The Department of Human Services monitors dental health outcomes in community health clinics throughout Victoria on a monthly basis.</p>	<p>The Department of Human Services will continue to monitor dental health outcomes in community health clinics, and develop further strategies to address workforce shortages.</p>
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CHAPTER 8: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF HUMAN SERVICES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• **Recommendation 48 (Page 228)**

<p>With a view to maximising the creation of new respite opportunities for people with a disability and their families and enhance their quality of support, the Department of Human Services review whether there is a need to expand the availability of flexible, community based respite options in preference to bed based facilities.</p>	<p>Accept</p>	<p>The Department of Human Services is developing a range of initiatives to offer viable alternatives to overnight respite by building a respite continuum to support people with a disability to continue to live within their communities and family units. This includes developing a range of respite supports, including support to plan for respite based in the needs of the family and the person with a disability, support through extended and host families, community respite opportunities, in-home support and out of home support (which may include camps, recreation and social activities, holidays with and without family). Facility based respite is considered one component of the respite continuum, and is not the only way that carers and families can receive an overnight break.</p> <p>In July 2005 the Department of Human Services released the final report of the Review and Redevelopment of Supports for Children with a Disability and their Families project. Its recommendations reflect broad government policy directions as outlined in <i>Growing Victoria Together, A Fairer Victoria</i>, the <i>Victorian State Disability Plan 2002-2012</i>, and <i>Children First</i>, with a strong emphasis on early intervention to prevent crisis responses, support that corresponds to individual family needs, and participation in community life.</p> <p>Respite care was identified as a critically important support for families of children with a disability. The project highlighted the importance of developing support options that enable children and their families to participate in the everyday life of the community through access – for example – to activities like family day care, weekend day programs, camps, and recreation and leisure activities.</p>	<p>The Department of Human Services is supporting the diversification of respite options to enable real choice for people with a disability and their carers.</p> <p>The respite service system is working towards a more flexible, planned, individualised approach to provide carers with supports based on individual needs, assisting people with a disability and their carers to plan for the future, increasing the range of housing and support options, and having a greater understanding of why care relationships break down.</p>
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CHAPTER 8: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF HUMAN SERVICES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 49 (Page 228)

<p>To monitor statewide the adequacy of respite services to those involved in the care of people with disabilities, the Department of Human Services collect summary information from its service providers about:</p> <p>(a) the level of unmet need for the provision of respite services; and</p> <p>(b) average waiting times for accessing overnight respite.</p>	<p>Accept in Part</p>	<p>Respite waiting lists are managed at an individual agency level as local responses are considered to provide the best approach for considering and responding to the needs of families and individuals.</p> <p>For families requiring emergency respite there is not a waiting list. Through the Department of Human Services' Intake and Response and Respite Coordination and Planning services, families requesting overnight respite care may be offered alternatives and interim supports until they are able to access their requested respite.</p>	<p>The Department of Human Services will continue to increase the availability of respite through increased flexibility and diversification of options to better meet individual/family needs.</p>
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• Recommendation 50 (Page 230)

<p>The Department of Human Services collect information from respite accommodation to monitor statewide the extent of respite bed days allocated to people with a disability requiring permanent placement, and this information be used to inform future resource management decisions in terms of policy and budget formulation.</p>	<p>Accept</p>	<p>As at March 2006 there were 40 people living in respite beds awaiting suitable accommodation in an alternative setting. The number of respite bed days used are not readily available as the operating times of respite houses fluctuate according to demand, available funding, and seasonal peaks such as school holidays.</p> <p>There has been a reduction of 35 per cent in the number of people residing long-term in respite since September 2003, and the Department of Human Services has implemented a range of initiatives to address this issue. For existing long-term respite residents, the Department of Human Services is exploring accommodation options such as Family Options for children and Support and Choice/Housing initiatives for adults.</p>	<p>The respite service system is working towards a more individualised and planned approach to provide carers with flexible supports that are based on individual needs. This includes future planning for carers, increasing the range of accommodation options, and having a greater understanding of why care relationships break down and providing an appropriate service system response.</p>
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CHAPTER 8: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF HUMAN SERVICES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 51 (Page 237)

<p>The Department of Human Services include in its annual report the progress made in reducing the overrepresentation of indigenous children in the child protection and placement system.</p>	<p>Accept in Part</p>	<p>Efforts to reduce the disadvantage suffered by Aboriginal children and families and thereby reduce the need for intensive intervention have been and remain a clear priority for this Government. Significant additional funds have been applied to:</p> <ul style="list-style-type: none"> • Aboriginal 'Best Start' Projects • Improved in-Home Support for Aboriginal Parents • Initiatives to prevent, reduce and respond to Indigenous Family Violence • Establishment of an Aboriginal Family Restoration Program • Establish four Indigenous Family Support Innovation Projects with four more underway from 2006-07. <p>The new Children, Youth and Families Act 2005 includes a range of approaches to provide better responses to Aboriginal children and young people and their families. These include:</p> <ul style="list-style-type: none"> • The inclusion of the Aboriginal Child Placement Principle in legislation • Providing a statutory basis for the highly successful Aboriginal and Torres Strait Islander Family Decision Making program • Setting out mandatory principles to guide decision making about every Aboriginal child • Establishing the ability to transfer the care of a child to the Principal Officer of an Aboriginal Agency in appropriate cases. 	<p>Information on the safety, health and well being of indigenous children will be monitored as part of a comprehensive outcomes framework for Victorian children and young people.</p> <p>The Department will continue to provide information on specific initiatives to address the needs of Aboriginal children and their families in its annual report.</p>
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CHAPTER 8: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF HUMAN SERVICES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• **Recommendation 52 (Page 239)**

<p>Given that the most recent figures quantifying the number of homeless Victorians related to the position in 2001, the department undertake a research project to evaluate the effectiveness of the Victorian Homelessness Strategy to ensure that it is responding to the needs of people experiencing, or at risk of, homelessness.</p>	<p>Accept in Principle</p>	<p>The Department of Human Services has trialed several innovative projects to service delivery as part of the Victorian Homelessness Strategy, including specialised responses to young people, women and families experiencing violence, Indigenous social housing tenants, people with mental illness or problematic drug and alcohol use, or involvement with the criminal justice system. Independent evaluation has confirmed the effectiveness of these approaches, with some trials moving to ongoing programs, and others leading to improvements in existing programs.</p> <p>The recently completed <i>Victorian Homelessness Data Collection</i> will support this and provide a deeper understanding of the experience of homeless people, the effectiveness of the Department's response, and a sound evidence base for future directions in homelessness programs. It will allow analysis of movement of clients into, through and out of the service system.</p>	<p>The Department of Human Services will monitor the ongoing programs now operating based on the outcomes of the Victorian Homelessness Strategy trials as part of standard accountability arrangements.</p> <p>The Department of Human Services will contribute to the <i>Counting the Homeless</i> research program, which analyses the 2006 Census data, and the <i>SAAP National Data Collection</i> and the <i>Victorian Homelessness Data Collection</i>, which will assist the Department to understand the extent of homelessness, as well as the impact of service responses in Victoria.</p>
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CHAPTER 9: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF INFRASTRUCTURE

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 53 (Page 248)

<p>The Department of Infrastructure include in future annual reports key planned actions and expected main achievements for the ensuing year and report against the projections at year-end as part of its presentation of output performance.</p>	<p>Accept in Principle</p>	<p>The Department of Infrastructure is continually reviewing the quality of its performance measurement and reporting mechanisms. The focus in recent years has been on developing more robust key performance indicators and improving the context in which these are presented and reported against in the annual Corporate Plan. This rigorous process of corporate planning and KPI reporting is continuing.</p> <p>As noted by the PAEC in its 2004-05 Budget Outcomes Report (p. 387 & 389) the Department has also applied considerable effort to shift the emphasis in its performance reporting in annual reports onto outcomes and monitoring achievement of milestones, as opposed to only reporting about outputs and activities. According to the PAEC, 'At this stage, the Department of Infrastructure is the only agency that has stood out as having made a special effort in this area' (p. 389).</p> <p>The Department recognises there is potential to improve the quality of performance reporting in its annual reports even further, particularly in relation to providing easier comparisons between planned actions, expected main achievements and actual outcomes across financial years. Whether such performance reporting is best shown in the output performance section of the annual report, or in the outcomes reporting section, needs to be explored further. Earlier tabling deadlines for annual reporting in 2006 mean that it may not be possible to incorporate major changes such as these until the 2006-07 Annual Report.</p>	<p>The Department's 2005-06 Annual Report will include 'key future priorities for 2006-07' as part of each Outcome reporting section.</p> <p>Consideration will also be given to reporting against the Government's triple bottom line objectives and providing a greater level of summarised key performance information in the body of the 2005-06 Annual Report.</p> <p>The Department will continue to explore ways of improving performance reporting in the Annual Report, in line with comments and recommendations in the PAEC's <i>Review of Annual Reports of Departments and Agencies</i>.</p>
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CHAPTER 9: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF INFRASTRUCTURE

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 54 (Page 255)

<p>The Department of Infrastructure include in its 2005-06 annual report a mid term report identifying the collective impact to date on public transport services of actions taken under the 2004 partnership agreements.</p>	<p>Accept in Part</p>	<p>The new partnership agreements established improved, financially sustainable franchise contracts, ensuring the continued delivery and improvement of public transport services. This was the key deliverable associated with the additional funding provided in the 2004-05 budget and this outcome has been achieved. A range of specific service and staffing initiatives were also included as part of the new agreements.</p> <p>The DOI 2004-05 Annual Report contains information on the performance of the new partnership agreements in delivering public transport. Performance information includes patronage, punctuality, reliability, service provision and customer satisfaction. This represents the collective impact on public transport services of the 2004 partnership agreements, including the additional service and staffing initiatives. An assessment of the impact on overall public transport performance of the specific service and staffing initiatives either individually or collectively cannot realistically be made.</p>	<p>The performance of the new partnership agreements in delivering public transport will continue to be monitored and reported on in the DOI Annual Report. A range of performance measures including patronage, punctuality, reliability, service provision and customer satisfaction will be reported annually. Operational performance data including reliability and punctuality will continue to be published monthly and quarterly on DOI's website while customer satisfaction will continue to be reported on quarterly.</p>
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• Recommendation 55 (Page 257)

<p>The Department of Infrastructure inform Parliament in its annual report of the financial impact to the state of the changed funding arrangements for public transport services embodied in the 2004 transport agreements. The reported information should incorporate a comparison of actual and budgeted expenditure for the key categories of additional costs assumed by the government under the agreements.</p>	<p>Accept in Part</p>	<p>The DOI 2004-05 Annual Report contains financial information on the new partnership agreements in the Notes to the Financial Statements and in the Output Performance Measures appendix.</p> <p>This reflects the overall financial contribution made by the State to public transport operators. This includes the additional funding provided in the 2004-05 Budget to provide financially sustainable franchise contracts, ensuring the continued delivery and improvement of public transport services. This also includes the additional service and staffing initiatives which were included in the overall funding arrangement in the partnership agreements. Individual financial assessments of specific service and staffing initiatives are unable to be separately identified as these were included in the overall financial arrangements.</p>	<p>The financial performance of the new partnership agreements will continue to be monitored and reported on in the DOI Annual Report in an aggregated format.</p>
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CHAPTER 10: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
• Recommendation 56 (Page 264)			
The Department of Innovation, Industry and Regional Development include in its annual report explanations for significant differences (for example more than 10 per cent) between targeted and actual performance.	Reject	The Department is compliant in the preparation of its annual report with the model accounts issued by the Department of Treasury and Finance. These guidelines are also endorsed by the Auditor General's Office.	No further action planned.
• Recommendation 57 (Page 268)			
The Department of Innovation, Industry and Regional Development develop guidance statements to underpin its evaluation framework.	Accept in Principle	The facilitation of high quality evaluation practices through activities such as the provision of guidance documents is a central component of the DIIRD Evaluation Framework. The Department of Treasury and Finance's <i>Guide to Evaluation</i> includes guidance on evaluation techniques and is utilised by DIIRD.	The refinement of existing and development of new guidance material will continue to be a focus in the implementation of the DIIRD Evaluation Framework.
• Recommendation 58 (Page 269)			
The Department of Innovation, Industry and Regional Development undertake cost benefit analyses of key projects as a continuation of the strategy, recommended in the <i>Report on the 2005-06 Budget Estimates</i> , of increasing the focus on planning, managing, evaluating and reporting on outcomes.	Accept in Principle	The DIIRD Evaluation Framework promotes the use of the most sophisticated evaluation techniques that are feasible taking into account the context of the evaluation and the need to be cost effective. Cost benefit analysis is a highly sophisticated and resource intensive evaluative technique that is not appropriate in all circumstances.	The refinement of existing and development of new guidance materials, incorporating the discussion of evaluation techniques such as cost benefit analysis will continue to be a focus in the implementation of the DIIRD Evaluation Framework.

CHAPTER 10: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
<p>• Recommendation 59 (Page 271)</p>			
<p>The Department of Innovation, Industry and Regional Development set targets for the attraction of further investment in beamlines and on the usage of the facility and publicly report on the degree to which these targets have been met.</p>	<p>Accept in Principle</p>	<p>The Australian Synchrotron (AS) has attracted \$50M in beamline funding through a partnership capital funding model unique in Australia's research history. The Government pledged to fully fund the machine and building, and to seek beamline funding through a national partnership. Ten partners have already joined Victoria in developing the facility: ANSTO, CSIRO, the Association of Australian Medical Research Institutes, New Zealand, Monash University, the University of Melbourne, and, Western Australian, NSW, Queensland and SA/La Trobe University consortia. Each has committed \$5 million towards the initial suite of beamlines. The AS is now seeking up to \$30 million matching beamline funding from the Commonwealth Government through the National Collaborative Research Infrastructure Strategy.</p>	<p>An independent operator will be appointed to manage this national facility from 2007. It will then be the responsibility of all AS partners, working through the Australian Synchrotron Company and with the operator, to attract capital for beamlines beyond the first nine.</p>
<p>• Recommendation 60 (Page 272)</p>			
<p>The Auditor-General conduct a review of the new contract arrangements covering the upgrade of the Docklands Film and Television Studios to determine if they represent good value to the state and whether any additional risks have been adequately addressed.</p>	<p>Accept</p>	<p>A review of new contract arrangements for the upgrade of the Docklands Film and Television Studios has been completed.</p>	<p>Report on the findings arising from the review will be included in a Report to Parliament in the Spring 2006 parliamentary session.</p>
<p>• Recommendation 61 (Page 273)</p>			
<p>Industrial Relations Victoria ensure that appropriate human resource management programs are in place in preparation for the next round of major enterprise bargaining agreement negotiations.</p>	<p>Accept</p>	<p>Key senior executive staff have been recruited both for the delivery of the nursing and teaching fields and for the new Public Service Agreement.</p>	<p>IRV will co-ordinate the development of a strategy for the renegotiation of key agreements in 2007 which will include the human resource management program.</p>

CHAPTER 11: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF JUSTICE

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
<p>• Recommendation 62 (Page 282)</p>			
<p>The Department of Justice continue its efforts to improve the standard of explanations in its annual report for significant differences between targeted and actual output performance.</p>	<p>Accept</p>	<p>Explanations for significant differences between targeted and actual output measure performance were included for the first time in the Department's 2004-05 Annual Report.</p>	<p>The Department will provide appropriate explanations for variations between targeted and actual output measure performance in the 2005-06 Annual Report.</p>
<p>• Recommendation 63 (Page 290)</p>			
<p>The Department of Justice provide meaningful comparisons of costs and benefits between public and private prisons in future annual reports. These comparisons should include:</p> <ul style="list-style-type: none"> (a) expenditure totals in the financial year for all prisons under their major cost categories; (b) average cost of housing a prisoner for the year in each prison; (c) explanations for major variations in expenditure on an individual prison basis; (d) assessed aggregate performance against service delivery outcomes by each prison and the resulting impact on the amount of the performance linked fee in the case of private prisons; and 	<p>Under Review</p>	<p>This matter was discussed at the PAEC Hearing on 3 July 2006, when the Minister for Corrections undertook to 'take on notice' a request to provide a breakdown of the average cost per prisoner on a per prison basis.</p>	<p>Under consideration</p>

CHAPTER 11: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF JUSTICE

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
(e) commentary on matters relevant to any comparisons that can be drawn between costs of public and private prisons.			
<p>• Recommendation 64 (Page 292)</p>			
<p>That the Department of Justice publish the results of the external evaluation of the effectiveness of the Home Detention Pilot Program, and the nature of any consequential changes to the program's future scope and direction, as soon as practicable after completion.</p>	<p>Under Review</p>	<p>The University of Melbourne has undertaken an evaluation of the Home Detention Pilot Program and the final evaluation report was delivered on 8 May 2006. Corrections Victoria hosted a workshop on 4 July 2006, inviting key stakeholders to discuss further options for the Program.</p>	<p>This report is currently under consideration and an analysis of the recommendations has not yet been completed. A decision on whether to publish the report will be made when these deliberations are completed.</p>

CHAPTER 12: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF PREMIER AND CABINET

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
<p>• Recommendation 65 (Page 297)</p>			
The Department of Premier and Cabinet include explanations for material differences between budgeted and actual output costs in its annual report.	Accept	The Department is considering this information for inclusion as part of the 2005-06 Annual Report.	The Department will continue to focus on its disclosure of information in this area.
<p>• Recommendation 66 (Page 297)</p>			
The Department of Premier and Cabinet explain key variations between targets and actual achievement for performance measures in its annual report.	Accept	The Department is considering this information for inclusion as part of the 2005-06 Annual Report.	The Department will continue to focus on its disclosure of information in this area.
<p>• Recommendation 67 (Page 301)</p>			
<p>The Department of Premier and Cabinet re-examine the quantitative performance measures established for the ICT Strategy and Services output with the purpose of developing performance measures that separately identify:</p> <p>(a) the number of projects to be completed; and</p> <p>(b) the number of projects that are underway/ongoing.</p>	Accept in Part	<p>The Department of Premier and Cabinet has fully considered PAEC's recommendation. The performance measures for the ICT Strategy and Services output, including quantitative measures, have been re-examined.</p> <p>Revised performance measures were developed for the ICT Strategy and Services output for 2006-07. This included the output's quantitative performance measures. The revised performance measures provide a more accurate reflection of the work undertaken by the ICT Strategy and Services output.</p>	No further action is planned

CHAPTER 12: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF PREMIER AND CABINET

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 68 (Page 304)			
<p>The Department of Premier and Cabinet expand the level of disclosure in its annual report to include a section on cross departmental initiatives, and include information such as:</p> <p>(a) the responsibilities for the delivery of these initiatives; and</p> <p>(b) the department's contribution to the outcomes of these initiatives.</p>	<p>Accept in Part</p>	<p>The Department currently details cross departmental initiatives within its output reporting particularly in relation to the Strategic Policy Advice and Strategic Policy Projects outputs. Many of the Department's initiatives are as a result of cross departmental collaboration.</p>	<p>The Department will continue to focus on its disclosure of information in this area.</p>

CHAPTER 13: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF PRIMARY INDUSTRIES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
• Recommendation 69 (Page 309)			
The Department of Primary Industries evaluate whether any adverse impacts on practice occurred as a result of the reduced level of extension activities to promote sustainable farming systems during 2004-05.	Accept	The Australian National Audit Office (2002) evaluation of the impact of FarmBis training delivered to farmers has shown that greater than 90 per cent of participants increased the profitability, productivity or sustainability of their farm business. Therefore a reduction in resources to provide the planned number of learning activities has a near direct correlation to reduced adoption of improved sustainable farming practices against planned levels but does not have an adverse impact, i.e. does not diminish the aggregate level of sustainability practices across agricultural production.	In 2005-06, promotional activities for FarmBis were implemented and the training subsidy for risk management related training activities was increased from 50 per cent to 65 per cent. These promotional activities will continue in 2006-07.
• Recommendation 70 (Page 310)			
Where a planned activity has not been completed by the due date, the Department of Primary Industries consider providing an explanation in its annual report as to why the target was not met, in addition to disclosing the current status of the particular item.	Accept	DPI provides explanations on material variances for performance measures that have not met target. Explanatory comments are normally incorporated within the annual report and where appropriate information is provided on the current status of the particular item.	DPI will continue to include additional information supporting variances for performance measures as appropriate.
• Recommendation 71 (Page 311)			
Given that customer satisfaction with the aquaculture sector of fisheries declined from 77 per cent in 2001-02 to 30 per cent in 2004-05, the Department of Primary Industries evaluate whether its responses to address this issue have been effective, and examine the impact that low customer satisfaction may have on the aquaculture sector.	Under Review	This performance measure will be discontinued from 2006/07. The reduction to a single survey to measure customer satisfaction has been found to provide subjective and unreliable results. Engagement with stakeholders from the commercial and recreational sectors has been achieved through scheduled forums involving Public Meetings, Steering Committee meetings, a recreational fishing round-table and cost recovery standing committees. DPI has assisted in the development of the Victorian Marine Farmers group.	DPI will continue to engage with stakeholders from the commercial and recreational sectors through scheduled forums involving Public Meetings and Steering Committee meetings. DPI will also monitor Aquaculture sector operator numbers and production to determine impacts of the sector.

CHAPTER 13: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF PRIMARY INDUSTRIES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 72 (Page 312)

<p>When setting targets for the number of audits of high risk or critical sites to be completed in a given year, the Department of Primary Industries consider the potential impact that any higher regulatory demands may have on the planned audit program for the forthcoming year.</p>	<p>Accept</p>	<p>In setting the OHS audit program for the minerals and extractives sector that will apply for the next year, DPI takes into account a number of critical factors. These include the availability of resources, the prescribed mines that must be audited, a risk assessment of sites across the State and the length of time since a site was last audited. Where resources are required for other purposes such as known investigations this will be incorporated into the planning of the audit program.</p> <p>The audit program will however be impacted at different times by unforeseen events such as major OHS incidents that take priority within the audit and inspection function of DPI. In these situations DPI will modify the audit program accordingly.</p>	<p>In framing the DPI audit program key factors will be taken into account to ensure the effectiveness of the program for the coming year.</p>
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• Recommendation 73 (Page 317)

<p>From an effectiveness and accountability viewpoint, the Department of Primary Industries examine avenues for establishing, quantifying and reporting the effect that its operations undertaken in a given year has had in terms of fostering strong economic activity evidenced by jobs, investments and exports, particularly in the agriculture portfolio.</p>	<p>Accept in Part</p>	<p>The impact of the Department of Primary Industries' (DPI) activity occurs over an extended time frame, relies on adoption by third parties and is affected by factors outside the control of DPI. It is therefore difficult to directly and accurately attribute impacts on economic activity evidenced by employment, investment and exports. Impacts can best be demonstrated by examples and from aggregated impact assessment evaluations. For example, studies by the Primary Industries Standing Committee have found benefit-cost ratios of agricultural Research & Development (R&D) in the order of 5 to 10:1 and higher. The estimated Net Present Value to Australian agriculture of \$1 invested in an agricultural research project is between \$3.72 and \$4.46.</p> <p>The Department has published the <i>Agriculture And Food Sector Investment Performance Report 2004-05</i>. This report demonstrates the return to government, industry and the community from ongoing investment into Research, Development and Extension projects using rigorous investment principles and processes. It also includes performance stories which highlight DPI's contributions to the sustainable development of the agriculture and food sector in 2004-05. The Department intends to produce a similar report annually.</p>	<p>DPI will continue to evaluate the effectiveness of its program in achieving the Government's objectives.</p>
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CHAPTER 13: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF PRIMARY INDUSTRIES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• **Recommendation 74 (Page 319)**

<p>The Department of Primary Industries develop a performance management and reporting system that enables monitoring of the cost effectiveness of the various components of the department's enforcement activities.</p>	<p>Accept</p>	<p>DPI is developing a costing model that better enables the tracking of total effort and costs associated with fisheries investigations and planned operations.</p>	<p>DPI has committed to reviewing its offence management services as a core project for 2006/07 including the implementation and refinement of the costing model through the Fisheries Victoria State-wide Tasking and Coordination Committee.</p>
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• **Recommendation 75 (Page 321)**

<p>The Department of Primary Industries monitor the impact that changes at the federal level to drought policy are having on the farming community in Victoria in terms of whether drought assistance is reaching those in need in a timely manner.</p>	<p>Accept</p>	<p>The Department has worked with the Commonwealth, other State and Territory governments, through Primary Industries Ministerial Council (PIMC), to achieve streamlining of the Exceptional Circumstances (EC) drought assistance declaration process under the "Agriculture – Advancing Australia" (AAA) package. The Department has also assisted industries, communities and farmers prepare EC applications. The National Agricultural Monitoring System (NAMS) has been developed to enhance the ease and timeliness of EC applications.</p>	<p>DPI will continue to monitor the impact of the NAMS and work with the other jurisdictions to achieve further improvements in the ease and timeliness of EC declarations.</p>
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CHAPTER 14: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 76 (Page 328)

<p>The Department of Sustainability and Environment ensure that where additional funding has been received during a year, appropriate disclosure is contained in the department's annual report to show the affect that this funding has had in terms of its ability to meet or exceed its performance targets for the year.</p>	<p>Accept in Principle</p>	<p>Additional funding to the Department provides for expenditure which is not covered by the Department's published Output Prices. The funding included within the Output Prices forms the basis of determining the Performance Indicators published in the State Budget Papers. Expenditure against all additional funding is disclosed in the Annual Financial Statements and all appropriate additional performance is disclosed in the Department's Annual Report. For example additional funding for fire suppression is matched with additional information in relation to the extent of fire suppression in the Annual Report.</p>	<p>The Department will continue to disclose relevant additional information in its Annual Report.</p>
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• Recommendation 77 (Page 331)

<p>To enable meaningful analysis to be undertaken between planned and actual performance, the Department of Sustainability and Environment ensure targets reflect any adjustments made to funding allocations for the year, or that notes to the published performance information explain funding adjustments that may have occurred subsequent to revising performance measures for a given year.</p>	<p>Accept in Principle</p>	<p>Additional funding to the Department provides for expenditure which is not covered by the Department's published Output Prices. The funding included within the Output Prices forms the basis of determining the Performance Indicators published in the State Budget Papers. Expenditure against all additional funding is disclosed in the Annual Financial Statements and all appropriate additional performance is disclosed in the Department's Annual Report. For example additional funding for fire suppression is matched with additional information in relation to the extent of fire suppression in the Annual Report.</p>	<p>The Department will continue to disclose relevant additional information in its Annual Report.</p>
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CHAPTER 14: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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<p>• Recommendation 78 (Page 331)</p>			
<p>Where actual performance data for an output measure is not available at the time of reporting, the Department of Sustainability and Environment provide a note accompanying performance information in its annual report, disclosing that the actual result is an estimate only and that the final result may differ from information published.</p>	<p>Accept</p>		<p>This will be done in the 2005-06 Annual Report.</p>
<p>• Recommendation 79 (Page 335)</p>			
<p>Where revenue exceeds the estimate (as in the 2005-06 state budget) or where redistributions have occurred subsequent to the preparation of the budget, the Department of Sustainability and Environment ensure the effect – in terms of exceeding output targets – is explained in its annual report when commenting on variances between target and actual performance.</p>	<p>Accept</p>		<p>This will be done in the 2005-06 Annual Report.</p>

CHAPTER 14: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• **Recommendation 80 (Page 338)**

<p>Prior to embarking on any new bushfire recovery strategies, the Department of Sustainability and Environment:</p> <p>(a) arrange for an independent evaluation to be undertaken of the initial strategy that involved the commencement of restoration works in 2003-04, so that any lessons learned can be incorporated into the new strategy; and</p> <p>(b) implement a sound monitoring framework to ensure that restorative works are completed efficiently and effectively.</p>	<p>Accept in Principle</p>	<p>An internal review of the delivery of the 2002-03 bushfire recovery program was used, in part, in setting the delivery arrangements for the 2005-06 bushfire recovery program. This has resulted in earlier interventions with effected Victorian rural and regional communities.</p> <p>The Governance and Reporting framework for the delivery of restorative works is in place.</p> <p>DHS as the Department responsible for Emergency Services is coordinating reporting from all agencies on money received from the Ministerial Taskforce.</p> <p>A report of activities from the 2003-2003 bushfire recovery program is in the 2005-2006 Annual Report. Activities associated with the 2005-06 bushfires will be reported in the 2006-2007 Annual Report</p>	<p>A review of the delivery of the 2005-06 bushfire recovery program will form the basis for the planing for future recovery efforts.</p> <p>Monitoring of the delivery of restorative works will continue as part of the 2005-06 bushfire recovery effort.</p>
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CHAPTER 14: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 81 (Page 342)

<p>The Department of Sustainability and Environment disclose in its annual report a commentary on the strategies employed to improve the health of Victoria's major rivers and tributaries assessed to be in poor or very poor condition, together with progressive outcome related information that takes into account the time lag between carrying out works and measuring related results.</p>	<p>Accept in Part</p>	<p>Significant disclosure of the performance of the Healthy Rivers program has occurred within the recent Departmental publications <i>Index of Stream Condition: The Second Benchmark of Victorian River Conditions and Progress Towards Securing Our Water Future</i>.</p>	<p>Additional disclosure on the results of the Healthy Rivers programs will be included in the 2005-06 Annual Report.</p>
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• Recommendation 82 (Page 344)

<p>The Department of Sustainability and Environment assess the effectiveness of the rising block tariff pricing regime in terms of reducing the consumption of water and the Sustainables Household Challenge in the context of encouraging Victorians to improve the health of the environment.</p>	<p>Accept in Part</p>	<p>Rising Block Tariff pricing was introduced in 2004-05. Due to the long run nature of behaviour change patterns, an assessment of effectiveness of the tariff change and the Sustainables campaign has to be carried out after the reformed pricing arrangements have run over a number of cycles.</p>	<p>Assessment of the effectiveness of the introduction of the Environmental Levy, Rising Block Tariffs and the Sustainables campaign will be undertaken as a component of the planning for the second phase of the Environmental Levy from 2008-09.</p>
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• Recommendation 83 (Page 344)

<p>The Department of Sustainability and Environment include commentary in its annual report on the outcomes achieved from the introduction of the rising block tariff pricing regime and the Sustainables Household Challenge.</p>	<p>Accept in Part</p>		<p>Due to the long run nature of behaviour change patterns, an assessment of effectiveness of the tariff change has to be carried out after running the reformed pricing arrangements over a number of cycles. As a consequence, the first opportunity to provide meaningful commentary will be the 2007-08 Annual Report. The Department undertakes to include this commentary in the Report.</p>
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CHAPTER 15: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF TREASURY AND FINANCE

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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<p>• Recommendation 84 (Page 353)</p>			
<p>The Department of Treasury and Finance determine the estimated cost to the state of the EastLink project over the construction period, inclusive of land acquisitions and works directly associated with the tollway.</p>	<p>Reject</p>	<p>This matter has been reviewed by DTF and rejected based on the following:</p> <p><i>Accuracy</i> - Returned assets will be handed back to the State at no cost post Commercial Acceptance. These assets will not be valued until post Commercial Acceptance. To value these assets before Commercial Acceptance would only be an estimate of what would be a significant component of the overall calculation.</p> <p><i>Commercial</i> - Negotiations are still progressing concerning compensation payments for land acquisitions. To divulge the budget for compensation payments may impact on these negotiations.</p>	<p>No further action is planned.</p>
<p>• Recommendation 85 (Page 353)</p>			
<p>The Department of Treasury and Finance give priority to developing authoritative guidance on the accounting treatment of assets forming part of public private partnership projects that will ultimately revert back to the state.</p>	<p>Under Review</p>	<p>The Department of Treasury and Finance (DTF) is giving priority to developing authoritative guidance on accounting for Public Private Partnerships (PPPs), including in regard to assets that ultimately revert back to the State. DTF is currently seeking advice on these matters including consulting with other jurisdictions.</p> <p>DTF has also been monitoring developments in Australia and internationally. The International Financial Reporting Interpretations Committee (IFRIC) is developing authoritative guidance accounting for assets in a PPP arrangement which is expected to be applied in Australia. It is expected that IFRIC will issue a formal Interpretation at the end of this calendar year and it would be inappropriate to issue guidance until this work is complete.</p>	<p>DTF will continue to monitor IFRIC and AASB developments.</p>

CHAPTER 15: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT OF TREASURY AND FINANCE

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
<p>• Recommendation 86 (Page 355)</p>			
<p>The Department of Treasury and Finance evaluate the merits of excluding a proportion of windfall surpluses from dividend calculations to protect the Transport Accident Commission's long term financial position.</p>	<p>Accept</p>	<p>While there is no specific government policy determination that a proportion of 'windfall' TAC operating surpluses must be excluded from calculation of proposed TAC dividends, the determination of dividends is guided by the long-term capital needs of the TAC and not by short-term fluctuations in operating margins.</p> <p>Section 29(2) of the <i>Transport Accident Act</i> 1986 already requires that in determining the dividend policy that applies to the TAC, the Treasurer must have regard to the solvency margin determined to maintain the long term financial viability of the transport accident scheme. Underpinning this consideration of appropriate capital adequacy reserves for the TAC, the Minister has approved and the Department of Treasury and Finance has developed a capital, pricing and reserving framework for the State's statutory insurance agencies: VWA, VMIA and TAC. This gives effect to the Auditor General's recommendation 12.4 in his Report: <i>Results of 30 June 2004 financial statements and other audits</i>.</p> <p>Under this framework, the Minister has approved the TAC's proposals that it adopt a preferred funding ratio target of 110% (ratio of assets to liabilities), and aim to operate within a funding ratio range of 100 to 120 per cent. This target and range recognise the inherent volatility of the TAC's balance sheet arising from economic factors outside management control. The framework requires that should the TAC's funding ratio breach the range limits, the TAC will advise the Minister of its proposed policy response aimed at restoring the TAC's funding ratio to the preferred target within a specified period of time.</p>	<p>The interaction of this framework with the legislative requirement to consider the long-term financial viability of the TAC scheme ensures that the TAC will not be exposed to unacceptable financial risk through excessive dividend demands following 'windfall' surpluses.</p>

CHAPTER 16: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

DEPARTMENT FOR VICTORIAN COMMUNITIES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 87 (Page 367)

<p>The annual report of the Department for Victorian Communities include information on changes to total estimated investment costs of capital projects, the reasons for the changes, and the affect on output costs compared with budget.</p>	<p>Accept in Principle</p>	<p>The Department for Victorian Communities currently complies with whole-of-government reporting requirements and disclosures regarding capital projects and variance analysis as designated by the Department of Treasury and Finance. Variance analysis regarding output costs is reported in the 2004-05 Annual report under Section 4 'Output performance' and the 'Budget portfolio outcomes' segment of Section 5 'Facts and figures'.</p>	<p>The Department for Victorian Communities will incorporate any further annual reporting requirements and disclosures as designated by the Department of Treasury and Finance.</p>
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CHAPTER 17: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

REVIEW OF ANNUAL REPORTS AND DEPARTMENTS AND AGENCIES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 88 (Page 391)

<p>The Department of Treasury and Finance launch a new comprehensive performance management and reporting initiative for the public sector that is in line with local and international best practice, and that the department actively monitor its implementation by agencies, as a matter of priority.</p>	<p>Accept in Principle</p>	<p>The Department of Treasury and Finance accept the principle of having a best practice framework. The Government's current resource allocation framework is designed to guide and facilitate effective budget decision making, and measurement and reporting against priorities. We agree that this current framework should be subject to continuous improvement. In recent years, improvements and refinements to this framework have aimed to better link outputs to outcomes and enhance the transparency and accountability in the budget papers.</p> <p>Within this framework, <i>Growing Victoria Together</i> (GVT) is a long term vision for Victoria that articulates the priorities of the Government. The GVT framework is underpinned by a set of goals and measures against which progress is assessed annually and reported in Budget Paper Number 3: <i>Service Delivery</i>. GVT provides a guide to departments' strategic planning to ensure a broad alignment between departments' objectives, the delivery of outputs and the Government's priorities.</p> <p>Departmental outputs represent a clear definition of goods and services to be delivered by a department. All departmental outputs have associated performance measures and targets covering quality, quantity, timeliness and cost.</p> <p>A key challenge going forward for performance management and reporting is maintaining a strong linkage between outputs and outcomes. Since 2004-05, a number of enhancements have been introduced to further strengthen this framework. In particular these include changes to Budget Paper Number 3: <i>Service Delivery</i>:</p> <ul style="list-style-type: none"> • Introduction of a departmental narrative and output classification text within departmental output statements which require departments to clearly articulate how the goods and services that they intend to deliver will achieve the GVT vision and the strategies the department will use to achieve these goals; 	<p>The Department of Treasury and Finance is committed to continuous improvement of the existing resource allocation framework, with a view, in conjunction with departments, to maintain and strengthen the linkages between different elements of the framework.</p>
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CHAPTER 17: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

REVIEW OF ANNUAL REPORTS AND DEPARTMENTS AND AGENCIES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
		<ul style="list-style-type: none"> • A new chapter in 2006-07 Budget Paper Number 3, <i>Linking Departmental Outputs to Government Outcomes</i>, which provides a high level overview of the Government's service delivery achievements and the progress made towards GVT; • Linking budget initiatives in Chapter 1 of Budget Paper Number 3 to expected impact; • New Appendix D in Budget Paper Number 3: Local Government Financial Relations, which examines the impact of funding on the local government sector. <p>This is coupled with a number of ongoing improvements. These include:</p> <ul style="list-style-type: none"> • the development of a whole-of-government evaluation framework with a focus on increasing evaluation of effectiveness and impact; • the continued review of output structures and performance measures; and • the disclosure of discontinued outputs and performance measures. 	
<p>• Recommendation 89 (Page 392)</p>			
<p>Commencing in 2006-07, the Financial Reporting Directions be amended to require agencies to report:</p>	<p>Accept in Part</p>	<ul style="list-style-type: none"> • The Department of Treasury and Finance acknowledges that the resource allocation and performance reporting framework can continue to be improved. However, DTF considers that sufficient performance reporting guidance currently exists for departments and that the amendment of the FRD is not required • In particular, <i>Growing Victoria Together</i> (GVT) is a long term vision for Victoria that articulates the priorities of the Government. The GVT framework is underpinned by a set of goals and measures against which progress is assessed annually and reported in Budget Paper Number 3: <i>Service Delivery</i>. The GVT Progress Report sets out the Government's progress to date, highlighting achievements for further attention. The fourth GVT Progress Report was published with the 2006-07 Budget. 	<p>The Department of Treasury and Finance is committed to the continuous improvement of the existing resource allocation framework, with a view, in conjunction with departments, to maintain and strengthen the linkages between different elements of the framework.</p>

CHAPTER 17: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

REVIEW OF ANNUAL REPORTS AND DEPARTMENTS AND AGENCIES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
<p>(a) key performance indicators showing the achievement of government outcomes and corporate objectives (relative to the targets set);</p> <p>(b) major completed projects and initiatives against those planned for the year; and</p> <p>(c) a benchmarking comparison of performance with other similar agencies.</p>		<ul style="list-style-type: none"> • The departmental strategic planning process is a critical element of the integrated management cycle. Planning processes articulate the key government outcomes and strategic priorities and provide the foundation and direction for planning by departments and agencies. As part of this process, departments identify their corporate objectives and how these will be achieved (ie progress measures). In addition, departments plan the appropriate mix of goods and services that need to be delivered to achieve government outcomes (ie GVT) and delivery progress is established through the setting of output targets. • Annually in the Budget Papers, departments are required to set out the services that they intend to deliver, with associated performance measures and targets covering quality, quantity, timeliness and cost. These targets are published and departments are required to report the actual results (against targets) each year in their annual report. • The Department of Treasury and Finance acknowledge the importance and value of benchmarking both with other jurisdictions. Currently Victoria contributes to the publication by the Productivity Commission <i>Report on Government Services</i> . This annual report is a comprehensive benchmark document of all Australian Jurisdictions' performance in key areas of service delivery and considered both by DTF and departments as an important reference tool which helps to inform and shape the direction of reforms to the existing resource allocation framework. 	

CHAPTER 17: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

REVIEW OF ANNUAL REPORTS AND DEPARTMENTS AND AGENCIES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 90 (Page 392)			
<p>The Department of Treasury and Finance assume a more active role in providing practical guidance and training to agencies by publishing education materials and conducting regular training seminars, workshops and discussion forums on annual reporting.</p>	<p>Accept in Principle</p>	<p>The Department of Treasury and Finance, in consultation with Departments and other key stakeholders, takes a proactive role in providing preparers of annual reports with practical guidance and support where appropriate and necessary. This guidance includes:</p> <ul style="list-style-type: none"> • DTF annually prepares and distributes a highly comprehensive and detailed Model Financial Report for Victorian Government Departments; • Detailed written information requests; and • Tailored seminars and training sessions conducted by DTF officers. 	<p>The Department of Treasury and Finance will continue to work with departments to provide assistance on preparing annual reports as required.</p>

CHAPTER 17: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

REVIEW OF ANNUAL REPORTS AND DEPARTMENTS AND AGENCIES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 91 (Page 392)

<p>The Department of Treasury and Finance develop an annual reporting manual with best practice guidance, in collaboration with line agencies, to provide tools and resources for preparing annual reports.</p>	<p>Accept in Principle</p>	<p>The Department of Treasury and Finance currently has a number of formal arrangements in place to assist in sharing knowledge and information across the public sector in relation to annual reporting. In particular:</p> <ul style="list-style-type: none"> • The Financial Management Knowledge Centre (which is located at http://www.fmkc.dtf.vic.gov.au) was developed and is maintained by DTF specifically for departments and agencies to access relevant annual reporting information; • DTF annually provides a dedicated training program (both systems and process guidance) to departments/agencies for the preparation of their annual financial reports; • DTF, in consultation with Departments and other key stakeholders, annually prepares and distributes a highly comprehensive and detailed Model Financial Report for Victorian Government Departments. In particular, this Model Report provides detailed and referenced information on the nature and extent of information that is required for disclosure for the Report of Operations as well as financial statements; and • Regular meetings with departmental CFOs and officers; and • DTF leads an annual agency wide forum that guides agencies through the requirements of annual reporting. In particular, this year, DTF issued agencies with a comprehensive information package outlining the relevant requirements for the preparation of their annual reports. This is supported by direct advice provided by DTF. <p>This formal guidance is also complemented with the direct support that DTF provides through quality expert advice of dedicated portfolio relationship management teams.</p>	<p>The Department of Treasury and Finance will continue to work with departments to provide assistance on preparing annual reports as required.</p>
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CHAPTER 17: GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 69 – 2004-2005 BUDGET OUTCOMES

REVIEW OF ANNUAL REPORTS AND DEPARTMENTS AND AGENCIES

PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
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• Recommendation 92 (Page 393)

<p>A special Premier's awards scheme for annual reporting be established and be jointly co-ordinated by the Department of Premier and Cabinet and the Department of Treasury and Finance.</p>	<p>Reject</p>	<p>The Department believes that there are a number of other organisations (such as the Australasian Reporting Awards) which specifically offer advice, guidance and awards for best practice reporting. These types of organisations also have specific categories for public sector reporting which allows benchmarking against award criteria and also against other jurisdictions.</p> <p>Given this the Department does not believe in duplicating these well established awards.</p>	<p>No further action is planned</p>
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