



Environment and Sustainability Sector: Performance Reporting



VICTORIA

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Auditor-General

Environment and Sustainability Sector: Performance Reporting

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The Hon. Bruce Atkinson MLC
President
Legislative Council
Parliament House
Melbourne

The Hon. Ken Smith MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my report on the audit *Environment and Sustainability Sector: Performance Reporting*.

Yours faithfully



Dr Peter Frost
Acting Auditor-General

26 June 2013

Contents

Audit summary	vii
Background.....	vii
Conclusions	viii
Findings	viii
Recommendations	xi
Submissions and comments received	xi
1. Background.....	1
1.1 Introduction	1
1.2 Assessing agency performance	1
1.3 Reporting requirements	3
1.4 Roles and responsibilities	5
1.5 Audit objective	5
1.6 Audit method and cost	6
1.7 Structure of the report	6
2. Reporting framework.....	7
2.1 Introduction	8
2.2 Conclusion	8
2.3 Objectives and outputs.....	8
2.4 Publicly-reported performance information	10
2.5 Performance indicators and output measures	12
2.6 Continuous improvement	15
3. Data selection, collection and reporting	17
3.1 Introduction	18
3.2 Conclusion	18
3.3 Data specification and sources	18
3.4 Performance data collection, validation and management	19
3.5 Report development processes	22
Appendix A. Performance indicators and output measures	25
Appendix B. <i>Audit Act 1994</i> section 16—submissions and comments.....	33

Audit summary

Background

Our natural environment underpins our economic and social opportunities and is an asset for all generations.

Government activities to achieve a healthy and sustainable natural environment are delivered through a range of public sector entities including the Department of Environment and Primary Industries (DEPI)—formerly the Department of Sustainability and Environment—the Environment Protection Authority (EPA), Parks Victoria, Sustainability Victoria, water authorities, catchment management authorities and waste management groups.

Performance measurement and reporting are crucial for determining whether the public sector is operating effectively, efficiently and in compliance with laws and policies. Previous audits across government have repeatedly identified shortcomings in agency performance reporting. Measuring and communicating performance is one of the most common persistent and recurring challenges revealed in our audits.

Reporting on performance has often been found to be limited in its usefulness and reliability. This reduces confidence about program effectiveness and quality of decision-making.

In the past three years, audits that have considered performance reporting in the sustainability and environment sector include *Performance Reporting by Departments*, *Environmental Management of Marine Protected Areas*, *Control of Invasive Plants and Animals in Victoria's Parks*, and *Hazardous Waste Management*. These audits have influenced the subsequent development of performance and reporting frameworks and controls in this sector.

The objective of this audit was to assess the effectiveness of public performance reporting by three of these agencies:

- **DEPI**—Victoria's lead government agency for the sustainable management of the natural environment, responsible for coordination of activities across the sustainability and environment agencies
- **EPA**—a statutory authority with independent powers to make regulatory decisions under the *Environment Protection Act 1970*
- **Parks Victoria**—a statutory authority responsible for managing a diverse park estate covering 17 per cent of Victoria, including terrestrial and marine parks, under an agreement with DEPI.

Conclusions

DEPI, EPA and Parks Victoria have clearly defined objectives and outputs. However, the selection of indicators and measures used to demonstrate performance is not always clear and not all indicators and measures for which data are collected are included in public reports. There continues to be an emphasis on reporting outputs and activities rather than outcomes.

DEPI, EPA and Parks Victoria have each demonstrated improvements in the practices used to collect data and report performance information. However, the quality and clarity of these processes varies across the agencies. The data selection and management, and the reporting controls and processes across the sustainability and environment portfolio as a whole do not provide sufficient confidence in the consistency and reliability of reported performance information.

Findings

Performance reporting framework

Good performance reporting provides sufficient information to reliably, objectively and clearly reflect an agency's performance.

Performance reporting in the audited agencies is mandatory. They must report on their performance in their annual reports, and departmental performance statements published in the government's Budget Paper No. 3—Service Delivery (BP3). Agencies may also produce other reports on performance for specific purposes.

DEPI, EPA and Parks Victoria have clearly defined and well integrated objectives and outputs for both BP3 reporting and broader agency operations. Their annual reports meet the minimum information requirements of the *Financial Management Act 1994*—including relevant Standing Directions.

Outside the BP3 framework, organisational objectives are well documented in corporate plans, long-term strategic and work plans and public reporting documents for each agency. The objectives are clearly defined, results-based and measurable, and adequately cover strategic priorities, key programs and areas of responsibility.

Performance indicators and output measures are generally well integrated across agencies' program planning and delivery. However, the design and selection process for performance indicators and output measures has not been adequately documented.

While EPA and Parks Victoria publicly report on a wide range of performance indicators and output measures, DEPI maintains that it is not required to report publicly on performance measures outside of those established in the State Budget process.

Despite establishing and maintaining data against a more extensive range of performance indicators and output measures, DEPI reports only on those measures contained in BP3. It may be appropriate for DEPI to publish this information if it provides a more comprehensive view of its overall performance.

Although DEPI has made some progress toward reporting performance more broadly across the environment and sustainability portfolio, this is not supported by a clearly articulated and structured performance reporting plan or strategy. Given DEPI's expanded portfolio coverage, which now includes primary industries, this work needs to be undertaken as soon as possible. This would allow DEPI to provide a more complete and reliable picture of its performance, consistent with clear and focused strategic and corporate plans.

Selecting and documenting indicators and measures

There is inadequate documentation about the rationale behind the selection of performance indicators and output measures, and a lack of complete or centrally controlled records that include agreed measurement methodologies.

Adequate documentation outlining the selection of indicators and measures helps to inform the choice of data sources so that reported data best reflects agency performance. It also allows for the appropriateness of measures to be reviewed. Neither DEPI nor Parks Victoria adequately document the information and processes used to select performance indicators and output measures. The identification of data sources and definition of data methodologies is not adequately built into the selection process, which has implications for the consistent collection and reporting of data.

DEPI does not have centrally developed and monitored standards for how program areas record and manage detailed information about their indicators and measures. This leads to a variety of approaches with inconsistencies in the quality of information recorded about the measures used.

Parks Victoria uses a range of data sources to inform the measurement of indicators and output measures. However, it has not demonstrated the basis for choosing each dataset, and how each is to be collected. Parks Victoria has recently commenced recording more comprehensive information about performance measures in information sheets.

EPA's highly integrated system clearly documents and defines all relevant information for its performance indicators and output measures, and related governance structures. Operational data and externally sourced scientific data is clearly and consistently justified and defined.

Both Parks Victoria and EPA have recently sought to modify their BP3 output measures to better reflect their current strategic priorities and objectives. A number of these changes have not yet been agreed to by DEPI or Department of Treasury and Finance. However, mechanisms are now being put in place to address this issue.

Data collection, management and reporting

Performance reporting must be based on reliable data that properly reflects the agency's performance. Agencies should have systems in place to ensure robust data collection and performance reporting that are well documented, consistently applied and effectively controlled.

All three audited agencies have centralised reporting systems that collate the data used for reporting. However, the controls over data collection and processing leading up to their collation vary markedly. Confidence in the accuracy of performance data, and the reliability of performance reports, is undermined by a lack of consistent standards and processes used for the collection, recording and validation of the data used to measure performance.

All agencies have established documented processes for each stage of report development and have identified those responsible for its authorisation. However, clarity of tasks and quality assurance processes for report development among the three agencies are considerably different.

EPA's approach to data specification, data collection and assurance, and report development represents best practice.

Continuous improvement

Good performance reporting approaches embed review processes and facilitate continuous improvement. Systems should be in place to routinely identify performance framework and system improvement needs, and to plan specific actions to implement them.

While DEPI and Parks Victoria have undertaken reviews of parts of their performance reporting systems and made improvements in recent years, these have been ad hoc or in response to external reviews. DEPI and Parks Victoria do not have their own internal mechanisms to review and improve their performance reporting processes.

In contrast, EPA's planning and reporting framework includes mechanisms that are used to track the ongoing development of its performance reporting, annual review of performance indicators, and assessments of data collection processes.

Recent machinery of government changes provide DEPI with both a challenge and an opportunity to review the nature of performance indicators and measures reported publicly across the environment, sustainability and primary industry portfolio.

Recommendations

Number	Recommendation	Page
1.	The Department of Environment and Primary Industries should critically assess whether there is value in reporting on performance indicators and output measures beyond those in Budget Paper No. 3 in its annual report.	16
	The Department of Environment and Primary Industries, the Environment Protection Authority and Parks Victoria should:	
2.	review their processes for developing, selecting and reviewing publicly-reported performance indicators and output measures, and more effectively collaborate across agencies	16
3.	improve the documentation of the information and processes used to select performance indicators and output measures	16
4.	assess annually how performance reporting practices comply with organisational standards, and conduct detailed biennial reviews to evaluate the adequacy of key performance indicators and output measure controls, data systems processes and controls, and development of performance reports.	16
	The Department of Environment and Primary Industries and Parks Victoria should:	
5.	improve the documentation of standardised and centrally managed records to include more complete descriptions, definitions, and rationale of data for all publicly-reported indicators and output measures	23
6.	develop minimum standards for performance data collection, management, analytical processes and systems, and monitor compliance with these standards	23
7.	develop and document detailed quality assurance standards for performance data collection and collation processes, and monitor compliance with these standards	23
8.	clarify the specific tasks and responsibilities of staff at all levels responsible for report development roles, and specify the checks and approvals that are required.	23

Submissions and comments received

In addition to progressive engagement during the course of the audit, in accordance with section 16(3) of the *Audit Act 1994* a copy of this report, or relevant extracts from the report, was provided to the Department of Environment and Primary Industries, the Environment Protection Authority and Parks Victoria with a request for submissions or comments.

Agency views have been considered in reaching our audit conclusions and are represented to the extent relevant and warranted in preparing this report. Their full section 16(3) submissions and comments are included in Appendix B.

1 Background

1.1 Introduction

A healthy and sustainable natural environment is essential for Victoria's economic and social prosperity. In 2012–13, the Victorian Government plans to provide over \$1.4 billion in funding towards achieving its desired environmental outcomes.

With such a level of funding, it is important to know how government agencies are delivering environmental, social and economic outcomes. Various audiences want to know if agencies are doing what they are supposed to be doing, and whether they are doing it effectively and efficiently. They expect information about agency performance to be available, to be easy to understand, and to be accurate.

Shortcomings in performance reporting have repeatedly been identified in government departments and agencies. Reporting on performance has often been found to be limited in its usefulness and reliability, with weaknesses in building credible performance measurements into program activities and in measuring outcomes. This reduces confidence in program effectiveness and in the quality of decision-making.

The environment and sustainability portfolio comprises a range of public sector entities including the Department of Environment and Primary Industries (DEPI)—formerly the Department of Sustainability and Environment—the Environment Protection Authority (EPA), Parks Victoria, Sustainability Victoria, water authorities, catchment management authorities and waste management groups. This audit looked at performance reporting by three of these agencies—DEPI, EPA and Parks Victoria.

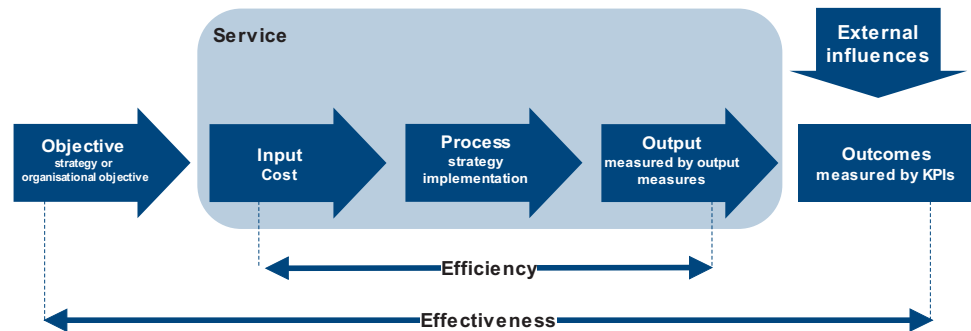
VAGO audits in this portfolio in the past three years that have considered performance reporting include: *Performance Reporting by Departments*, *Environmental Management of Marine Protected Areas*, *Control of Invasive Plants and Animals in Victoria's Parks*, and *Hazardous Waste Management*. These audits have influenced the subsequent development of DEPI's, EPA's and Parks Victoria's performance reporting frameworks and controls.

1.2 Assessing agency performance

What agencies do, and what they achieve, can be generalised in an 'output-outcome' framework, as shown in Figure 1A.

Outputs are what an agency actually delivers by using its available inputs—for example, funding, and statutory powers. Outcomes are the ultimate impact of these activities on the community.

Figure 1A
Performance framework



Source: Victorian Auditor-General's Office.

Agency performance can be assessed in a number of ways. The most common approach is to establish measures and indicators, and to report against predefined targets. Performance indicators are used to gauge whether the desired outcomes are being met, and to indicate program and cost effectiveness. Performance measures more directly measure the outputs of an agency, with good measures reflecting the quantity, quality, cost and timeliness of outputs.

Understanding how effectively the natural environment is being managed and protected requires robust performance monitoring and reporting. Assessing performance relies primarily on reported data.

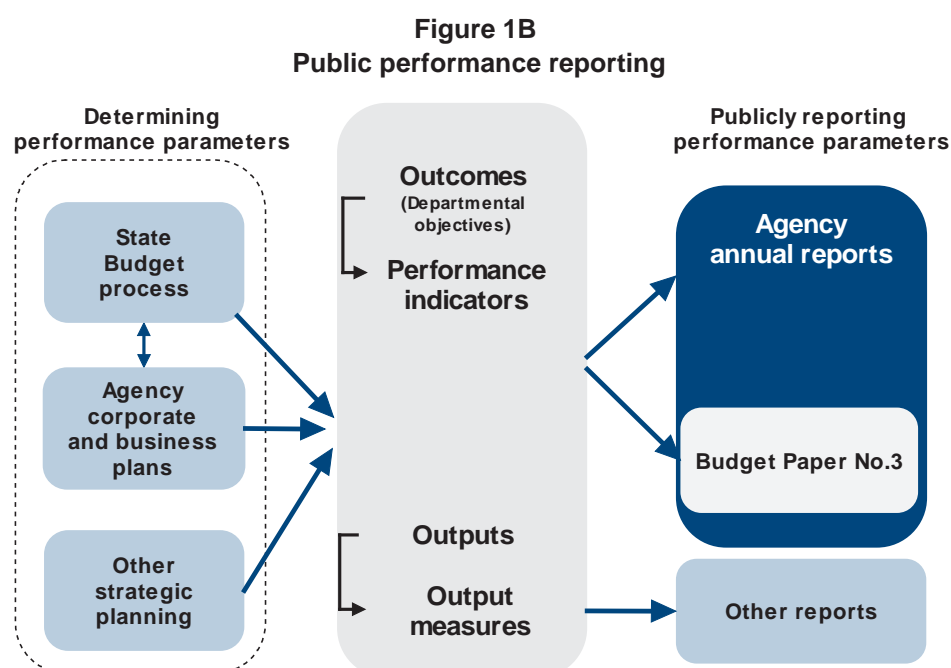
1.2.1 Users and uses of performance data

There are diverse and overlapping purposes for collecting and reporting data on agency performance. These include:

- **The government**—performance data allows agencies to demonstrate to the government how they are delivering on its stated objectives. This assists government to make decisions on resource allocation.
- **Parliament**—performance data demonstrates how appropriations have been used, and assists Parliamentary scrutiny of government activities.
- **Interested stakeholders**—those sectors of the community that are the intended recipients or beneficiaries of agency activities, their representatives, and their advocates need to know about government activities that affect them directly.
- **The community as a whole**—who are interested to see how the government is using their money and being accountable for its commitments and obligations.
- **The agency itself**—which should use performance data to review the efficiency of its activities, to regularly test the logic and assumptions of whether its activities remain the best way of achieving the desired outcomes, and to inform judgements on whether there is a continuing need for government activity.

1.3 Reporting requirements

Performance reporting in the Victorian public sector is mandatory. There are two key sources of information on agency performance—agency annual reports and departmental performance statements published in government Budget Paper No. 3—*Service Delivery* (BP3). Agencies may also produce other reports on performance for specific purposes. Public performance reporting is summarised in Figure 1B.



Source: Victorian Auditor-General's Office.

1.3.1 Reporting on operations in annual reports

Section 45 of the *Financial Management Act 1994* (the Act) requires agencies to prepare annual reports that include a report on operations and audited financial statements.

Standing Directions are issued by the Minister for Finance pursuant to section 8 of the Act, which detail how the requirements of the Act must be implemented. These Standing Directions have legislative force. Standing Directions 4.2 and 4.5.5 in particular contain additional obligations that a department or public body must comply with in order to fulfil their annual reporting obligations under Part 7 of the Act.

Standing Direction 4.2 includes the following requirements:

- The report of operations should be prepared on a basis consistent with the financial statements prepared by the public sector agency pursuant to the Act. It should use qualitative and quantitative information to provide users with general information about the entity and its activities, operational highlights for the reporting period, future initiatives and other relevant information not included in the financial statements.
- The report of operations must be prepared in accordance with the requirements of the Financial Reporting Directions (FRD).
- The report of operations for government departments must be presented in accordance with the guidelines contained within the *Model Financial Report for Victorian Government Departments*.
- A government department must include a comparison of the output targets specified in the State Budget with actual performance against those targets.

While only departments are required under Standing Direction 4.2 to comply with the Model Financial Report, other Victorian public sector bodies are encouraged to use it. DEPI has issued instructions to its portfolio agencies that they are expected to use it. DEPI also expects the annual reports of individual agencies to include reporting against the BP3 performance measures relevant to each agency—which they do.

1.3.2 Reporting against Budget outputs

The Victorian Government's Budget framework is an applied output-outcome framework, with intended outcomes presented in the form of departmental objectives that are expected to be aligned to government priorities. Essentially, through the annual Budget process, the government is 'purchasing' a set of outputs from an agency with the expectation that the agency will meet its performance measure targets.

The Department of Treasury and Finance's (DTF) Budget and Financial Management Guidance (BFMG) provides guidance on establishing departmental objectives with associated performance indicators, and outputs with associated output measures. The BFMG provides business rules for setting sound performance indicators and targets, noting the need for clear logic linking activities to outputs, and outputs to departmental objectives.

Each year BP3 provides an overview of the activities funded by government and delivered by departments, and how these support the government's strategic priorities and objectives—including a breakdown of output funding with associated performance measure targets. BP3 reports on the expected performance against targets in the current financial year and actual performance for the previous year.

However, although the government determines the output measures, the agency usually decides the actual sources of data it uses to demonstrate its performance against them.

DTF is implementing a strategic review, has completed the strengthening of BP3 output measures, and is in the process of introducing performance indicators to measure outcomes in future Budget Papers.

1.4 Roles and responsibilities

This audit focused on performance reporting in three key agencies within the environment and sustainability portfolio:

- **DEPI**—Victoria's lead government agency for the sustainable management of the natural environment, responsible for coordination of activities across the sustainability and environment agencies.
- **EPA**—a statutory authority with independent powers to make regulatory decisions under the *Environment Protection Act 1970*.
- **Parks Victoria**—a statutory authority responsible for managing a diverse park estate covering 17 per cent of Victoria, including terrestrial and marine parks, under an agreement with DEPI.

Each agency is responsible for collecting performance data and reporting against agreed performance indicators and measures.

The machinery of government changes announced by the Premier on 9 April 2013 resulted in a number of changes to departmental structures. Relevantly, the former Department of Sustainability and Environment (DSE) and the Department of Primary Industries (DPI) are being brought together to form DEPI. As part of this change Land Victoria, previously part of DSE, will move to the Department of Transport, Planning and Local Infrastructure. This audit's examination of performance reporting by DEPI relates to the practices of DSE prior to these changes coming into effect.

The Treasurer is responsible for agreeing to the performance measures used for outputs under the BP3 reporting framework, which is in practice done through the Budget and Expenditure Review Committee (BERC) of Cabinet. Proposed substantive changes to output measures are provided to the Parliamentary Public Accounts and Estimates Committee for review and recommendations.

DTF has issued guidance on best practice to assist agencies in setting measures and processes for reporting. It also provides advice to the BERC on proposed outputs and performance measures.

1.5 Audit objective

The objective of this audit was to assess the effectiveness of public performance reporting by DEPI, EPA and Parks Victoria. To inform this objective, the audit examined whether there were:

- frameworks in place to enable agencies to reliably assess and report performance
- robust data management practices to support performance reporting.

1.6 Audit method and cost

The audit was conducted under section 15 of the *Audit Act 1994* and in accordance with the Australian Auditing and Assurance Standards. Pursuant to section 20(3) of the *Audit Act 1994*, unless otherwise indicated, any persons named in this report are not the subject of adverse comment or opinion.

The total cost of this audit was \$350 000.

1.7 Structure of the report

Part 2 discusses performance reporting frameworks.

Part 3 looks at data selection, collection and reporting.

2 Reporting framework

At a glance

Background

Agencies should ensure that publicly-reported performance information is presented in a way that is accessible, understandable and meaningful. Performance reporting needs to provide enough information to reliably, objectively and clearly reflect what an agency has done and achieved.

Conclusion

The Department of Environment and Primary Industries (DEPI), the Environment Protection Authority (EPA) and Parks Victoria have clearly defined objectives and outputs. However, the rationale for the selection of indicators and measures used to demonstrate performance is not always clear, and not all indicators and measures for which data is collected are included in public reports.

Findings

- Performance indicators and output measures are generally well integrated across agencies' program planning and delivery.
- Agencies have not adequately documented the design and selection processes for performance indicators and output measures.
- While EPA and Parks Victoria report on a wide range of performance indicators and output measures, DEPI reports only on those measures contained in Budget Paper No. 3, despite collecting data for additional measures.

Recommendations

- DEPI should critically assess whether there is value in reporting on performance indicators and output measures beyond those in Budget Paper No. 3 in its annual report.
- DEPI, EPA and Parks Victoria should:
 - review their processes for developing, selecting and reviewing publicly-reported performance indicators and output measures, and more effectively collaborate across agencies
 - improve the documentation of the information and processes used to select performance indicators and output measures
 - assess their performance reporting practices against organisational standards annually, and fully review public reporting biennially.

2.1 Introduction

Good performance reporting provides sufficient information to reliably, objectively and clearly reflect an agency's performance.

Effective performance measurement and reporting systems use robust and well-developed performance indicators and output measures. They provide insights into the extent to which departments and agencies are achieving their objectives and program deliverables.

Performance indicators and output measures should be carefully selected to demonstrate the effectiveness and efficiency of an agency's activities in meeting the desired outcome.

2.2 Conclusion

The Department of Environment and Primary Industries (DEPI), the Environment Protection Authority (EPA) and Parks Victoria have clearly defined and well integrated objectives and outputs, for both Budget Paper No. 3 (BP3) reporting and broader agency operations.

However, there is inadequate documentation about the rationale behind the selection of performance indicators and output measures. Because of this, these agencies cannot demonstrate the logic and assumptions involved in setting the indicators and measures, or assure that they are the most appropriate to reflect performance. Lack of documentation also reduces confidence in the choice of data sources and methodologies used to report on performance.

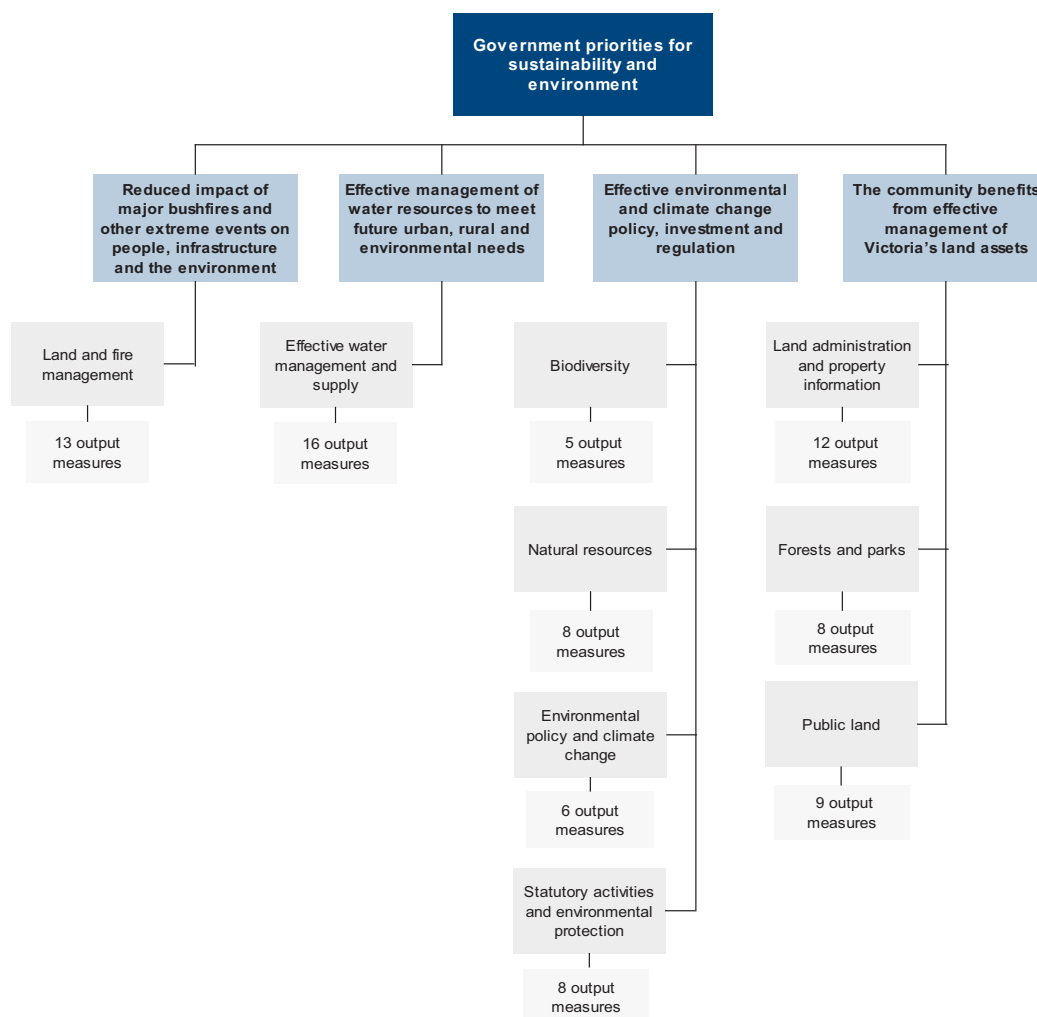
While EPA and Parks Victoria publicly report on BP3 performance measures as well as a range of other indicators and measures, DEPI reports only on the output measures contained in its BP3 report. This means that its performance reporting may not give a complete picture of how it is performing against its corporate and business plans, and gives limited information about progress towards achieving departmental objectives.

DEPI and Parks Victoria have made some improvements in their performance reporting frameworks in recent years. However, they do not have adequate mechanisms for reviewing and improving their performance reporting processes.

2.3 Objectives and outputs

In BP3 for 2012–13, there are four objectives related to sustainability and the natural environment, with nine associated outputs—see Figure 2A. Through the annual Budget process, these outputs are agreed by the government with performance measures and targets attached to each output. Performance measures attempt to best reflect the quantity, quality, timeliness and cost of each output.

Figure 2A
Environment portfolio objectives and outputs, 2012–13



Source: Victorian Auditor-General's Office.

Agencies are required to complete planning and report against BP3 performance measures in accordance with the Budget and Financial Management Guidance (BFMG) issued by the Department of Treasury and Finance (DTF). The BFMG provides general guidance and business rules for departments on establishing objectives and outputs and performance measures.

DEPI has developed 'departmental objective indicators' for each of its objectives to demonstrate its progress towards achieving departmental objectives and government priorities. These indicators support measurement and management of performance, but they are not currently reported against in public documents.

While the BFMG incorporates better practice, its application is limited to reporting for BP3 measures only.

Outside the BP3 framework, organisational objectives are well documented in corporate plans, long-term strategic and work plans and public reporting documents for each agency. These are clearly defined, results-based, measurable, and adequately cover strategic priorities and key programs and areas of responsibility.

2.4 Publicly-reported performance information

Victorian public sector agencies are required to report performance against the BP3 output measures as agreed through the Budget process. This occurs in consolidated form for all outputs within the sustainability and environment portfolio, in the Budget Papers and in DEPI's annual report. While its annual report does not identify which agencies within the portfolio are responsible for individual outputs or performance measures, DEPI expects the individual agencies' annual reports to include reporting against the relevant BP3 performance measures—which they do.

DEPI's, EPA's and Parks Victoria's annual reports meet the minimum requirements of the *Financial Management Act 1994*—including relevant Standing Directions.

However, agencies are able to include additional performance reporting in their annual reports, or in other publications. This is particularly important if activities are not directly related to the use of funds provided through the Budget process, but instead relate to, for example, how an agency is exercising its legislative powers to make decisions, or to particular programs or initiatives.

EPA and Parks Victoria publicly report on a broader range of indicators and measures than required under the BP3 reporting requirements.

EPA has three strategic priorities to deal with past pollution, tackle current environmental issues, and shape the future environment. Ten objectives sit under these priorities—such as tackle pollution, ensure compliance using a risk-based approach, and support the conversion of contaminated environments to assets. To report progress against these objectives EPA uses 17 performance indicators and its eight BP3 output measures. Performance indicators include notices issued for particular activities and compliance of audits.

EPA's annual report is a highly detailed and informative public document that informs its readers about relevant context and significance, and provides useful comparisons. This is, in part, driven by a stronger focus by EPA's board and management on the need to be more community and client focused and clearly assert its strategic relevance as a modern regulator.

EPA produces an annual corporate plan that informs the public of its planned and proactive compliance activities over the coming year. The plan includes a range of targets, against which EPA reports progress quarterly. The plan provides a more detailed account of the targets and activities identified in EPA's annual report and articulates how its five-year plan priorities are delivered each year.

Parks Victoria's *2011–12 Business Plan* and *2011–14 Corporate Plan* set out five areas of work and five related strategic, long-term goals or objectives. Its objectives include conservation of park and waterway ecosystems, protection of culture and heritage in parks, and delivering opportunities for people to use and enjoy their parks and waterways. Under these objectives are 22 performance indicators and five BP3 output measures.

Parks Victoria's *State of the Parks* is a separate non-mandated reporting process that focuses on the effectiveness of its park management activities across the state. The report includes a systematic evaluation of the outcomes of park management programs, and the extent to which park management objectives are being met. It also highlights current challenges, identifies emerging issues, and is used to inform and modify management programs.

While Parks Victoria annual reports include a wider range of indicators than the BP3 output measures, this reporting lacks sufficient detail and analysis of performance. Parks Victoria is currently addressing this through a new reporting style and templates.

DEPI only provides performance data on the BP3 output measures as required under Standing Direction 4.2. This limits the transparency and comprehensiveness of its reporting. Further, while DEPI annual reports do include explanations of variances against targets, there is no discussion of trends, longer-term issues, context, or comparative data.

Performance indicators and output measures—including BP3 output measures—that are currently publicly reported are listed in Appendix A.

2.4.1 What other performance information could be reported?

There are additional data that agencies collect that may assist users of performance information.

While EPA and Parks Victoria report a range of measures in addition to those in BP3, DEPI does not. DEPI has established and collects data against a more extensive range of performance indicators and output measures than those currently reported publicly, which are used only for internal management purposes.

DEPI has identified 12 departmental objective indicators as its performance indicators to measure progress in achieving its four organisational objectives. Data is being collected for these indicators, but not reported externally. These departmental objective indicators include items such as the proportion of new homes connected to alternative water sources, and the number of community members who visit the public land managed by portfolio agencies.

Additional output measures monitored by DEPI, but not reported, reflect the quantity and timeliness of many of its core activities.

These departmental objective indicators and additional output measures are not required to be reported publicly as they are not currently part of the BP3 reporting framework, however, DEPI could explore reporting against them in future annual reports.

While not formally required, publication of such data would be in the public interest if it promotes an open and transparent government, assists accountabilities and supports ongoing policy development. It also provides a more complete picture of an agency's performance that may not be reflected from a Budget-specific perspective.

In principle, if an agency collects performance data for internal reporting, it should also consider using it for public reporting on its performance, subject to consideration of its reliability and accuracy. DEPI's annual reports are based on compliance with the formal requirements for BP3 reporting.

Although DEPI has made some progress toward reporting performance more broadly across the environment and sustainability portfolio, this is not supported by a clearly articulated and structured performance reporting plan or strategy. Given DEPI's expanded portfolio coverage, which now includes primary industries, this work needs to be undertaken as soon as possible. This would enable DEPI to provide a more complete and reliable picture of its performance, consistent with clear and focused strategic and corporate plans.

2.5 Performance indicators and output measures

Each agency has a generally well integrated planning process to identify relevant performance indicators for each of their objectives. However, there have been some gaps in these processes including:

- documentation of the rationale for selection of indicators and measures
- inconsistent methodologies and definitions for the data needed to measure performance
- unsatisfactory processes for the review and revision of measures.

2.5.1 Performance indicators and output measures used by agencies

Performance indicators

DEPI's *2012–23 Long-Term Plan* lists 12 departmental objective indicators. The plan explains the alignment of each indicator to its respective objective and how they collectively cover the full suite of strategic priorities.

The objective indicators contained in DEPI's proposed 2012–16 corporate plan are included in the 2013–14 BP3 reporting framework, however, no targets or results have been included. They are documented internally to support strategic, business and operational planning, and the delivery and reporting of performance across all levels of the department. Reporting against these indicators is, therefore, highly relevant to inform an assessment of performance.

The indicators used by EPA to publicly report performance against its corporate objectives adequately cover its new strategic objectives, and the range of activities used to achieve its corporate plan and its compliance and enforcement plan. For each identified objective, indicators are clearly linked to activities and have appropriate targets. These enable EPA to report on how effectively it has been achieving its chosen objectives.

Parks Victoria has recently committed to a new series of long-term outcomes and determined what will be required for their achievement. It has selected indicators for public reporting that are logically aligned and relevant to the objectives and outcomes contained in its corporate and business plans.

Appropriate indicators have also been identified for Parks Victoria's *State of the Parks* report, which it intends to publish every three years. These indicators were developed following extensive consultation and engagement with the public and relevant government stakeholders. The indicators adequately cover all of Parks Victoria's major park management activities.

Output measures

DEPI reports against 71 performance measures to reflect its achievement of outputs. These measures align with DEPI's outputs and cover the key activities included in its business plan.

Parks Victoria monitors and reports internally on a total of 29 performance measures. Only five of these are included in the BP3. Parks Victoria has acknowledged that the performance measures included in the BP3 are not suitable and should be changed to more accurately align with current organisational objectives and plans. The current performance measures:

- are not clearly expressed and therefore are difficult to understand
- are often statements of fact rather than targets for performance
- do not reflect Parks Victoria's performance achievements.

Parks Victoria requests to DEPI and DTF to modify its BP3 output measures have not resulted in these being changed. However, DEPI is developing a new management agreement with Parks Victoria to create a schedule that includes the review of the performance measures.

EPA measures a total of 61 output measures through its corporate scorecards, which align with its objectives and directly link to the activities and targets under its corporate and business plans. EPA's measures are organised against each of its program areas. Only eight of these measures are included in BP3.

EPA has acknowledged that its performance measures reported in BP3, measure only some of its activities and do not closely reflect its five-year plan. Over recent years, EPA has sought changes to its BP3 output measures. While BP3 measures have been modified in three instances there are a further five changes that have not been agreed between DEPI and EPA. The changes wanted by EPA would provide flexibility to report program delivery more clearly and accurately, and measure additional activities related to the delivery of its objectives. DEPI has recently established a senior management coordination working group that has, as one of its tasks, to review and provide advice on the requests from EPA for these changes.

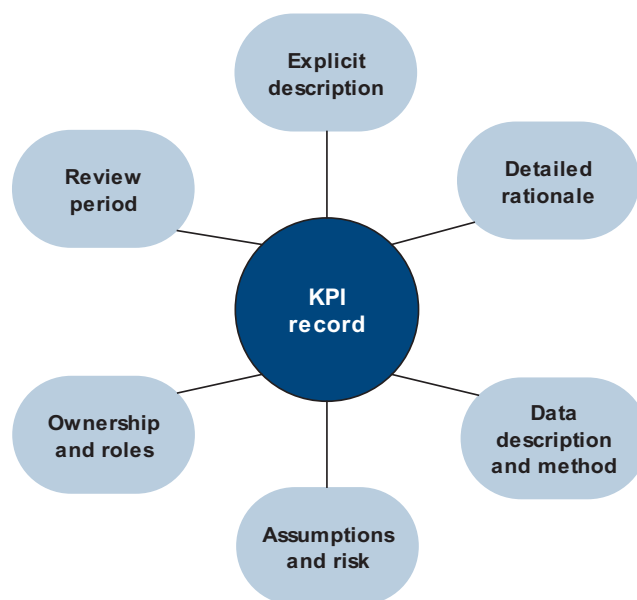
2.5.2 Processes for selecting indicators and measures

There is inadequate documentation about the rationale behind the selection of performance indicators and output measures. There is also a lack of complete or centrally controlled records that include agreed measurement methodologies and data sources.

Having the right performance indicators and output measures is only part of the story. The selection of indicators and measures should be adequately documented to:

- demonstrate the logic and assumptions involved in setting the indicators and measures
- inform the choice of data sources so that reported data best reflects achievement of targets
- allow reviews to determine if the measures remain appropriate.

Figure 2B
Appropriate documentation of performance indicators and output measures



Source: Victorian Auditor-General's Office.

Program logics and documented descriptions of the use of individual indicators and measures are elements of best practice in performance reporting. They allow an agency to record the nature of the performance indicators used—for example, based on survey or administrative data, sample-based or exhaustive—their rationale, the definition of all major components of the indicator, who collects it and who provides the data. They need to record the scope of the data including the frequency of data collection or provision, and whether information from different data sources will be combined or aggregated in some manner for that indicator. They should facilitate an agency-wide understanding of how the organisation's objectives link to chosen performance indicators, and outputs are linked to output measures.

Neither DEPI nor Parks Victoria adequately document the information and processes used to select performance indicators and output measures. They do not adequately identify data sources and define data methodologies as part of the selection process. This has implications for data collection and reporting—this is discussed further in Part 3.

2.6 Continuous improvement

Performance reporting frameworks and systems require ongoing review and improvement to ensure that they can provide the most reliable assessment of an agency's performance.

DEPI and Parks Victoria have undertaken reviews of parts of their performance reporting systems and made improvements in recent years.

DEPI is making significant progress in reforming its reporting following VAGO audits and other reviews by the Parliamentary Accounts and Estimate Committee and DTF. Since 2010, DEPI has:

- developed the Interplan planning and reporting tool
- recommenced development of corporate plans—including the development of departmental objectives
- developed draft performance indicators
- reviewed its BP3 measures against DTF guidelines.

DEPI has established a performance reporting reference group, which meets periodically and provides feedback about the general efficiency of performance reporting processes and reports.

Parks Victoria has also improved its performance reporting in response to internal reviews of its strategic planning frameworks, and improvements to some administrative practices. Parks Victoria's Corporate Strategy Directorate documents the improvements identified throughout the business plan cycle. Where applicable, enhancements are implemented immediately if they improve the current planning cycle.

These improvements have been ad hoc or in response to external reviews. DEPI and Parks Victoria do not have adequately structured mechanisms for review and improvement built into their performance reporting processes, or clear strategies that guide the development of their performance management systems.

EPA has enhanced its corporate planning processes and undertaken a business systems reform program to re-engineer its operations platform. This has resulted in a clear vision, objectives, milestones and review processes. These processes are clearly resourced and their implementation is planned and monitored.

EPA's planning and reporting framework includes annual review mechanisms that track the planned developments of its performance reporting, performance indicators and data collection processes.

Recent machinery of government changes provide DEPI with both a challenge and an opportunity to review the nature of performance indicators and measures reported publicly across the environment, sustainability and primary industry portfolio.

Recommendations

1. The Department of Environment and Primary Industries should critically assess whether there is value in reporting on performance indicators and output measures beyond those in Budget Paper No. 3 in its annual report.

The Department of Environment and Primary Industries, the Environment Protection Authority and Parks Victoria should:

2. review their processes for developing, selecting and reviewing publicly-reported performance indicators and output measures, and more effectively collaborate across agencies
 3. improve the documentation of the information and processes used to select performance indicators and output measures
 4. assess annually how performance reporting practices comply with organisational standards, and conduct detailed biennial reviews to evaluate the adequacy of key performance indicators and output measure controls, data systems processes and controls, and development of performance reports.
-

3 Data selection, collection and reporting

At a glance

Background

Agency performance reports should contain meaningful and reliable information. This requires sound data selection, robust data collection and reporting systems that are systematic, well documented, consistently applied and effectively controlled.

Conclusion

The data selection, management and reporting controls and processes across the audited agencies have improved, but as a whole are insufficient to give confidence in the consistency and reliability of reported performance data.

Findings

- The audited agencies do not clearly document the definition of performance indicators and output measures, which reduces the consistency of data collection and reporting.
- A lack of consistent standards and processes used for the collection, recording and validation of data used to measure performance, undermines confidence in the accuracy of performance data and reliability of performance reports.
- The Environment Protection Authority's centralised automated data collection and reporting processes align to better practice.

Recommendations

DEPI and Parks Victoria should:

- improve the documentation of standardised and centrally managed records to include more complete descriptions, definitions, and rationale of data for all publicly-reported indicators and output measures
- develop minimum standards for performance data collection, management, analytical processes and systems, and monitor compliance with these standards
- develop and document detailed quality assurance standards for data collection and collation processes, and monitor compliance with these standards
- clarify the tasks and responsibilities of staff at all levels responsible for report development roles, and specify the checks and approvals that are required.

3.1 Introduction

Performance reporting must be based on reliable data that accurately reflects agency performance. Agencies should have effective systems to support robust data collection and collation, and performance reporting processes that are well documented, consistently applied and effectively controlled.

Appropriate data management practices are vital to support performance management and reporting programs. Effective data collection and management practices—including storage, access and analysis—assist with data reliability and the production of timely and consistent performance reports.

Agencies should systematically evaluate and select the most appropriate type and quality of data to inform performance indicators and output measures in a relevant, appropriate and representative way.

3.2 Conclusion

The Department of Environment and Primary Industries (DEPI), the Environment Protection Authority (EPA) and Parks Victoria have improved the practices they use to collect data and report performance information.

However, the quality and clarity of these processes varies across the agencies. The data selection and management, and the reporting controls and processes across the sustainability and environment portfolio as a whole do not provide sufficient confidence in the consistency and reliability of reported performance information.

3.3 Data specification and sources

Adequate documentation outlining the selection of performance indicators and output measures helps to inform the choice of data sources so that reported data best reflects performance.

The processes for selecting performance indicators and output measures at DEPI is inconsistent and often poorly documented.

There are no centrally developed and monitored standards for how program areas record and manage detailed information about their indicators and measures. This leads to a variety of approaches, with inconsistencies in the quality of information recorded about the measures used. DEPI's central planning and reporting system, Interplan, is not used to centrally register sufficient information about performance indicators and output measures, or as a mechanism to standardise what information should be captured.

DEPI does not have adequate centrally controlled records that consistently and clearly define and guide the data used for its performance indicators or output measures. In some instances data definitions and controls are comprehensive and align well with indicators and measures, but in other cases data sets are poorly or incompletely defined.

DEPI has prepared performance indicator templates for 10 of its 12 departmental objective indicators. However, the information in these documents is inconsistent in terms of scope, quality, clarity and completeness. In many cases they do not adequately define or sufficiently cover the rationale of the indicator they relate to. There are similar shortcomings in DEPI's documentation of its Budget Paper No. 3 (BP3) output measures.

Parks Victoria uses a range of data sources to inform the measurement of indicators and output measures, however, it has not demonstrated the basis for choosing each dataset and how each is to be collected. Parks Victoria has recently commenced recording more comprehensive information about performance measures in information sheets—2012–13 is the first year it has used this process and it plans to test and refine the information during the coming financial year.

EPA has developed a highly integrated system that combines operational data with externally sourced scientific data, each of which is clearly and consistently justified and defined. The system has a central log that includes all relevant information for its performance indicators and output measures, and related governance structures.

The indicator sheets used by EPA record the scope of each measure, its origins, the intent and purpose, and what the outcome of measuring this actually means for EPA's delivery of its strategic priorities. They also specify the source of data that will be used for each measure.

3.4 Performance data collection, validation and management

Agencies need established systems and controls to collect, validate and assure the consistency and accuracy of data collation, and to provide consistent reporting over time. Effective controls over data collection ensure that the data provided for reporting is complete, accurate, consistent, and correctly recorded and processed.

All three audited agencies have centralised reporting systems that collate the data used for reporting. However, the controls over data collection and processing leading up to their collation vary markedly.

3.4.1 Environment Protection Authority

EPA has established clear operating procedures and detailed indicator sheets for its performance measures and provides guidance to staff involved in collection and collating data.

The data collection controls, delivered using its new Integrated Business Information System (IBIS), reflect better practice. The controls provide EPA with a high level of confidence about the accuracy of data used in reporting. IBIS is automated, centralised, secured and provides consistent processes and controls for data collection.

EPA has a well-controlled, systematic and consistent approach to quality assurance for its performance data.

IBIS has an automated centralised data depository. There is an information management system strategy and associated plan, which provide guidance to staff on procedures. Clear controls exist around data input procedures to facilitate consistency, and an extensive training program has been implemented to assist staff using the system.

EPA has nominated data stewards who are appointed for each data set and a scorecard owner for each performance indicator and output measure. The data stewards undertake scheduled reviews of the veracity of data content. They are responsible for overseeing the data collection processes, including monitoring controls and staff training. The stewards group meets regularly and reports to a data owners committee. Actions identified in these reviews are included in IBIS's implementation action plan, which identifies various continuous improvement activities.

Figure 3A
How the Environment Protection Authority demonstrates better practice principles

EPA's IBIS tool has a series of high-level controls built into its reporting process including in-built authorisation levels to allow for appropriate checking of data.

Clear controls exist around data inputs and subsequent reporting to facilitate consistency in the data used for performance reporting.

EPA has implemented an extensive training program to help staff to use the system and its reporting functions.

The datasets that EPA uses are documented in its indicator detail sheets and scorecards. The sheets identify the details of the data source used for each performance measure and provide instructions on how data is to be collected for each.

Source: Victorian Auditor-General's Office.

3.4.2 Parks Victoria

Parks Victoria has made progress in improving its processes and controls for the collection and management of its performance data. However, these are yet to be adequately documented or fully embedded into consistent practice.

A strategic planner informally monitors processes and intervenes with improvements from time to time, but these processes are insufficient to ensure that all risks to poor reporting are identified or acted upon.

There is reliance on manual data collection and although staff roles and authorisations are well established, they are not yet supported by rigorous and well documented quality assurance processes. The centralised data management system lacks standard operating procedures for manual data collection and collation processes. The use of old and unreviewed data guidance and protocols further undermines Parks Victoria's data management practices.

Parks Victoria has not reviewed the adequacy of its data collection and management practices to assure that:

- data management systems are appropriately documented, governed and secured
- data collection processes are precise and adequately documented
- responsible officers are appropriately qualified and aware of these processes
- quality assurance processes are appropriate and clearly defined.

Data collation involves staff manually re-inputting collected data into spreadsheets. This process does not include central control or oversight to check and assess the accuracy of information. This process creates a risk for the reliability of the data provided, which could undermine the usefulness of performance reporting.

Data collected for the *State of the Parks* report is more adequately controlled, which is reflected in a high degree of consistency in the quality of information collected and reported.

3.4.3 Department of Environment and Primary Industries

DEPI's larger, more complex organisational structure and the diversity of its programs has resulted in a large number of decentralised data management systems and processes used to collect data for program-based performance measures.

There are no common standards or approaches to ensure adequate checking and validation of data collection processes across the department. DEPI officers who collect performance data do not have access to clear and consistent definitions about the performance indicators and output measures used, or the specific data to be collected.

DEPI has not assessed the adequacy of its data collection processes across the department and does not have any plans to do so. It has not identified or formally examined the risks that may lead to poor data collection. While the centralisation of report development using the Interplan process has greatly reduced some risks, significant variability remains in many of the decentralised data collection processes and controls creating the potential for human error or poor quality reporting.

DEPI has few well-defined and systematic quality assurance processes to validate its collected data. Checking processes are informal and often based on an individual officer's familiarity with the data or a sense of whether it looked right. There were few examples of crosschecking of data with a second source or verifying compliance with specific data collection processes.

Only two of six indicators reviewed during this audit showed they were supported by controlled and well-documented data systems. The other four had significant flaws in the definitions of the data collected, or the required methodologies for data processing, including definitions that were:

- too general to be useful
- missing important information about how data is aggregated
- confusing or used variable methods of calculation
- missing sufficient explanation of how the data chosen is aligned to the indicator description.

Two out of three BP3 output measures examined in this audit had poor data collection controls that led to poor understanding and application of indicator definition, and poor collection and checking processes. This creates a risk that unreliable data could be provided for Budget reporting purposes.

DEPI has established a performance reporting reference group, which includes a range of divisional/regional business managers and DEPI's corporate planning and reporting area. The group meets periodically to provide and consider feedback about the general efficiency of performance reporting processes and reports. However, it does not undertake structured reviews that test the quality of data collection, or report development standards and practices.

3.5 Report development processes

All agencies have established documented processes for each stage of report development and have identified those responsible for its authorisation. However, clarity of tasks and quality assurance processes for report development among the three agencies are considerably different.

Users of performance reports expect published performance information to be accurate—whether in agency annual reports, Budget Papers, or stand-alone publications. The development of departmental performance reports generally involves a wide range of officers and executives from different program areas—each contributing, verifying and approving relevant information and analysis to be used in public reports. Central coordination and oversight is therefore important to ensure that the standards and processes applied during report development provide the necessary assurance about the quality and accuracy of the report information prior to its publication.

EPA has defined clear processes and requirements for developing reports that are aligned with its governance structures and quality assurance practices. This enables it to have confidence that reported information has been reviewed and is accurate. Quality assurance is automated through IBIS and incorporated into executive level reviews.

The documentation available for DEPI and Parks Victoria staff does not clearly articulate the responsibilities and tasks of officers involved in report development. The processes used by these agencies rely on the perceptions, experience and initiative of the individual officers involved.

DEPI uses standardised reporting templates and guidance materials. However, these do not include sufficiently detailed descriptions of the types of information to be included in reports, or the evidence that should be available to support this information.

At the time of audit, Parks Victoria was drafting guidelines for report development.

Figure 3B
How the Environment Protection Authority's approach delivers better practice performance reporting

EPA has documented accountabilities for the development and finalisation of performance reports. Controls include clearly defined roles and responsibilities for verification and authorisation procedures.

Report controls track adherence with prescribed processes and are supported by records that demonstrate compliance or explain deviations.

Quality assurance processes are well documented and properly implemented.

There are well structured and effective reviews of performance reporting processes, including the use of several reference groups that review all levels of performance reporting processes in order to improve the rigour and effectiveness of current practices.

The report formats are regularly reviewed in order to allow information to be presented in readable and informative way, relevant to audience needs.

Source: Victorian Auditor-General's Office.

Recommendations

The Department of Environment and Primary Industries and Parks Victoria should:

5. improve the documentation of standardised and centrally managed records to include more complete descriptions, definitions, and rationale of data for all publicly-reported indicators and output measures
6. develop minimum standards for performance data collection, management, analytical processes and systems, and monitor compliance with these standards
7. develop and document detailed quality assurance standards for performance data collection and collation processes, and monitor compliance with these standards
8. clarify the specific tasks and responsibilities of staff at all levels responsible for performance report development roles, and specify the checks and approvals that are required.

Appendix A.

Performance indicators and output measures

Performance indicators and output measures—including Budget Paper No. 3 (BP3) output measures—that are currently publicly reported are listed in Figure A1.

Figure A1
Sustainability and environment portfolio performance reporting

Objectives and performance indicators	Budget Paper No. 3 Outputs and output measures
Departmental objective: Effective management of water resources to meet future urban, rural and environmental needs	
<p>Departmental objective indicators:</p> <ul style="list-style-type: none"> • Proportion of new homes connected to an alternative water source • Proportion of properties directly connected to the modernised irrigation delivery system—in the Goulburn-Murray and Macalister Irrigation districts • Number of river reaches and wetlands with improved environmental condition 	<p>Output—Effective water management and supply</p> <p>Quantity:</p> <ul style="list-style-type: none"> • Compliance with the Murray-Darling Basin Agreement to maintain a balance in the Salinity Register such that the total of salinity credits is in excess of, or equal to, the total of salinity debits • Cumulative water savings realised through water recovery projects • Estimated net reduction in total load of nitrogen and phosphorus in urban and rural water systems • Expected water savings through water recovery projects being implemented • Length of river where works have been undertaken to stabilise bank erosion • Length of river where works have been undertaken, or river frontage protected, to improve the vegetation in the streamside zone • Length of river where works have been undertaken to improve in-stream health • Other Victorian retail water entitlements authoritatively housed in the water register • Rebates approved to households for improved water efficiency in the house and garden • Rebates approved for small business for improved water efficiency • Rivers and wetland systems with improved environmental flows being delivered • Victorian ‘water shares’ authoritatively housed in the water register • Water information products delivered for greater accountability in sustainable water resource management

**Figure A1
Sustainability and environment portfolio performance reporting – *continued***

Objectives and performance indicators	Budget Paper No. 3 Outputs and output measures
Departmental objective: Effective management of water resources to meet future urban, rural and environmental needs – <i>continued</i>	
	<p>Quality:</p> <ul style="list-style-type: none"> Bulk water entitlements/environmental entitlements being complied with to ensure security of supply, environmental flows and compliance with caps <p>Timeliness:</p> <ul style="list-style-type: none"> Statutory obligations of water corporations complied with, including annual reports and audits, corporate plans, and exercises under the <i>Terrorism (Community Protection) Act 2003</i> <p>Cost:</p> <ul style="list-style-type: none"> Total output cost
Departmental objective: Effective environmental and climate change policy, investment and regulation	
<p>Departmental objective indicators:</p> <ul style="list-style-type: none"> Participation in community based environmental programs—participant FTE days Reduction in pollutants from priority hotspots Level of support from key stakeholders for environmental and climate change policy development and implementation 	<p>Output—Biodiversity</p> <p>Quantity:</p> <ul style="list-style-type: none"> Native vegetation credit trading agreements signed through the BushBroker program <p>Quality:</p> <ul style="list-style-type: none"> Presentations made and scientific publication in peer-reviewed journals <p>Timeliness:</p> <ul style="list-style-type: none"> Game and wildlife licence renewals processed by target dates Planning referrals relating to native vegetation processed within statutory time frames <p>Cost:</p> <ul style="list-style-type: none"> Total output cost <p>Output—Natural resources</p> <p>Quantity:</p> <ul style="list-style-type: none"> Area covered by the regional land health projects Landcare members and community volunteers participating in Landcare activities Regional investment plans proposing natural resources improvement projects submitted, assessed and recommended to responsible Minister(s) for funding Regional land health projects being implemented <p>Quality:</p> <ul style="list-style-type: none"> Corporate plans submitted by catchment management authorities are aligned with ministerial guidelines and template, and meet the requirement of relevant Acts Regional investment plans align with government directions <p>Timeliness:</p> <ul style="list-style-type: none"> All regional investment plans submitted to minister/s for approval by the prescribed date Catchment management authority corporate plans submitted to the minister by the prescribed date

Figure A1
Sustainability and environment portfolio performance reporting – *continued*

Objectives and performance indicators	Budget Paper No. 3 Outputs and output measures
Departmental objective: Effective environmental and climate change policy, investment and regulation – <i>continued</i>	
	<p>Cost:</p> <ul style="list-style-type: none"> Total output cost <p>Output—Environment policy and climate change</p> <p>Quantity:</p> <ul style="list-style-type: none"> Major policy papers, strategy reviews or research papers completed Total number of councils participating in the Victorian Local Sustainability Accord <p>Cost:</p> <ul style="list-style-type: none"> Total output cost <p>Output—Statutory activities and environmental protection</p> <p>Quantity:</p> <ul style="list-style-type: none"> Environmental condition research reports issued, improvement tools, guidelines, policies, systems and plans completed and issued Increase in EPA notices issued for illegal dumping of waste <p>Quality:</p> <ul style="list-style-type: none"> Hours during which air quality standards were met, as a proportion of hours in the reporting cycle Land audits complying with statutory requirements and system guidelines Notices complied with by due date or escalation in line with Compliance and Enforcement policy <p>Timeliness:</p> <ul style="list-style-type: none"> Pollution incident reports acted on within three days Statutory actions completed within required time lines <p>Cost:</p> <ul style="list-style-type: none"> Total output cost
Departmental objective: The community benefits from effective management of Victoria’s land assets	
<p>Departmental objective indicators:</p> <ul style="list-style-type: none"> Bay and park assets rated in average to excellent condition Number of visits to parks and waterways managed by Parks Victoria Percentage change in provision of timely and authoritative land administration and property information services 	<p>Output—Public land</p> <p>Quantity:</p> <ul style="list-style-type: none"> Beach protection assets repaired Crown land leases directly managed by DSE Crown land licenses directly managed by DSE Participants in Coast Action/Coastcare activities Threatened native species and communities for which specifically targeted conservation measures are in place at Royal Botanic Gardens Visitors to Zoos Victoria at Melbourne, Werribee and Healesville <p>Quality:</p> <ul style="list-style-type: none"> Publicly elected committees of management that have a current statutory appointment

**Figure A1
Sustainability and environment portfolio performance reporting – *continued***

Objectives and performance indicators	Budget Paper No. 3 Outputs and output measures
Departmental objective: The community benefits from effective management of Victoria’s land assets – <i>continued</i>	
	<p>Timeliness:</p> <ul style="list-style-type: none"> • Rent reviews of Crown land leases undertaken within specified time frames <p>Cost:</p> <ul style="list-style-type: none"> • Total output cost <p>Output—Forest and parks</p> <p>Quantity:</p> <ul style="list-style-type: none"> • Number of hectares treated to minimise the impact of pest plants, pest animals and overabundant native animals in parks managed by Parks Victoria • Number of visits to Parks Victoria managed estates • Total area of estates managed by Parks Victoria <p>Quality:</p> <ul style="list-style-type: none"> • Bay assets rated in average to excellent condition • Level of compliance with environmental regulatory framework for commercial timber operations as required by the Forest Audit Program • Park assets rated in average to excellent condition • Recreational facilities in state forests with a life expectancy greater than five years <p>Cost:</p> <ul style="list-style-type: none"> • Total output cost <p>Output—Land information and property administration</p> <p>Quantity:</p> <ul style="list-style-type: none"> • Land dealings registered • Maps generated on Land Channel • Planning certificates issued • Proportion of title searches supplied (remotely) online • Reports generated on Land Channel • Title searches supplied <p>Quality:</p> <ul style="list-style-type: none"> • Audited Vicmap digital map base not requiring correction • Properties sold, bought or leased within 10 per cent of valuation <p>Timeliness:</p> <ul style="list-style-type: none"> • Land dealings registered within five days • New titles (subdivisions) created within three weeks • Update transactions for the Vicmap digital map base processed within the required time frames <p>Cost:</p> <ul style="list-style-type: none"> • Total output cost

Figure A1
Sustainability and environment portfolio performance reporting – *continued*

Objectives and performance indicators	Budget Paper No. 3 Outputs and output measures
Departmental objective: Reduced impact of major bushfires and other extreme events on people, infrastructure and the environment	
<p>Departmental objective indicators:</p> <ul style="list-style-type: none"> • Percentage of bushfires controlled at first attack and/or under five hectares • Area of public land treated through planned burning (hectares) • Area of public land prepared for prescribed burning 	<p>Output—Land and fire management</p> <p>Quantity:</p> <ul style="list-style-type: none"> • Bridges and stream crossings to be replaced or repaired to enable safe access for rapid bushfire response, tourism and commercial operators during the current reporting period • Cumulative number of bridges replaced or repaired to enable safe access for rapid bushfire response, tourism and commercial operators • Fuel reduction burning completed to protect key assets • Personnel with accreditation in a fire role • State forests bridges (on Category 1 roads) with documented inspections • State forests roads (Category 1) with documented inspection and maintenance programs • Strategic engagement forums held <p>Quality:</p> <ul style="list-style-type: none"> • Fire controlled at less than five hectares • Personnel accredited to serve in a senior capacity (level 2 or 3) in a fire role <p>Timeliness:</p> <ul style="list-style-type: none"> • Assessments of standards of cover completed prior to fire season • District fire operations plans completed • Fires controlled at first attack • Readiness and response plans completed prior to fire season <p>Cost:</p> <ul style="list-style-type: none"> • Total output cost

Source: Victorian Auditor-General's Office.

Figure A2
Performance information reported in the
Environment Protection Authority's annual report

Agency objectives	Performance indicators and output measures in annual reports
<ul style="list-style-type: none"> • Improve transparency of management of contaminated environments and their impacts • Enforce the law to ensure contaminated environments are safely managed • Support the conversion of contaminated environments to assets • Learn from the past to prevent future problems • Tackle pollution and ensure compliance using a risk-based approach • Support planning decisions to prevent impacts • Minimise impacts of resource use • Enhance the intelligence and communication of environmental quality and its drivers and impacts • Ensure science and other evidence underpins decision-making at national, state and local levels • Lead and influence strategies and standards that safeguard from future impacts 	<ul style="list-style-type: none"> • <i>Environmental condition research reports issued, improvement tools, guidelines, policies, systems and plans completed and issued</i> • <i>Increase in Environment Protection Authority (EPA) notices issued for illegal dumping of waste</i> • <i>Hours during which air quality standards were met, as a proportion of hours in the reporting cycle</i> • <i>Land audits submitted by EPA appointed auditors are reviewed to ensure compliance with statutory requirements and guidelines</i> • <i>Notices complied with by due date or escalation in line with Compliance and Enforcement Policy</i> • <i>Pollution incident reports acted on within three days</i> • <i>Works approvals and licences completed within required statutory time lines</i> • <i>Total budget output costs</i> • 180 licenced site inspections by June 2012 • 100 notice site—licenced and unlicenced—inspections by June 2012 • 25 landfill post-closure Pollution Abatement Notices (PANs) issued • All Annual Performance Statements verified with 100 detailed assessments by December 2011 • 95 per cent of notices complied with by due date or escalated in line with the Compliance and Enforcement Policy • Progress made on Operational Strategies—water, manufacturing, waste and agriculture • 50 per cent reduction in odour events in Brooklyn • 50 per cent reduction in air quality events in Brooklyn • 50 per cent reduction in odour events in Clayton South • 15 per cent increase in number of notices issued for illegal dumping of waste • Increased community satisfaction with priority hotspots—baseline assessed in 2011–12 through survey • Progress on Planning Strategy in line with commitments • Planners increasingly satisfied with and understand EPA guidance—baseline assessed in 2011–12 through survey • Where EPA has sought to influence there are demonstrable gains for the environment • Progress on Shape the Future priority projects in line with commitments • Ensuring the programs that support our Transformation are on track to deliver commitments. • Ensuring EPA staff and target audiences are experiencing the desired outcomes of these programs.

Note: Measures in italics are required to be reported, as outlined in Budget Paper No. 3.

Source: Victorian Auditor-General's Office.

Figure A3
Performance information reported in Parks Victoria's annual report

Agency objectives	Performance indicators and output measures in annual reports
<ul style="list-style-type: none"> • Conserve park and waterway ecosystems • Protect culture and heritage in parks • Deliver opportunities for people to use and enjoy their parks and waterways • Prepare for, respond to, and recover from, fire and other emergencies • Operate as a resilient, respected and effective park management agency 	<ul style="list-style-type: none"> • <i>Number of hectares treated to minimise the impact of pest plants, pest animals, and overabundant native animals in parks managed by Parks Victoria</i> • <i>Total area of estates managed by Parks Victoria</i> • <i>Number of visits to Parks Victoria managed estates</i> • <i>Park assets rated in average to excellent condition</i> • <i>Bay assets rated in average to excellent condition</i> • Area treated in parks to eradicate or control Pest Plants and Animals • National Park Act parks schedules 2, 2A, 2B, 3, 4, 7 and 8 with approved management plans less than 15 years old • Victorians who have visited a Parks Victoria managed park over the past 12 months (per cent) • Parks Victoria personnel required to assist in wildfire preparedness and suppression (number) • Proportion of Indigenous staff (per cent) • Incident rate (OHS incidents/staff) (per cent) • Percentage of bay assets with greater than five years life expectancy (per cent) • Compliance with Model of Cover requirements (per cent) • Percentage of community satisfaction rating good or very good for adequacy of visitor opportunities • Number of tour operators licensed in parks • Gross revenue generated from commercial operations

Note: Measures in italics are required to be reported, as outlined in Budget Paper No. 3.

Source: Victorian Auditor-General's Office.

Appendix B.

Audit Act 1994 section 16— submissions and comments

Introduction

In accordance with section 16(3) of the *Audit Act 1994* a copy of this report was provided to the Department of Environment and Primary Industries, the Environment Protection Authority and Parks Victoria with a request for submissions or comments.

The submission and comments provided are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Responses were received as follows:

The Department of Environment and Primary Industries	34
Environment Protection Authority.....	36
Parks Victoria	37

RESPONSE provided by the Secretary, Department of Environment and Primary Industries



**Department of Environment
and Primary Industries**

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12 JUN 2013

Dear Dr Frost

ENVIRONMENT AND SUSTAINABILITY SECTOR: PERFORMANCE REPORTING

Thank you for your letter dated 28 May 2013 regarding the *Performance Audit – Environment and Sustainability Sector: Performance Reporting* and the opportunity to provide a submission on the department's position in relation to the recommendations.

The objective of the audit was to examine the effectiveness of public performance reporting by three *Environmental Sustainability Sector* agencies. As the responsible portfolio department for environmental sustainability agencies, the Department of Environment and Primary Industries (DEPI) seeks to ensure that its public reports comply with all government directions and requirements and I am pleased that the audit report finds that DEPI has complied with those requirements.

Over the past two years, the government has introduced new performance reporting requirements. DEPI is following the government implementation plan for these requirements and will ensure that only information approved by government is published in future annual reports and Budget Papers. As the DEPI performance management framework matures over the next one to two years, consideration will be given to reporting additional key performance indicators (KPIs) in our annual report. Any additional performance information will require ministerial and/or government approval.

DEPI collaborates closely with its portfolio agencies in the preparation of the departmental statement and associated output performance measures for the annual Budget Papers. At times, changes proposed by agencies are taken into account but may not be accommodated by the department, portfolio ministers or government. In these instances, it is usually suggested that proposed changes are implemented across a number of years to enable a minimum level of consistency to be maintained in the set of output performance measures. Going forward, DEPI and portfolio agencies will continue to proactively review performance measures and all other information included in Budget Papers and public reports.

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RESPONSE provided by the Secretary, Department of Environment and Primary Industries – continued

My response to the specific recommendations in the audit report are as follows:

VAGO Recommendation	DEPI Response
Recommendation 1	Supported. DEPI will critically assess the value of reporting on additional measures and notes that any changes are subject to approval of portfolio ministers and government. The disclosure of performance information must comply with the directions of Minister for Finance and any other government directions.
Recommendation 2	Supported. DEPI has a thorough process for managing the relevance and effectiveness of publically reported performance measures and indicators. These processes will continue to be reviewed and improved and will continue to be conducted collaboratively with portfolio agencies.
Recommendations 3-8	Supported. In support of these recommendations, DEPI will develop a departmental performance management strategy that will include: <ul style="list-style-type: none"> • Clear processes for recommending KPIs and performance measures. • A clear set of corporate standards and staff training for managing KPIs and performance measures. • An ongoing corporate quality assurance program. • An annual review of ongoing appropriateness of KPIs and performance measures. • A biennial executive review of the adequacy of the KPIs and performance measures. • A package of guidance material which sets out corporate standards, annual processes and roles and responsibilities of staff involved in performance management.

Thank you for providing me with the opportunity to respond to this audit report.

Yours sincerely



Adam Fennessy
Secretary

RESPONSE provided by the Chairman, Environment Protection Authority

Our Ref: MA005992

Dr Peter Frost
Acting Auditor-General
Level 24, 35 Collins St
MELBOURNE VIC 3000



Dear Dr Frost

Proposed Performance Audit Report: Environment And Sustainability Sector - Performance Reporting

Thank you for your letter of 28 May 2013 and your proposed report *Environment and Sustainability Sector: Performance Reporting*.

It is pleasing to note that within this and other recent reports by the Auditor-General into EPA's performance, there is an acknowledgement of the considerable investment we have made in our infrastructure and systems, and in building our internal capacity.

Over the past two years, EPA has made significant progress in transforming into an effective, modern regulator – to protect and improve Victoria's environment, on behalf of Victoria's present and future community. EPA has an important part to play in both the economic prosperity of Victoria as well as encouraging all Victorians to protect the environment in which they live, work and play.

A critical element of being a modern regulator is being clear on our key priorities and activities. We must also be transparent about what we set out to achieve and report accurately against these objectives. Your review of performance reporting serves as a valuable measure of our progress.

We accept the recommendations for continuous improvement made in the proposed report and look forward to working with your team again in the future.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Cheryl Batagol'.

CHERYL BATAGOL
CHAIRMAN

14/6/2013



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RESPONSE provided by the Chief Executive, Parks Victoria



Bill Jackson
Chief Executive
Director, National Parks

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5 June 2013

Dr Peter Frost
Acting Auditor-General
Level 24, 35 Collins Street
Melbourne VIC 3000

RE: Performance Audit – Environment and Sustainability Sector: Performance Reporting

Thank you for the invitation dated 28 May 2013 to submit a response to the report on performance reporting in the Environmental and Sustainability Sector.

I would like to acknowledge the structured and responsive manner in which this audit has been conducted by representatives from the Victorian Auditor General's Office and the representations made to and from Parks Victoria have been fairly represented in the report.

As raised in my response to the provisional report, Parks Victoria generally accepts the findings, however consider that the manner in which the conclusions and recommendations are presented unnecessarily subject the report to misinterpretation on the level of inadequacy and degree of influence on certain aspects of performance reporting across the sector. For the audit to add value to individual organisations there needs to be clear delineation and accountabilities between the organisations audited, grouping organisations makes the accountability unclear and increase misinterpretation by the reader and distorts appropriate responses

I note that the audit found Parks Victoria to have selected indicators for public reporting that are logically aligned and relevant to its objectives and outcomes contained in its corporate and business plans. It is important to recognise that whilst there are opportunities to continuously improve, I remain confident that Parks Victoria's reporting is sufficient, reliable and objectivity reflects Parks Victoria's performance.

The Parks Victoria Board and I will continue to work collaboratively with the Department of Environment and Primary Industries and other statutory agencies to review performance reporting across the environment and sustainability sector.

Yours sincerely

Bill Jackson
Chief Executive



Auditor-General's reports

Reports tabled during 2012–13

Report title	Date tabled
Carer Support Programs (2012–13:1)	August 2012
Investment Attraction (2012–13:2)	August 2012
Fare Evasion on Public Transport (2012–13:3)	August 2012
Programs for Students with Special Learning Needs (2012–13:4)	August 2012
Energy Efficiency in the Health Sector (2012–13:5)	September 2012
Consumer Participation in the Health System (2012–13:6)	October 2012
Managing Major Projects (2012–13:7)	October 2012
Collections Management in Cultural Agencies (2012–13:8)	October 2012
Effectiveness of Compliance Activities: Departments of Primary Industries and Sustainability and Environment (2012–13:9)	October 2012
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2011–12 (2012–13:10)	November 2012
Public Hospitals: Results of the 2011–12 Audits (2012–13:11)	November 2012
Water Entities: Results of the 2011–12 Audits (2012–13:12)	November 2012
Port of Melbourne Channel Deepening Project: Achievement of Objectives (2012–13:13)	November 2012
Portfolio Departments and Associated Entities: Results of the 2011–12 Audits (2012–13:14)	November 2012
Local Government: Results of the 2011–12 Audits (2012–13:15)	November 2012
Prison Capacity Planning (2012–13:16)	November 2012
Student Completion Rates (2012–13:17)	November 2012
Management of the Provincial Victoria Growth Fund (2012–13:18)	December 2012
Learning Technologies in Government Schools (2012–13:19)	December 2012
Addressing Homelessness: Partnerships and Plans (2012–13:20)	February 2013
Implementation of School Infrastructure Programs (2012–13:21)	February 2013
Rating Practices in Local Government (2012–13:22)	February 2013
Management of Unplanned Leave in Emergency Services (2012–13:23)	March 2013
Management of Freshwater Fisheries (2012–13:24)	March 2013

Report title	Date tabled
Managing Traffic Congestion (2012–13:25)	April 2013
Consumer Protection (2012–13:26)	April 2013
Public Asset Valuation (2012–13:27)	April 2013
Planning, Delivery and Benefits Realisation of Major Asset Investment: The Gateway Review Process (2012–13:28)	May 2013
Tertiary Education and Other Entities: Results of the 2012 Audits (2012–13:29)	May 2013
The State of Victoria's Children: Performance Reporting (2012–13:30)	May 2013
Management of Staff Occupational Health and Safety in Schools (2012–13:31)	May 2013
Infection Prevention and Control in Public Hospitals (2012–13:32)	June 2013
Organisational Sustainability of Small Councils (2012–13:33)	June 2013

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