

**Submission
No 7**

**EXAMINATION OF THE AUDITOR-GENERAL'S PERFORMANCE
AUDIT REPORTS OCTOBER 2016 – MAY 2017**

Organisation: Department of Premier and Cabinet

Date Received: 2 February 2018



Premier & Cabinet

Ref: A2341041

Mr Bruce Notley-Smith, MP
Chair, Legislative Assembly Parliamentary Accounts Committee
Parliament House
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SYDNEY NSW 2000
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Dear Chairman,

Thank you for your letter dated 2 November 2017 requesting a submission on the Performance Audit Report, *Implementation of the NSW Government's program evaluation initiative* (the Report), tabled on 3 November 2016. I enclose the Department of Premier and Cabinet's (DPC) response to the recommendations.

Program evaluation is a valuable tool for the NSW Government. It helps ensure government services effectively deliver their objectives, achieve value for money, and meet community needs. The audit's two focus areas – prioritising the right mix of programs for evaluation, and using evaluation findings to inform investment decisions – are central to the success of program evaluation.

DPC supports the intent of the audit report's recommendations. Throughout 2017, we have supported NSW Treasury to promote efficient practices for preparing and reviewing the annual cluster evaluation schedule. As outlined in our Submission (Tab 1), DPC is also implementing new processes to improve its internal cluster evaluation scheduling practices and to build the capability of Premier and Cabinet cluster agencies to conduct robust evaluations.

NSW Treasury is leading the development and implementation of initiatives to better link evaluation outcomes to Government decisions over the longer-term. In particular, the phased introduction of the Financial Management Transformation reforms will support better linkages between program budgeting and program performance. Please refer to NSW Treasury's submission (Tab 2) for responses to Recommendations 2 and 3.

DPC will continue to engage with NSW Treasury on these matters to further improve the quality of NSW Government's service delivery and its evaluation.

Yours sincerely

Tim Reardon
Secretary

2 February 2018

**Performance Audit – Implementation of the NSW Government’s program evaluation initiative
IMPLEMENTATION OF RECOMMENDATIONS BY DEPARTMENT OF PREMIER AND CABINET**

	RECOMMENDATION	ACCEPTED or REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
1	The departments should ensure they implement all elements of the good practice model in Exhibit 3 for preparing cluster evaluation schedules, these being:					
	a) Having an evaluation centre of excellence	ACCEPTED	DPC Finance & Governance will establish an Evaluation Centre of Excellence (COE) and a Program Evaluation Review Committee (PERC) to systematically evaluate each program.	March 2017	On track. In 2016, DPC’s COE resided in the Sector Governance Team. The function was transferred to Finance & Governance in November 2017 and a Cluster Program Evaluation Manager (CPEM) was recruited. Under the Machinery of Government Changes in April 2017, part of the program evaluation functions in the Department of Industry has moved to DPC.	DPC Finance & Governance
	b) ensuring that agency and cluster strategic planning processes align programs and program evaluation to NSW Government priorities	ACCEPTED	The CPEM will work to build the capability of DPC and its cluster agencies to conduct robust program evaluations, prioritise projects against NSW Government priorities and ensure they are aligned with each agency’s strategic planning process.	March 2017	On track. The CPEM will work with cluster agencies to develop and implement a program evaluation framework with alignment to strategic agency planning and NSW Government Priorities.	DPC Finance & Governance

TAB 1

RECOMMENDATION	ACCEPTED or REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
c) developing a master list of all current cluster agency programs with their tier ranking and linkage to NSW Government priorities	ACCEPTED	A P&C Cluster Master Program List will be enhanced and maintained by the CPEM to ensure all programs conducted across the cluster are appropriately tracked.	March 2017	On track. This will facilitate a review of all programs and ensure programs are appropriately assessed against tier rankings and NSW Government priorities.	DPC Finance & Governance
d) objectively prioritising programs across the cluster for evaluation and inclusion in evaluation schedules, taking account of the department's capacity and capability to conduct evaluations	ACCEPTED	Programs to be reviewed based on the <i>Program Evaluation Guidelines</i> , will be signed off by the Secretary or Agency Head.	March 2017	On track. This process will be formalised and co-ordinated by the CPEM.	DPC Finance & Governance

Performance Audit – Implementation of the NSW Government’s program evaluation initiative

IMPLEMENTATION OF RECOMMENDATIONS – JOINT SUBMISSION BY NSW TREASURY AND DEPARTMENT OF PREMIER & CABINET

RECOMMENDATION	ACCEPTED or REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
<p>2 NSW Treasury and DPC should:</p> <p>a) implement a review process to provide assurance that evaluation schedules submitted to ERC meet program evaluation requirements that include:</p> <p>(i) critically assessing departments’ master lists of all cluster agency programs</p> <p>(ii) documenting how they resolve issues raised with departments about the content of evaluation schedules</p> <p>(iii) a transparent mechanism to address unresolved issues raised by NSW Treasury and DPC, including determining accountability for the content of evaluation schedules being referred to ERC.</p>	<p>Accepted</p>	<p>The Audit Report noted that Treasury and DPC should drive improvements to the evaluation initiative</p>	<p>March 2017</p>	<p>Completed, with ongoing improvements</p> <p>In preparing the 2017-18 Annual Evaluation Schedule Treasury and DPC implemented a more rigorous preparation and review process for the evaluation schedules submitted by each cluster.</p> <p>These new processes included:</p> <ul style="list-style-type: none"> i. Some clusters have yet to develop a master list of all cluster agency programs. In its absence, the adoption of the 2017-18 FMT program budgeting framework of program groups as the master list, was used to ensure systematic consideration of cluster programs. Work is ongoing with clusters to develop a master list through the FMT performance monitoring framework. ii. For the 2017-18 Annual Evaluation Schedule process, face to face discussions were held individually with each cluster, Treasury and DPC representatives to critically examine the level of recurrent expenditure covered by evaluation and what should be evaluated in the context of cluster 	<p>Economic Strategy Division and Agency, Budget and Policy Group, NSW Treasury</p>

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				<p>iii. and government priorities. Clear documentation of feedback provided to clusters and resolution of amendments to cluster draft schedules to ensure they align as closely as possible with government priorities and Budget decisions.</p> <p>These actions were completed in August/September 2017, in line with the deadline for the related submission to ERC.</p>	
<p>2 b) amend the current format for submission of the annual evaluation schedule to ERC to provide their analysis of program evaluation activity, and to link programs listed in the evaluation schedule to NSW Government priorities</p>	<p>Accepted</p>		<p>March 2017</p>	<p>Completed</p> <p>Significant changes were made to the evaluation schedule template to request additional information from clusters. As a result, to the 2017-18 submission to ERC:</p> <ul style="list-style-type: none"> • provided a greater level of analysis of evaluation information provided by clusters • linked program evaluation activity to cluster recurrent expenditure • provided specific summaries of evaluation activity and characteristics by cluster • presented a summary of the findings of evaluations completed in 2016-17 and explanation of how recommendations had been implemented 	<p>Economic Strategy Division, NSW Treasury</p>

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				<ul style="list-style-type: none"> summarised evaluation activity in relation to government priorities. <p>This action was completed with ERC's consideration of the Annual Evaluation Schedule in November 2017.</p>	
<p>2 c) implement a process by which they use finalised program evaluation reports, and agency responses, to provide evidence-based advice to the NSW Government on agency funding bids for evaluated programs.</p>	<p>Accepted</p>		<p>March 2017</p>	<p>Ongoing, not completed</p> <p>Treasury is building a NSW Evidence Bank to enable comparative analysis of program effectiveness, costs and benefits.</p> <p>The Evidence Bank will collate and assess the quality of evidence from finalised program evaluation, review and performance audit reports.</p> <p>Over the medium term, meta-analysis of interjurisdictional and international evidence will also be undertaken to inform the Evidence Bank, taking into account relevance for NSW specific conditions.</p> <p>The Evidence Bank will drive higher quality program evidence and provide greater transparency and assurance around the quality of evidence provided to decision makers.</p> <p>While the Evidence Bank is a medium term project, Treasury is also driving better integration of evidence into Budget processes in the short-term. This includes</p>	<p>Economic Strategy Division Agency, Budget and Policy Division Financial Management Transformation, NSW Treasury</p>

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				strengthening the requirement for outcomes and evidence to be provided in submissions to Cabinet and its committees where funding is sought, as well as the continued development of the performance monitoring and program evidence components of the Financial Management Transformation (FMT) IT system.	