



# **Standing Committee on Planning and Environment**

## **Inquiry into the Urban Services Portfolio 2001-2002 Annual and Financial Reports**

**Report No. 12**

**ACT Government Response**

**July 2003**  
*19 August 2003*

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## Government Response

### Introduction

The Annual Reports of all ACT Government agencies are referred to the Standing Committees of the ACT Legislative Assembly for examination and report.

The Standing Committee on Planning and Environment examined the following annual reports:

- Department of Urban Services
- *ACTION* Authority
- Kingston Foreshore Development Authority
- Commissioner for the Environment
- Cultural Facilities Corporation
- Trustees of the Canberra Public Cemeteries

The Committee's approach to the Inquiry was to assess and examine:

- Reports for compliance with the Chief Minister's Annual Reports Directions issued by the Chief Minister's Department in May 2002;
- Effectiveness and usefulness of the requirements of the *Financial Management Act 1996* to facilitate qualitative performance reporting, which is supported by quantitative financial and other relevant data;
- The content of the reports as evidence of accountability to the community of the ACT in the results achieved, value for money, quality of sustained business management, performance and improvement;
- The extent to which Annual Reports' linked business priorities and plans for the provision of civic infrastructure for the ACT, to Government policies and the ACT's overall present and future financial position; and
- How well linked and cross-referenced the reports were to 2001-2002 Budget documents (including Budget Consultation), the Estimates Committee Reports, published Strategic Plans, and other documents describing the future directions of agencies.

## **Recommendation 1**

**To improve the quality of business and performance reporting, the Committee recommends that:**

- **The current format of the Statements of Performance which attach to the Financial Statements be reviewed with a view to improving key performance indicators;**
- **Performance information to be able to be expressed in qualitative terms and balanced with quantitative information to give a more balanced less contrived description of business results; and**
- **Performance information be integrated into the narrative elements of the reports to encourage improved analysis and synthesis of information**

### Government Response

Agreed. Agencies are encouraged to review their performance measures annually to ensure that they are defined in such a way as to be meaningful to external parties including the community. Current guidelines require the measures to be expressed in terms of quantity, quality, timeliness and cost. They also need to be independently verifiable. As such the performance measures in the Statement of performance encompass both quantitative and qualitative measures and provide an auditable statement of business results.

While it would be inappropriate and time consuming to duplicate the performance measures into the business reports there may be merit in cross referencing a number of 'core' measures for each business to provide a more longitudinal analysis of performance.

Agencies will be requested to review this aspect in future Annual Reports.

## **Recommendation 2**

**The committee recommends that:**

- **The examination of Annual and Financial Reports be streamlined to provide a continuum with annual Budget Estimates Process by a select or standing committee whose terms of reference incorporate examination of Estimates, Budget and Annual and Financial Reports;**
- **The Legislative Assembly refer to the Standing Committee on Administration and Procedure, and inquiry that will provide for debate in the Legislative Assembly, options for a model to facilitate the sustained examination of policies, programs and projects over the full life of the Select or Standing Committee**

## Government Response

Agreed. The Government has previously expressed support for a single committee to oversee the Annual and Financial Reports. The Government welcomes this recommendation and notes that the Standing Committee on Planning and Environment, as a result of the analysis of the Annual and Financial Reports and the Public Hearing, is convinced that Annual Reports should be dealt with in a rigorous way, in conjunction with the Budget Estimates Process by a special standing committee. The Government will therefore move a motion in the Assembly, consistent with the second part of this recommendation, with a view to having the Assembly refer to the Standing Committee on Administration and Procedure, an inquiry that will provide for debate in the Assembly on options for a model to facilitate the examination of Annual and Financial Reports by a single committee. The inquiry should specifically consider enlarging the role of the Standing Committee on Public Accounts by renaming it the Standing Committee on Public Accounts and Estimates, and providing for membership of that Committee to be increased when operating in the Estimates and Annual/Financial Report roles.

### **Recommendation 3**

**The Committee recommends that portfolio departments and agencies regard the process of examining Annual Reports and Financial Statements by relevant Standing Committees as a continuum of the Estimates Committee/Budget process to consider expenditure, revenue and the capital works program.**

## Government response

Agreed. The Annual Report and Financial Statements currently provide a link to the Estimates by including the budget figures in the financial and performance statements. The Committee should note that the Annual Report is a report to the Assembly of business activities for a prescribed period in review, whereas the Budget papers provide stakeholders with details of activities and funding for the ensuing twelve months and estimates for the ensuing years.

### **Recommendation 4**

**As the ACT Government is characterised by portfolios, departments and agencies with multiple ministries, the Committee recommends that those responsible for multiple portfolios such as the Urban Services Portfolio, employ highly functional management and leadership styles that favour sound management, communication and decision-making frameworks to deal with and monitor matters that overlap, and to ensure that effective and close working linkages between elements of the Portfolio/s are active**

## Government response

Agreed. The Government believes that the existing arrangements of multiple portfolios have served successive governments well since the establishment of the Assembly and will continue to do so.

The Department of Urban Services has implemented a range of ongoing management practices to ensure that the objectives noted by the Committee are realised.

## **Recommendation 5**

**The Committee recommends that Urban Services Portfolio agencies give due regard to the presentation of their Annual and Financial Reports, in particular:**

- i) A consistent format for presentation, and consistent/standardised business like language in financial statement items should be used for all agencies within the same portfolio to facilitate improved:**
  - **Comparative analysis within and across agencies;**
  - **Understanding of priorities and overlaps of policy and operational issues; and**
  - **Understanding of value for money/organisational effectiveness;**
  - **Translation of task achievement into goal and results achievement**
  
- ii) Synthesis between Annual and Financial Reports and Budget Documents, Budget Consultation Reports, Estimates Committee Reports; Strategic Future Directions and Business Plans, Other Planning Reviews and Reports must be evident with achievement and outcomes expressed in similar terms. For example, the quality of planning and performance would be better exposed through an analysis between, or cross reference to:**
  - **Planned 2001-02 highlights shown in the 2001-02 Budget Papers;**
  - **Planned achievements cited in strategic documents;**
  - **Recommendations from Estimates Reports;**
  - **Long term value of assets and liabilities;**
  - **Long term capability to provide expected standards of services expected by the ACT community; and**
  - **The overall ACT long-term revenue raising and expenditure sustainability as provided by the Department of Treasury**
  
- iii) Policy and Operational Reporting – policy and operational matters on specific areas should be reported together for each relevant business area. For example Housing Policy and Planning should be reported with ACT Housing to give a full strategic context of outcomes. The current form of reporting leads to functional unit reporting rather than outcome focussed reporting.**
  
- iv) Well constructed comprehensive indexes are essential to provide for a responsible professional document whose information is easily accessed by any reader. Reports that omitted indexes were Volume 2 of the Department of Urban Services; Gungahlin Development Authority; the**

- Kingston Foreshore Development Authority; Trustees of the Canberra Public Cemeteries; Cultural Facilities Corporation; and The Commissioner for the Environment ACT.**
- v) **Administrative Overheads – an exposure of how such overheads are analysed for cost reduction, improved business processes and service delivery, and what strategies are in place to maximise revenue and minimise overheads, including contingency planning and disaster recovery, how revenue levels will continue to service employee related expenses, administrative and other expenses, and other liabilities.**
- vi) **Glossy highly coloured reports that resemble marketing brochures deflect from real accountability issues and are not a good use of public money.**
- vii) **Length of report (Department of Urban Services) – with an improved format for Statements of Performance and Performance Indicators, and if this were placed with Business Reports, it would encourage a more succinct reporting style, together with cross-referencing to Financial Statements.. This would make Financial Statements more relevant and integrated to performance outcomes, thus becoming less of accounting requirement standing separate from the text.**

#### Government Response

Agreed in part. The Government supports improved annual reporting and notes that the Department of Urban Services 2001 Annual Report, in essentially the same format as the 2002 report considered by the Committee, received the gold award for an ACT Government agency from the Institute of Public Administration of Australia.

Annual Reports are prepared in accordance with Annual Report Directions prepared by the Chief Minister's Department. These Directions have been developed over time and the Government believes these are currently sufficient when considering annual report presentation. Some of the specific issues raised by the Committee are already dealt with in these Directions, including indexing and "glossy highly coloured reports". Nevertheless, the Directions are subject to debate and review on an ongoing basis and where appropriate will be updated to ensure Annual Reports meet community and governance standards.

Specifically, in relation to *(iii)(Policy and Operational Reporting)* as a result of the abolition of purchaser-provider in housing services, public housing service delivery and policy will be reported in the same sections of the annual report in future years.

#### **Recommendation 6**

**The Committee recommends that:**

- **Consultants/Contractors engaged should be listed by category of use or reason for engagement;**
- **Each category should show totals of expenditure;**
- **The same category breakdown should be provided by agency;**
- **There should be an analysis of why the expertise was required; whether the work could have been undertaken by permanent staff of the ACT Public**

**Service; whether the consultancy/contract was value for money and why;; what impact did it make on the delivery of operational services or development of policy and management improvement and outcomes; and how did consultancies contribute to the improves skill and capabilities of ACT Public Service Staff.**

#### Government response

Not agreed. The Government has agreed to list consultants and contractors against output classes as recommended by the Report of the Standing Committee on Public Accounts.

The ACT Government Procurement policies provide that all contracts should be awarded on the basis of value for money; all significant contracts (>\$50,000) require formal procurement plans incorporating the types of issues raised by the Committee and the procurement is subject to internal scrutiny by Approved Procurement Units (APU's) comprised of trained personnel; all very significant contracts (>\$1,000,000) are subject to the same requirements as well as external scrutiny by the Procurement Board. Details of most contracts over \$50,000 are publicly available under the *Government Procurement Act 2001*. In addition, individual agencies have processes developed in-house to enhance the quality of decision-making in relation to contracts of all types.

#### **Recommendation 7**

**The Committee recommends the Department of Treasury undertake a review across the ACT Government of expenditure on contractors and consultants, with a view to:**

- **Providing a standard definition for consultants and contractors that differentiates between the purchase of specialist expertise that is unavailable from within the ACT Government from within its permanent or long term temporary staff, and delivery of municipal or civic services such as collection of waste, maintenance of ACT Government housing stock or assets; and**
- **Establishing policy and implementation standards for maximum quality service delivery, with a minimum impact on administrative overheads of the ACT Government.**

#### Government response

Agreed in part. A standardised definition of contractors and consultants already exists and is applied in Annual Reports such as that of the Department of Urban Services. This definition is contained in the document *Achieving Value for Money - the Effective Use of Consultants in the ACTPS*:

- **Consultants are a form of external labour contracted to provide high level expert advice of a managerial, professional or technical nature. A consultant is a type of contractor who undertakes projects, usually involving the provision of professional recommendations, to assist with management decision-making.**

- A contractor is an external organisation or individual contracted to perform specific or routine tasks. Work completed by contractors relate to the day-to-day function of an agency or business unit and does not influence agency business planning.

The Chief Minister's Department is coordinating a review of existing policies and practices around the use of contractors and consultants.