2004

THE LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

GOVERNMENT RESPONSE

Standing Committee on Community Services and Social Equity

Report No. 4

2002-2003 Annual and Financial Reports: Department of Disability, Housing and Community Services; Discrimination Commissioner; Community Advocate - March 2004

1 July 2004

Tabled by
Jon Stanhope MLA
Chief Minister

Government Response

Report No. 4 of the Standing Committee on Community Services and Social Equity 2002-2003 Annual and Financial Reports: Department of Disability, Housing and Community Services; Discrimination Commissioner; Community Advocate - March 2004

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 Community Services and Social Equity reviewed annual reports for:

- Department of Disability, Housing and Community Services;
- Discrimination Commissioner; and
- Community Advocate.

The Committee makes 9 recommendations. The Committee has not made any recommendations concerning the report from the Discrimination Commissioner. The Government notes that the Committee considered that the Commissioner's report was concise, informative and easy to read.

Response to Committee Recommendations

Recommendation 1

2.8. The Committee recommends that the Government ensure all performance contracts with senior staff in the Department of Education, Youth and Family Services require compliance with statutory obligations in order to obtain a satisfactory appraisal.

Government Response

Agreed. The *Public Sector Management Act 1994* obliges all public employees to comply with that Act, the management standards and all other Territory laws. In addition, executive staff are required to enter into performance contracts which include additional compliance requirements.

Recommendation 2

2.15. The Committee recommends that the Government amend the Annual Report Directions to provide, for agencies with an external scrutiny function, for a specific section on issues of significant concern regarding the performance of other agencies as outlined in paragraphs 2.13 and 2.14 of this report.

Government Response

Agreed. The Annual Report Directions already require agencies to report on external scrutiny. Statutory entities are already required to report on the exercise of their statutory functions. Consultation has now been completed with the Standing Committee on Public Accounts, as required by the Annual Reports (Government Agencies) Act 2004, for the 2004 Annual Report Directions. A further reference to require external scrutiny agencies to include in their reports a specific section of issues of significant concern in relation to agencies' performance in relation to these functions will be included in next year's Annual Report Directions.

Recommendation 3
2.23. The Committee recommends that the Government resource the development of more meaningful quality indicators across government agencies for inclusion in budget and performance statements.

Government Response
Noted. The Government recognises the issues raised by the Committee in Paragraphs 2.16 to 2.22 of its Report. So far, the performance measures included in the Budget Papers and reported in the Financial Statements, have generally focused on the respective agencies' internal management. While such measures are important from the perspective of agencies' direct accountability, they do not assist in an assessment of the quality or effectiveness of the services, especially if they are being funded through a community organisation.

The Committee is referred to the Supplementary Budget Paper for 2004-05, which has been published as a discussion paper. The Paper highlights the competing demands of a manageable set of performance measures which is relevant to all the stakeholders, accountability, and auditability issues. The Paper foreshadows a program of work involving comprehensive consultation with all the stakeholders. The Members of the Legislative Assembly as well as its Standing Committees will be consulted to develop a meaningful set of performance measures. The Committee should note that developing such a set will invariably involve trade-offs between various stakeholder perspectives, and will require legislative changes.

Recommendation 4
2.27. The Committee recommends that the Government amend requirements for performance measures to ensure that where survey information is utilised, information regarding the extent of, and response rate to the survey is also included as a note to the measure.

Government Response
Noted. The Government notes that the conclusions from any survey depend upon its statistical aspects such as sample size and response rates. The response rates can in particular be subject to interpretation and debate in the context of the survey questions and design.

The Government considers it important that any performance indicators, including those involving surveys, measure and communicate what they set out to measure. The requirements for performance measures will be amended as part of the changes outlined in the Supplementary Budget Paper. Besides the inclusion of appropriate notes in the Budget Papers, relevant guidelines for agencies and for reference of the stakeholders will also be developed.

Recommendation 5
2.31. The Committee recommends that the Government amend the format for variance disclosures to provide for accurate variance reporting where the target is expressed as a percentage.

Government Response
Noted. The issue raised by the Committee has in particular been highlighted in the Supplementary Budget Paper, and there have been discussions between Treasury and the Auditor-General's Office in this regard.

The Committee would note that performance measures form part of the Annual Financial Statements, and are subject to audit under legislation. The formularised approach for variance reporting has simplified auditing, particularly in the context of a maturing audit framework. The Government stresses that, technically, the approach is not incorrect. It has, however, the potential for different interpretations by some of the stakeholders.

This is illustrated in the example mentioned in Paragraph 2.29 of the Committee's Report. A variance of -0.8% is correct, as 0.8% of the value of buildings was not spent on repairs and maintenance as was the original intention. On the other hand, in as far as the agency's performance is concerned, it had not met its original target by approximately 23%, as argued by the Committee. The key issue is whether the performance measure is designed to measure management performance, or repair and maintenance effort. A similar observation could be made in relation to the second example provided by the Committee.

The examples discussed by the Committee highlight not only the need for flexibility in variance analysis and reporting, but a common understanding of the purpose of the performance measures. As mentioned earlier, the Government intends to consult extensively to develop a framework of performance reporting that is relevant to, and understood by, the diverse range of stakeholders.

Recommendation 6
2.36. The Committee recommends that for the purposes of annual reports, the Government require agencies to report expenditure on external labour or organisations by theme or type of service.

<u>Government Response</u>
Agreed-in-part. The 2004 Annual Report Directions have been modified to require reporting on external sources of labour and services. As expenditure is already reported under outputs in response to a committee suggestion in previous years, it is not practicable to further categorise by theme or type of service.

Recommendation 7
3.20. The Committee recommends that in future annual reports the Department of Disability, Housing and Community Services:

- makes more use of navigational tools such as the table of contents, headers, footers and sub-headings;
- ensures all charts, graphs and tables are labelled and numbered and that a list of all these graphs etc., be included in the report; and
- increases the font size of the financial and performance statements.

<u>Government Response</u>
Noted. The Department of Disability, Housing and Community Services, when preparing future annual reports, will take this recommendation into consideration.

Recommendation 8
4.11. The Committee recommends that the Office of the Community Advocate provide sufficient information in its annual report to enable multi-year comparisons of its objectives and achievements.

<u>Government Response</u>
Agreed. The OCA changed significantly the format of its annual report, to achieve clearer compliance with the Chief Minister's Directions, and to make clear the link between the

statutory functions, objectives and achievements. Multi-year comparisons are possible, and have been included in the past, and will be included in the future, with respect to individual advocacy, however this is not possible with respect to systemic advocacy.

Recommendation 9

4.14. The Committee recommends that the Office of the Community Advocate and the Department of Justice and Community Safety coordinate their annual reports so that cross referencing with page numbers is possible or, alternatively, that the Office of the Community Advocate include relevant excerpts pertaining to financial and performance information and whole of government issues within its annual report.

<u>Government Response</u>

Agreed. The OCA will include cross-referencing with page numbers to the JACS annual report with respect to the compliance index. In addition, next reporting period, the OCA will duplicate the statement of performance for output class 2.6, generally included in the JACS report. The omission of a glossary in the OCA annual report was inadvertent and will be corrected.