LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

REVIEW OF AUDITOR-GENERAL'S REPORT NUMBER 9, 1994

Performance Indicators Reporting

STANDING COMMITTEE ON PUBLIC ACCOUNTS
Report Number 4

June 1995

RESOLUTION OF APPOINTMENT

The Standing Committee on Public Accounts was appointed by the Legislative Assembly on 9 March 1995 with the following terms of reference:

(a) examine -

(i) the accounts of the receipts and expenditure of the Australian Capital Territory;

(ii) the financial affairs of authorities of the Australian Capital Territory; and

(iii) all reports of the Auditor-General which have been laid before the Assembly;

(b) report to the Assembly, with such comments as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the committee is of the opinion that the attention of the Assembly should be directed;

(c) inquire into any question in connection with the public accounts which is referred to it by the Assembly and to report to the Assembly on that question; and

(d) inquire into and report on the implementation of the *Public Sector Management Act 1994* with particular reference to:

(i) the public interest; and

(ii) any other related matter.

MEMBERSHIP OF THE COMMITTEE

Ms Rosemary Follett MLA (Committee Chair)
Mr Trevor Kaine MLA (Deputy Committee Chair)
Ms Lucy Horodny MLA

Secretary: Bill Symington

1. Introduction

1.1 Auditor-General's Report no 9, 1994 was presented to the Assembly on 8 December 1994. It presents the results of a review of objectives and performance indicators included in departments' annual management reports for 1993-94.

1.2 By resolution of the Assembly on 9 March 1995 the committee was authorised to consider and make use of the evidence and records of the Standing Committee on Public Accounts appointed during the previous Assembly.

1.3 The objective of the audit was to provide an independent opinion on:

- consistency between objectives and corporate plans
- the suitability of the form and content of objectives in preparing useful indicators
- whether performance indicators provided information suitable for assessing performance
- whether objectives and performance indicators were being used as a basis for Senior Executive Service (SES) performance agreements.[1]

2. Audit Findings

2.1 The audit found general consistency between objectives and corporate plans in about 87% of cases. However, about 90% of objectives did not specify an outcome; in many cases objectives being a description of activities or descriptions more appropriate to goals or mission statements.

2.2 Out of 769 performance indicators included in annual management reports the Audit Office stated that 45 or 5% of the indicators provided information suitable for assessing performance. This was based upon the audit assessment that the suitability of indicators should report on outcomes or efficiency, be quantified, report on outcomes achieved beyond the department and include comparative data.

2.3 The audit concluded that published indicators were not sufficiently precise, were broad, vague or used inappropriate terminology, that they reported activities rather than outcomes, that they were not quantified and that for most no comparative information was provided.[2]

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[1] Audit report p3
[2] ibid pp4,5

2.4 With regard to performance agreements for SES officers the audit found that about two thirds included key result areas (KRAs) identical to or consistent with corporate objectives. About 60% of performance agreement indicators were not comparable with indicators published in annual management reports and performance indicators in many agreements focussed on activities to be undertaken rather than on the KRAs.[3]

Audit Recommendations

2.5 The audit recommended, inter alia, that:

1. the government develop and implement a standard framework for performance reporting, and suggested the audit report be used as basis for the framework

2. to ensure consistency the use of the standard framework in annual reports be mandatory

3. departments review objectives to ensure terminology consistent with the framework and that they enable the specification of useful performance indicators

4. departments review performance indicators to assess whether they provide information useful in assessing performance

5. the government provide clear guidelines on aligning performance agreements [for SES officers] with corporate objectives.[4]

3. Committee Approach to the Inquiry

3.1 The committee sought advice from the Chief Minister on the conclusions and recommendations of the audit report and, in particular, sought a response to the audit recommendation that the government develop and implement a standard framework of concepts, definitions and terms for performance reporting across the ACT Government Service (ACTGS).

3.2 In response, the Chief Minister advised the committee that the government supported the development and implementation of a standard framework for performance reporting.[5]

3.3 However, the Chief Minister expressed concern that the audit may place undue emphasis on quantitative reporting by government agencies. The Chief

[3] ibid pp5,6

[4] ibid p7

[5] Chief Minister letter to the committee dated 27 April 1995

Minister advised that while quantitative accountability is important, annual reports are intended to provide comprehensive information on the activities of agencies to both the Legislative Assembly and the community. Thus, it is important that qualitative information on outcomes is also provided.

3.4 The Chief Minister advised that the application of a mandatory standard performance indicator framework for annual reports will be achieved when annual reporting legislation is enacted.

3.5 With the agreement of the Chief Minister the committee subsequently met with senior officers of the Department of Public Administration who briefed the committee on the development of the standard framework and the proposed annual reporting legislation. The officers provided the committee with the Chief Minister's Directions on Annual Reports for ACT Government Bodies for the Reporting Year 1994-95 dated April 1995 (Directions).

4. Committee Comments

4.1 The committee notes the Chief Minister's intention that a standard framework for performance indicators be developed and implemented. Such a framework should go a long way towards achieving more relevant and meaningful reporting by government agencies.

4.2 However, the committee is concerned that there should be an appropriate recognition within the framework of the qualitative as well as the quantitative aspects of agency performances. The measurement of qualitative performance outcomes is clearly a difficulty for those government agencies or those areas within agencies which have a policy focus.

4.3 The committee observes that performance monitoring is one tool in measuring the effectiveness of those agencies which have a high policy focus and constitutes only one element of a broader view about the outcomes of policy development. For example, the committee notes that it is difficult to measure the value of policy advice which is not taken up.

4.4 The committee notes that the Annual Report Directions acknowledge that raw numbers by themselves will not enable a meaningful assessment of performance to be made.[6] The committee agrees that no single indicator can provide an accurate picture of the total performance of a program or sub-program but that indicators are a basis for providing information about performance measurement.

4.5 The committee considers that the Annual Report Directions lay down rules for evaluation of the activities of agencies and, as such, are a good

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[6] Chief Minister's Directions on Annual reports for ACT Government Bodies for the Reporting Year 1994-95 p13

starting point for ensuring that appropriate assessments are made of agency performances. The next step, in the committee's view, is for the development of levels of evaluation of agency performances and, in this regard, the committee is of the opinion that the standard framework of concepts, definitions and terms of performance reporting for the ACTGS should address this issue.

5. Recommendations

5.1 The committee recommends that the government:

1. encompass the recommendations of the audit report as set out in paragraph 2.5 above into the standard framework for performance reporting by ACT government agencies which is currently being developed within the Department of Public Administration;

2. ensure that the proposed legislation covering annual reporting by ACT government agencies provides for consistent mandatory performance reporting; and

3. monitor the annual reports of ACT government agencies to determine the extent to which they comply with the Annual Report Directions, and assess the appropriateness of the standard framework for performance reporting for all agencies.

Rosemary Follett

Rosemary Follett MLA
Chair