
The Parliament of the Commonwealth of Australia

Report 445

Regional Cities Program, KPIs and Medicare

Review of Auditor-General's Reports Nos 10-31 (2013-14)

Joint Committee of Public Accounts and Audit

September 2014
Canberra

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Foreword

On 5 June 2014, the Joint Committee of Public Accounts and Audit (JCPAA) resolved to review four Australian National Audit Office (ANAO) reports. A key theme across these reports was the importance of a robust performance framework and auditable key performance indicators (KPIs). Report No. 21, *Pilot Project to Audit Key Performance Indicators*, found that Commonwealth agencies' implementation of performance measurement and reporting required further development, as agencies have had difficulty developing KPIs that measure the effectiveness of a program's contribution to achieving set outcomes. Report No. 25, *Management of the Building Better Regional Cities Program*, found that the Department of Social Services needed to better reflect key program design parameters and targets in published KPIs and then report against those KPIs. Report No. 26, *Medicare Compliance Audits*, found that the Department of Human Services needed to develop a methodology to better monitor performance outcomes and report on the effectiveness of Medicare compliance audits.

The Committee is a determined advocate of accurate and effective performance measurement and reporting. As previous JCPAA and ANAO reports have emphasised, accurate and effective performance measurement and reporting enables the public, the Parliament and other stakeholders to assess whether resources are being used efficiently, and whether programs and services are achieving their intended results. Developing suitable monitoring and reporting arrangements to demonstrate outcomes achieved is sound practice, and agencies need to incorporate specific performance monitoring, reporting and evaluation activities into the design and costing of their programs. Given this long-term focus of the JCPAA, the Committee will be very interested in the development of the new Commonwealth performance framework as part of the Public Management Reform Agenda and *Public Governance, Performance and Accountability Act 2013*.

In terms of the Committee's specific findings regarding each of the four reports, Audit Report No. 21 reviewed the current Commonwealth performance measurement and reporting framework. The Committee commends the ANAO on its development of a preliminary methodology to support ongoing audits of KPIs. The Committee believes that the auditing of KPIs will play a significant role in enhancing performance measurement and reporting. The Committee also found

that Finance could have done more to improve the guidance for the existing performance measurement and reporting framework prior to the introduction of the new framework under the PMRA and PGPA Act.


Audit Report No. 25 assessed the effectiveness of the funding round for the Building Better Regional Cities (BBRC) Program. The Committee was disappointed in the overall administration of this program. The Committee found that the BBRC Program was implemented in a way that gave insufficient attention to the program's objective and KPIs. The program costed more than had been budgeted, it delivered significantly less in the way of additional affordable housing than the program target and many of the contract projects were delayed in delivery. The Committee believes there is much to be learnt from this matter and has recommended that the Department of Social Services and the Department of the Environment conduct a review of the BBRC Program, to increase the effectiveness of future program administration.

The purpose of Audit Report No. 26 was to assess the effectiveness of the management of Medicare compliance audits by the Department of Human Services – in particular, the Increased Medicare Compliance Audits (ICMA) initiative. The Committee found that the department did not meet its overall targets against two key performance indicators for the IMCA initiative; nor did it develop and implement a methodology to accurately measure, monitor and report on savings achieved against the IMCA target. The Committee concluded that the department should improve reporting of outcomes by developing suitable performance monitoring and reporting arrangements.

Audit Report No. 27 examined the management of Medicare customer data by the Department of Human Services. The Committee is encouraged that the department has commenced work on data integrity testing, and also assembled a team to resolve intertwined and duplicate records in the Medicare database. However, the Committee noted that the department could not demonstrate implementation of previous recommendations made in this area by the ANAO, in Report No. 24, *Integrity of Medicare Enrolment Data* (2004-05). It is disappointing that the department missed an opportunity to enhance its performance by implementing a number of the earlier ANAO recommendations targeted at improving Medicare data integrity.

I thank Committee members for their deliberation on these significant matters. I also thank departmental representatives who appeared at public hearings for assisting the JCPAA in its important role of holding Commonwealth agencies to account for the efficiency and effectiveness with which they use public monies.

Dr Andrew Southcott MP
Chair



Membership of the Committee

Chair Dr Andrew Southcott MP

Deputy Chair Mr Pat Conroy MP

Members Ms Gai Brodtmann MP

Mr Andrew Giles MP

Dr Peter Hendy MP

Mr Craig Laundry MP

Mrs Jane Prentice MP

Mr Michael Sukkar MP

Mr Angus Taylor MP

Mr Tim Watts MP

Senator Cory Bernardi

Senator Chris Ketter (from 1/7/14)

Senator the Hon Kate Lundy

Senator Bridget McKenzie (from 1/7/14)


Senator Dean Smith

Senator Alex Gallacher (until 26/6/14)

Senator Anne Ruston (until 26/6/14)

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Terms of reference

On Thursday 5 June 2014, the Joint Committee of Public Accounts and Audit resolved to review the following audit reports in detail:

- Audit Report No. 21 (2013-14) *Pilot Project to Audit Key Performance Indicators*
- Audit Report No. 25 (2013-14) *Management of the Building Better Regional Cities Program*
- Audit Report No. 26 (2013-14) *Medicare Compliance Audits*
- Audit Report No. 27 (2013-14) *Integrity of Medicare Customer Data*



List of abbreviations

AFP	Australian Federal Police
ANAO	Australian National Audit Office
ATO	Australian Taxation Office
BBRC	Building Better Regional Cities
CGGs	Commonwealth Grant Guidelines
DoH	Department of Health
DSEWPaC	Department of Sustainability, Environment, Water, Population and Communities
DSS	Department of Social Services
Environment	Department of Environment
ERC	Expenditure Review Committee
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
Finance	Department of Finance
HIC	Health Insurance Commission
Human Services	Department of Human Services
IMCA	Increased Medicare Compliance Audits
ISM	Information Security Manual

JCPAA	Joint Committee of Public Accounts and Audit
KPI	Key Performance Indicator
MBS	Medicare Benefits Schedule
OP framework	Outcomes and Programs framework
PBS	Parliamentary Budget Statement
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PMRA	Public Management Reform Agenda
RTR	Risk Topic Register



List of recommendations

2 Pilot Project to Audit Key Performance Indicators

Recommendation 1

The Committee recommends that the Department of Finance ensure that, under the new performance measurement and reporting framework:

- performance measurement and reporting is recognised as an integral component of agencies' governance arrangements, providing accurate and effective information for both internal management processes and external accountability
- guidance is clear and consistent and supports agencies in the development of meaningful and effective KPIs
- differing outcomes of policy and administrative agencies are recognised
- KPIs can be tailored to measure outcomes that extend beyond a single agency to measure whole-of-government outcomes

Recommendation 2

The Committee recommends that the ANAO continue to work towards the implementation of systematic audits of the appropriateness of agencies' KPIs and the completeness and accuracy of their reporting under the *Public Governance, Performance and Accountability Act 2013* performance measurement and reporting framework.

3 Management of the Building Better Regional Cities Program

Recommendation 3

The Committee recommends that both the Department of Social Services and the Department of the Environment conduct a full and frank review into the Building Better Regional Cities program, identify the areas of

failure and produce a 'lessons learnt' brief for all staff members, and their successors, so as to mitigate the possibility of similar mistakes being made with future programs.

Recommendation 4

The Committee recommends that the Department of Social Services continue to inform the Joint Committee on Public Accounts and Audit through correspondence about the status of housing built with the assistance of the Building Better Regional Cities program every 6 months for the life of the 44th Parliament.

4 Medicare Compliance Audits

Recommendation 5

The Committee recommends that the Department of Human Services report to the Committee, no later than six months after the tabling of this report, on its progress towards implementing the Auditor-General's recommendation that it develop a methodology to monitor outcomes and report on the effectiveness of Medicare compliance audits. The report should include any decisions or other progress made in regard to measuring savings from behavioural change.

Recommendation 6

The Committee recommends that the Department of Human Services undertake a cost-benefit analysis of its Medicare compliance activities to ensure more effective targeting of significant compliance risks to the Medicare program and increase the cost effectiveness of its compliance approach.

5 Integrity of Medicare Customer Data

Recommendation 7

The Committee recommends that the Department of Human Services report to the Committee, no later than six months after the tabling of this report, on its progress towards implementing the Auditor-General's recommendations in terms of undertaking targeted, risk-based data integrity testing of Medicare customer records; better managing duplicate and intertwined records; and reviewing existing entitlement types and implementing controls to ensure that only those customers eligible to receive Medicare benefits can access them.

