

JCPAA Hearing – Commonwealth Performance Framework

10.45 – 11.30 Thursday 19 March 2015

Room 2R1

Opening Statement

Thank you Chair.

By way of introduction, one of the guiding principles for the Public Management Reform, previously recommended by this Committee and agreed to by the Government is:

The financial framework, including the rules and supporting policy and guidance, should support the legitimate requirements of the Government and the Parliament in discharging their respective responsibilities.¹

Further, the legislation at the heart of the reforms, the PGPA Act, is underpinned by the principle that confidence in the effective and proper use of public resources is supported by a strong performance framework which should provide both financial and non-financial information that allows judgements to be made on the public benefit generated by public expenditure.²

Together, these principles and other published material set a high bar for the enhanced Commonwealth performance framework.

The proposed rule being considered by the Committee is drafted at a high level to accommodate the wide range of programs and activities undertaken by Commonwealth entities, and is complemented by supporting guidance. Unlike some other key aspects of the Resource Management Framework such as in relation to risk, fraud, grants and procurement, there are no supporting policy requirements. Further, it is proposed that from 2016-17 there be no requirement to include specific information on planned performance in the Portfolio Budget Statements, contrary to both current practice and the proposals in Finance's November 2014 draft material provided to the Committee.

Overview of proposals

Against this background, our summary view on the Commonwealth Performance Framework proposed for implementation by Finance is that, positively:

¹ See JCPAA Report 441, recommendation 2. This principle is in addition to the four guiding principles outlined in the Explanatory Memorandum to the PGPA Bill 2013.

² Resource Management Guide No 130, page 4, paragraph 3.

- (a) it builds on the planning and reporting fundamentals that many Commonwealth entities adopt today, and accommodates the significant diversity in the nature and scale of activities undertaken by Commonwealth entities;
- (b) it provides guidance that is 'intended to improve the quality of non-financial performance information available to the Commonwealth, the parliament and the public'³;
- (c) it provides for a 'clear line of sight' between planned performance published in corporate plans and actual performance published in the annual performance statements in entities' annual reports; and
- (d) it allows for a mix of 'fit for purpose' performance measurement and assessment tools to be used.

We also accept the proposition that better quality performance information will drive better performance of government activities.⁴

While we see positive elements, our primary concerns with the proposed framework are that:

- (a) as mentioned earlier, it is the intention that from 2016-17 the Parliament will not be directly provided with planned performance information in the PBS; rather Senators and Members will need to access entity Corporate Plans, available some time after the Budget is presented, for this purpose:
 - this treats the Parliament in the same way as other users, rather than recognising the central constitutional role of the Parliament especially in appropriating moneys to fund the government's new policy measures and ongoing programs, of which planned performance is a key consideration;
 - further, Ministers who currently submit portfolio budget statements to the President of the Senate and the Speaker of the House –this provides accountability to the Parliament – will no longer be directly associated with the specific information presented on planned performance, as this information would be included in entity corporate plans;
- (b) with the framework having only high-level requirements supported by broad guidance, Commonwealth entities will have considerable latitude in determining the information that is reported; and as a consequence, it is likely that the performance information available to government and the Parliament will be diverse, and make performance comparisons across Commonwealth entities responsible for like programs or activities difficult; and
- (c) there is insufficient focus on the performance of relevant entities being focussed on measuring the impact of government programs and activities for which they are administratively responsible. This has been an area of poor performance highlighted by many audit reports. As such it requires particular emphasis in the revised framework.

³ See paragraph 2 on page 4 of the draft Resource Management Guide No. 131

⁴ See Finance update to the JCPAA of 27 February 2015, Attachment A, page 1

Opportunities for enhancement

While accepting it is a matter for government and the Parliament to determine the requirements for the Commonwealth Performance Framework, we consider the framework would be improved if the existing proposed approach was enhanced by a succinct policy statement that articulates:

1. Minimum requirements for the inclusion of information on planned performance in entity PBSs, when government is seeking appropriation funding from the Parliament – this information would generally be a subset of planned performance information reflected in an entity’s corporate plan
 - this approach would address the high level information requirements of the Parliament as well as the timing considerations referred to earlier
 - it would be envisaged that these requirements would include the expected achievements against program or activity objectives for which funding is being sought.
2. A clear expectation that Commonwealth entities, particularly departments of state, will include measures that both foreshadow, and subsequently assess, the impact of government programs, where policy advising responsibility rests with the department.
3. Criteria that information presented in relation to performance information must satisfy (for example, in relation to Key Performance Indicators the existing criteria for assessing their appropriateness are whether the indicators are Relevant, Reliable and Complete).

Our various reports on key performance information have addressed these latter considerations. In this context, we note that the Finance submission refers to ‘possible enhancements’ to the framework as including: the conduct of pilots; the incorporation of case studies and examples of better practice in guidance material; and a review of the current outcomes and programmes arrangements. Nevertheless, no firm commitment is made to undertake these activities and no timetable is provided for when they are intended to be completed. Indeed, the indicative timetable for the development of the enhanced performance framework, set out in Attachment C to the Draft Rule and Guidance Materials provided to the Committee, only extends to August 2015 (the month the first Corporate Plans are due for publication). The extent of flexibility allowed by the framework and the absence of any criteria to guide the performance measures to be included in Corporate Plans and annual performance statements will also affect the auditability of such statements.

Concluding comments

Our work over recent years shows that more discipline needs to be applied to performance measuring and reporting by Commonwealth entities. In our Report 21 of 2013-14,⁵ we observed that ‘making a difference requires leadership, effective governance, and a desire to understand the impact of government programs and how even better outcomes may be

⁵ ANAO Performance Audit Report 21 2013-14 *Pilot Project to Audit Key Performance Indicators*, page 23.

achieved'. Apart from potentially the issue flagged in relation to the PBSs, our concerns are not with the Rules themselves, but with the overall architecture and design of the framework. We favour the framework having some more starch than is currently the case by including an appropriate policy framework and retaining key elements of the existing arrangements that would directly assist in meeting the needs of the Parliament and government. In this context, it is relevant to note the views expressed in this week's report by the Senate Legal and Constitutional Affairs Legislation Committee that indicates that the tendency for entities to rely on qualitative KPIs reduces their ability to measure the results of program activities over time, and goes on to state that greater use of targets would assist to clarify and simplify the process of performance monitoring.

We would also observe implementation of the proposed framework will require a strong and sustained leadership focus within government, which is separate to the consideration of the framework itself, but is no less important.

We also note that there is considerable development work required in relation to the more aspirational elements of the reform agenda (for example, in relation to cross-entity government programs and activities and earned autonomy.)

The proposed performance framework contains the right building blocks but has a strong entity perspective without, in our view, sufficient attention being given to the needs of the Parliament in formulating key aspects of the framework. The absence of minimum requirements and standards, coupled with the open-ended nature of the implementation approach, including measures to bring home the responsibilities of accountable authorities to lift the standard of performance reporting, means that the ANAO has reservations whether the goal of having a performance regime that more effectively measures the performance of Commonwealth programs and activities will be achieved over the medium to longer term.

The ANAO is aware of the complexities involved in effectively measuring the impact of government programs and activities, and measuring how efficiently they are being delivered, and suggests that further refinements to the proposed framework that address the matters outlined above would better address the information needs of government, Senators and Members, and indeed all users.