



JOINT COMMITTEE OF
25 MAR 2015
PUBLIC ACCOUNTS AND AUDIT

SENATOR THE HON MATHIAS CORMANN
Minister for Finance

REF: C14-3202

Ms Susan Cardell
Joint Committee of Public Accounts and Audit
Suite R1.108
Parliament House
CANBERRA ACT 2600

Dear Ms Cardell

I refer to correspondence from Dr Andrew Southcott MP, Chair, Joint Committee of Public Accounts and Audit (JCPAA), of 23 September 2014 requesting that I provide you with the Government's response to Recommendation 1 of the JCPAA Report 445: Regional Cities Program, KPIs and Medicare – Review of Audit Reports Nos. 10-31 (2013-14).

I note that Recommendation 1 is directed specifically at my department and relates to ANAO Report No. 21 (2013-14): Pilot Projects to Audit Key Performance Indicators.

The Government's response is attached.

Kind regards

A large, stylized handwritten signature in blue ink, consisting of a tall, sweeping 'M' followed by a horizontal line and a short vertical stroke.

Mathias Cormann
Minister for Finance

24 March 2015

GOVERNMENT RESPONSE TO RECOMMENDATION 1 OF JCPAA REPORT 445: REGIONAL CITIES PROGRAM, KPIS AND MEDICARE – REVIEW OF AUDIT REPORTS NOS. 10-31 (2013-14):

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.*

The Australian Government agrees with this recommendation.

The Committee has been a long term advocate of the need for better quality performance information and indicators to inform the public, the parliament, and other stakeholders. Existing arrangements for performance measurement and reporting in the Commonwealth have been subject to scrutiny and criticisms over a number of years by the Australian National Audit Office (ANAO) and the Committee. This has included criticisms related to the quality of performance measurement and reporting within and across individual Commonwealth entities, as well as criticisms related to the coherency of the overarching performance management system and the quality and scope of associated guidance.

The Government is committed to addressing these concerns, in particular to work through key findings previously made by the ANAO and JCPAA which have not been completely addressed in responses to past reports of those bodies (referred to in paragraph 2.28 of the JCPAA's report 445). The Government is currently developing new Commonwealth entity performance requirements under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The development of the new performance framework has been informed by the findings of the Committee and the ANAO.

The proposed new performance framework aims to:

- improve public accountability
- improve the quality of performance information
- ensure that the relevant information needs of different parts of government are met
- achieve a line of sight between performance reporting documents to improve readability and usefulness
- create coherence in performance reporting across Commonwealth entities to allow comparability between like activities and entities.

The new performance framework is designed to improve performance information across the Commonwealth by supporting entities to develop and distil high-quality strategic and tactical performance information for external accountability purposes.

The proposed new performance framework is designed around the following main elements:

- more flexible performance measurement and reporting arrangements
- consistent planning and reporting mechanisms

- improved guidance and training
- pilots to test and validate the new approaches.

The planning and reporting documents required under the performance framework (i.e. corporate plans and annual performance statements) are designed to support entities to develop meaningful information for the parliament and the public.

The proposed new framework is designed to be flexible enough to accommodate the significant diversity in the nature and scale of activities undertaken by Commonwealth entities and companies, while providing coherent performance management arrangements. As the ANAO and the JCPAA have recognised (per paragraph 2.21 of JCPAA report 445), there will be a lead time to develop and refine new performance methodologies and supporting systems.

Entities will be able to more effectively focus on strategic performance information that really matters. Under these new arrangements entities will be better able to align published performance planning and reporting information with corporate structures that are used to deliver on their purpose, and to develop information sets that more effectively represent cross-entity and joined-up activities.

The proposed new performance framework will allow for a mix of both qualitative and quantitative performance measurement and assessment tools to be used, rather than relying solely on key performance indicators (KPIs). This will ensure that information on performance provides a complete picture, particularly where aspects of performance may not lend itself to indicator-based forms of measurement. More complete reporting could include the use of benchmarking exercises (e.g. comparison against historic data sets), surveys to understand impacts on stakeholders, peer reviews that seek assessments from relevant experts, or comprehensive review and evaluation exercises. It is envisaged that a mix of performance measures will be used to build a complete suite of performance information that tells a story over time and that allows like activities to be compared across organisational boundaries.

The performance information published in the planning and reporting documents required by the performance framework (i.e. corporate plans and annual performance statements) would typically be organised on three levels:

- Entity – established under the PGPA Act and relevant enabling legislation
- Purpose – defined by enabling legislation, other relevant legislation, government direction, outcome statements, programme objectives etc
- Activity – entities will have flexibility to define their activities at an appropriate level to support the publication of high quality and meaningful performance information that can be readily understood by key stakeholders.

The term “activity” is intended to have broad applicability across Commonwealth entities and companies. It facilitates the presentation of relevant performance information for entities that operate within, and outside of, the existing outcome and programme framework that supports the allocation of appropriation funding through the budget.

Depending on the nature and scale of the activity, this may involve entities measuring and reporting the performance of their activities at a sub-programme, programme, outcome, or entity level, or in terms of a collection of sub-programmes/programmes/outcomes. This

flexibility will allow entities to align published performance planning and reporting information with the corporate structures that are used to deliver on their purposes.

An integrated set of new guidance materials will also be introduced to facilitate the introduction of the proposed new performance framework. This guidance will include clear, comprehensive information to advise entities on the development of a broader range of performance management tools that recognise the diversity of activities undertaken by Commonwealth entities and the need for measures that are appropriate to particular activities and key stakeholders.