



21 November 2014

Dr Andrew Southcott MP  
Chairman  
Joint Committee of Public Accounts and Audit  
Suite R1.108  
Parliament House  
CANBERRA ACT 2600

Dear Dr Southcott

**JCPAA Report 445: *Regional Cities Program, KPIs and Medicare***

The Committee's Report 445: *Regional Cities Program, KPIs and Medicare*, made two recommendations in relation to ANAO Report No.21 2013–14 *Pilot Project to Audit Key Performance Indicators*, one of which concerned the Australian National Audit Office.

**Recommendation 2 (paragraph 2.39)**

“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.”

**ANAO Response: Agreed.**

The ANAO will continue to refine the methodology developed as part of the ANAO's pilot project, which was the subject of ANAO Report No.21 2013–14 *Pilot Project to Audit Key Performance Indicators*, in support of the future implementation of a systematic program of audits of agencies' KPIs. Separately, the ANAO performance audit program will continue to include selected coverage of the performance measurement arrangements that have been established for the program or area being reviewed.

To support the future implementation of a broader regime of performance information audits, refinements to the methodology, which was largely developed on the basis of the existing Outcomes and Programs framework, will need to be aligned to the concepts of the enhanced performance measurement and reporting framework under the *Public Governance, Performance and Accountability Act 2013*. The Department of Finance (Finance) is currently developing the new framework, which is scheduled to commence 1 July 2015. Finance's most recent Discussion Paper *Enhanced Commonwealth Performance Framework*, proposed that the new framework would place emphasis on the use of a “broader range of performance measurement tools and approaches” than those available in the existing framework, and


signalled further development of the monitoring and evaluation framework as part of future options for the enhanced performance framework.

The implications of these proposed changes to the framework will need to be carefully considered by the ANAO in the refinement of our audit methodology, and the development of a broader regime of performance information audits. When the design of the framework and the associated rules and guidance are settled, the ANAO will then consider the development of such an approach, including consideration of a trial to assess agency preparedness, prior to determining the design and scope of a program of future performance information audits.

In addition, the implementation of a broader regime of performance information audits by the ANAO, under the enhanced framework, will need to be agreed and resourced appropriately.

We will also be guided by any views the Committee may have following consideration of Finance's submission regarding the implementation of the enhanced framework, proposed for November 2014.

Yours sincerely



Ian McPhee  
Auditor-General