

TOPIC	AUDIT REPORT NO.21 PILOT PROJECT TO AUDIT KEY PERFORMANCE INDICATORS – JCPAA 26 June 2014
	Auditor-General's Opening Statement

The ANAO's work in assessing program performance measurement and reporting by agencies, has consistently demonstrated that there is a need for improvement, particularly in assessing the impact of government programs.

In December 2011, amendments to the *Auditor-General Act 1997* provided the Auditor-General the explicit authority to conduct audits of the appropriateness of agencies' key performance indicators (KPIs) and the completeness and accuracy of their reporting. Subsequently, the ANAO initiated a pilot project (the Pilot) to audit KPIs, with the results of the Pilot the subject of ANAO Report No.28 2012–13¹, and ANAO Report No.21 2013–14².

The Pilot supported the findings of previous ANAO reports and concluded that agencies' implementation of performance measurement and reporting requires further development. This finding was also consistent with the cross-agency survey undertaken as part of the Pilot. The Pilot highlighted key areas of the framework for further consideration, including:

- the suitability of the existing one-size-fits-all framework, that does not recognise the variety of agency activity/s and contemporary program delivery arrangements, i.e. where one agency is responsible for policy and one for delivery;
- the challenges of cross agency reporting, particularly where responsibility for program delivery is shared between agencies;
- the need to develop guidance on integrating performance reporting for programs delivered through national agreements;

¹ ANAO Report No.28 2012–13, *The Australian Government Performance Measurement and Reporting Framework, Pilot Project to Audit Key Performance Indicators*.

² ANAO Report No.21 2013–14 *Pilot Project to Audit Key Performance Indicators*.

- greater use of intermediate objectives for longer-term outcomes and development of 'efficiency' indicators to complement the current 'effectiveness' indicators;
- the use of proxy measures, where more direct measures are unavailable;
- improving the the focus and clarity of outcome statements and program objectives; and
- the need for greater rigour within the framework and a consolidation of the requirements of the framework.

A number of these issues were also highlighted by the JCPAA, in the Committee's Report 439³.

The *Public Governance, Performance and Accountability Act 2013* (PGPA Act), which takes effect on 1 July 2014, introduces new requirements for agencies to produce a corporate plan, to measure and assess their performance and prepare an annual performance statement. Finance has proposed that new policies and guidance will be available for use by agencies from December 2014. While the ANAO has continued to consult with Finance to support the requirements and intent of the PGPA Act, there is still a considerable amount of work to complete the development of the Commonwealth Performance Framework, including the need to incorporate agency evaluation requirements.

In addition, the 1 May 2014 Report of the National Commission of Audit: *Towards Responsible Government*, included a series of recommendations specifically in relation to the Commonwealth Performance Framework, which are currently being considered by the Government. To improve information and drive better public sector performance, the Commission, amongst other things, recommended that '*the ANAO undertake regular audits of each department's 'programme performance information' and its relevance, as contained in portfolio budget statements, including the efficacy of KPIs and the quality of reporting against each indicator*'.

³ Joint Committee of Public Accounts and Audit, Report 439, *Review of the Auditor-General's Reports Nos. 11 to 31 (2012-13)*.

Although supporting guidance and agency preparedness issues remain, the completion of the Pilot resulted in the development of a preliminary methodology to support ongoing audits of KPIs. However, the extent of future work undertaken by the ANAO will need to be agreed and resourced appropriately in order to implement a broader regime of KPI audits. In the longer-term, once an enhanced performance measurement and reporting regime has been established, greater assurance will be provided if agency performance information is subject to audit.

Separately, the ANAO performance audit program will continue to include coverage of the performance measurement arrangements that have been established for the program or area being reviewed.