



**Australian Government**  
**Department of Finance**

Our Ref: RMS14/02955

Ms Susan Cardell  
Committee Secretary  
Joint Committee of Public Accounts and Audit  
Parliament House  
CANBERRA ACT 2600

Dear Ms Cardell

Thank you for your letter of 15 July 2014 seeking a response to questions on notice regarding the *ANAO Report No. 21 (2013-14): Pilot Projects to Audit Key Performance Indicators*. I have attached Finance's response to the Committee's questions.

The contact for the response to the questions on notice is Mr Brad Cook, Assistant Secretary, Performance, Reporting and Planning who can be contacted by telephone on [REDACTED] email [REDACTED]

Yours sincerely,

[REDACTED]  
Dr Stein Helgeby

31 July 2014

**Joint Committee of Public Accounts and Audit**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**15 July 2014**

**Finance Portfolio**

**Department:** Finance

**Topic:** ANAO Report no.21 (2013-14) – *Pilot Project to Audit Key Performance Indicators*

**Date set by the committee for the return of answer:** Tuesday, 29 July 2014

**Number of pages:** 4

**Question 1:**

ANAO Report No. 21 notes that key findings and recommendations regarding the review and improvement of the performance measurement and reporting framework, previously outlined in ANAO and JCPAA reports, “remain largely unaddressed”.

- What action has been taken to clarify and consolidate the performance measurement framework guidance? Why do the JCPAA and ANAO’s recommendations remain largely unaddressed?
- The new performance framework, under the PGPA Act, is not expected to be in place until the 2015-16 financial year. What is being done to clarify and consolidate the framework in the interim?

**Answer:**

Finance is aware of the key findings and recommendations outlined in the ANAO report. Some preliminary work was being undertaken to address these issues. However, this work was superseded by the broader public governance, performance and accountability reforms. A new performance framework is being developed as part of phase 2 of this reform process. The new framework will address many of the ANAO’s findings and recommendations. A discussion paper will shortly be released for public comment on the new performance framework.

Clarification and consolidation of the existing framework is being integrated into the development of the new performance framework. Finance will consult widely on the development of the new framework. The existing framework will continue until it is replaced by new performance framework from 1 July 2015. New PGPA rules and guidance will be developed and issued over the course of 2014-15 to assist Commonwealth entities prepare for the new arrangements.

**Question 2:**

Finance has published a high level concept paper regarding the Commonwealth Performance Framework, described in its introduction as ‘the first step in gathering foundational information to inform the development of the policies and guidance materials of the Performance Framework.’

- What are the benefits of creating a new framework, as opposed to improving/refining the current framework?
- Why is this paper referred to as the first step? Will Finance be utilising the analytical and review work regarding performance measurement and reporting referred to in Finance’s government response to JCPAA Report 430 (see the Government Response to recommendations 1, 2 and 3 of JCPAA Report 430, p. 4-5) as well as the work of the ANAO and JCPAA conducted over the last few years?

**Answer:**

The development of a new performance framework does not necessarily exclude improving or refining the current framework. The forthcoming performance framework discussion paper will help clarify this. This previous work is being drawn upon in the development of the proposed new framework. The release

of the concept paper was considered necessary following feedback received on the earlier release of the draft Corporate Plan and Annual Performance Statement rules.

**Question 3:**

The ANAO noted that the policies and guidance regarding the requirements for the Outcomes and Programs framework cannot be found in one single reference document. What has been done to address this and to consolidate the policy and guidance?

- Are the current policies and guidance consistent across all of the documents? If not, how long have you been aware of the inconsistencies? What has been done to address this?
- How many documents would an agency need to consult to accurately meet minimum requirements for performance reporting across the entire performance cycle?
- Is it expected that the framework under the PGPA Act will have a single document that will provide clear minimum requirements and include clear KPI methodologies for government agencies?

**Answer:**

While preliminary work was undertaken to consolidate policy and guidance regarding the requirements of the Outcomes and Programs framework, this work was subsumed into the development of the new performance framework. As outlined in the discussion paper it is intended that guidance for the new performance framework be consolidated into a single document or suite of integrated documents.

There are currently four policy documents and one operational document that outline the requirements for the existing Outcomes and Programmes framework. The policy documents are *Requirements for Annual Reports*, *Performance Information and Indicators Guidance*, *Commonwealth Programmes and Approval Process* and *Outcomes Statement Policy and Approval Process* with the operational document being *Guidance for the Preparations of Portfolio Budget Statements*. The advice provided in these documents is considered to be largely consistent, although Finance does acknowledge that this advice could be better integrated.

Finance shares responsibility for some of this guidance with the Department of the Prime Minister and Cabinet e.g. PM&C is responsible for the Annual Report guidance. Work to better integrate these documents has been subsumed into the development of the new performance framework. Finance will ensure that any future guidance developed will address this issue.

Finance is investigating how best to combine requirements into a single or suite of documents to guide Commonwealth entities on how to meet the requirements of the new performance framework.

**Question 4:**

In 2013, Finance advised that in order 'to identify the best options for improving the development and integration of KPIs and the reporting of performance information' the department was undertaking several discrete pieces of work (see the Government Response to recommendations 1, 2 and 3 of JCPAA Report 430, p. 4-5). The ANAO report notes that 'this analytical and review work is not available publically and has not been assessed by the ANAO.' (ANAO Report No. 21, p. 51).

- Why was this information not available to the ANAO?
- Would it be useful to provide the Committee with the findings of these various reviews and work programs?
- Have the findings of these reviews and work programs been acted upon?

**Answer:**

This analytical and review work has been used to inform the development of Finance's thinking in this area. Finance has continued to have ongoing meetings with the ANAO which have included an exchange of ideas and updates on pieces of work that relate to activities outlined in the Government Response to recommendations 1, 2 and 3 of JCPAA Report 430.

Finance would like to take this opportunity to once again reaffirm our preparedness to consult closely with the JCPAA on the development of the new performance framework and to provide private briefings

to the Committee as requested.

The findings of the analytical and review work have informed the development of the '*Commonwealth Non-Financial Performance Framework*' discussion paper.

**Question 5:**

The ANAO report noted that one of the challenges in developing and implementing meaningful KPIs was cross-agency reporting, where one agency is responsible for the development of the policy initiative, and the actual delivery of services carried out by a separate agency.

- How could whole of government outcomes be measured across departments or agencies, or across State/Territory/Local Government bodies? Will this be measured under the new PGPA Act's framework?

**Answer:**

The new performance framework is intended to improve the quality of non-financial performance information. The new framework will give Commonwealth entities greater flexibility to determine how they measure their performance and therefore greater freedom to better align external and internal performance measurement and reporting. The forthcoming discussion paper will provide further detail on how this could be achieved.

Finance is aware of the need to address this issue and it is discussed in the forthcoming '*Commonwealth Entity Non-Financial Performance Framework*' discussion paper.

**Question 6:**

As noted in the ANAO report, the Finance discussion paper *Is Less More?* highlighted the need for appropriation bills, PBSs, annual reports and financial statements to be clearly comparable to allow budgeted and actual expenditure and performance information to be easily contrasted.

- What coordination currently exists to ensure there is consistency and coherency between the PBS and annual report requirements and guidance and subsequently throughout the performance measurement reporting cycle?
- Why is the guidance for the PBSs issued by Finance whilst the Annual Report Requirements are issued by PM&C?

**Answer:**

Current guidance informs entities of their responsibilities. This guidance is provided primarily by Finance, but policy responsibility for the Annual Report currently resides with PM&C. Finance and PM&C regularly consult on policy in this area.

The requirements for Annual Reports are established in the *Public Service Act 1999*. The Prime Minister is responsible for administering the *Public Service Act 1999*.

**Question 7:**

The ANAO highlighted the importance of active engagement of senior leadership.

- Could you give us your assessment of the level of interest in and leadership shown by heads of departments and agencies in driving better performance measurement?
- Could you indicate the extent to which Ministers are providing a lead?
- What is being done to encourage senior executive involvement in performance measurement?
- What support/advisory services are available to senior executives seeking to improve and develop performance measurement frameworks in their agencies?

**Answer:**

Finance has sought to actively engage with senior leadership throughout the governance, performance and accountability reform process. This engagement is continuing with the development of the new performance framework. It is proposed for the consultation process following the release of the discussion paper to include a number of senior managers from a variety of entities.

The new performance framework is currently being developed and will be put to Government for its endorsement later this year. Ministers are currently operating under the existing Outcomes and Performance framework, which requires Ministers to report to Parliament in Portfolio Budget Statements and Annual Reports.

The senior executive is being actively engaged in consultations. The senior executive will need to sign off on the elements of the new performance framework once operational and will need to take an active role in managing performance in their entity.

Finance intends to release a range of supporting material to help Commonwealth entities improve and develop their performance measurement capabilities. Finance will also continue to consult and work with entities as the performance framework matures. Finance anticipates that the introduction of the new performance framework will be an evolutionary process with engagement with entities being a key component.

**Question 8:**

The ANAO advised that, within agencies, 'data used to report performance information externally should be built on information used for ongoing management and decision-making.' Agencies should not have one system for internal decision making and another for external compliance. What is being done to address this?

**Answer:**

The new performance framework is intended to improve the quality of non-financial performance information. The new framework will give Commonwealth entities greater flexibility to determine how they measure their performance and therefore greater freedom to better align external and internal performance measurement and reporting. The forthcoming performance framework discussion paper will provide further detail on how this can be achieved.