

TOPIC

**AUDIT REPORT NO.28 THE AUSTRALIAN GOVERNMENT
PERFORMANCE MEASUREMENT AND REPORTING
FRAMEWORK, A PILOT PROJECT TO AUDIT KEY
PERFORMANCE INDICATORS –
JCPAA 19 June 2012**

Auditor-General's Opening Statement

Following the amendments to the *Auditor-General Act 1997* in December 2011 which provide, amongst other things, for the audit of key performance indicators (KPIs) at the Auditor-Generals discretion, the ANAO instigated a pilot to support the new approach to the audit of KPIs that will complement the ongoing contribution of our performance audit program. The pilot project was designed to assess the status of the Australian Government performance measurement and reporting framework in order to assist development of a suitable audit methodology for a future program of audits of entities' KPIs.

Four entities participated collaboratively in the Pilot. The Department of Finance and Deregulation has responsibility for administering the Outcomes and Programs framework. The Australian Taxation Office, the Department of Education, Employment and Workplace Relations, and the Department of Health and Ageing are all committed to enhancing their KPI regimes.

The results of the pilot reinforced the issues identified in ANAO Audit Report No.5 2011–12, *Development and Implementation of Key Performance Indicators to Support the Outcomes and Programs Framework* and other ANAO performance audits. The assessment of entity performance measurement and reporting identified that entities continue to experience challenges in developing and implementing meaningful KPIs, and that the administrative framework supporting the development and auditing of KPIs remains problematic. This is similar to the experience of some other jurisdictions where a robust system of KPI reporting and auditing is taking some years to develop.

Our audit reports and the pilot show it is time for greater attention, investment and resourcing to be given to the quality and integrity of KPIs that are used by public sector entities to inform decisions about the performance of government programs. This requires a stronger and sustained focus by entities to enhance KPIs, and

enhanced support, including improved guidance, by the Department of Finance and Deregulation.

In that context, we are also working with the Department of Finance and Deregulation to ensure our audit processes align with developments to the framework. As the Committee is aware, the Public Governance, Performance and Accountability Bill 2013 includes provisions dealing with the obligations of accountable authorities to measure, assess, and report on performance. However, without visibility around the content of the rules that will underpin the Bill, it is not clear how some provisions of the Bill, especially those relating to the audit of annual performance statements, align and interact with the *Auditor-General Act 1997*. This matter will be the subject of further consultation in light of the Parliaments' consideration of the Bill.

Irrespective of these legislative matters, it is apparent that the systematic review of key performance indicators makes a positive contribution to their overall quality and credibility, and the reliance that can be placed on entities' reporting against them by the Parliament and the public. ANAO report No.28 2012–13, *The Australian Government Performance Measurement and Reporting Framework, A Pilot Project to Audit Key Performance Indicators*, presents a summary of the work completed by the ANAO to date. The report emphasises that a continued focus of the ANAO in this area can be expected to lead to improvements in the quality of performance information provided to the Parliaments and the public in the longer term.

The timetable for the development of a KPI audit program is subject to consultation with the JCPAA, the Government and the provision of appropriate resourcing to the ANAO. In 2013–14 the ANAO will continue to invest resources in developing and refining the approach for the systematic audit of the appropriateness of entities' KPIs. The ANAO will bring forward a request for additional funds for 2014–15 and the forward estimates for an ongoing program of auditing performance indicators. Through the specifically focused and resourced program to audit KPIs and our performance audit program, the ANAO can continue to be a positive catalyst for improvement in performance reporting.