This guide contains material that has been prepared to assist Commonwealth entities to apply the principles and requirements of the Public Governance, Performance and Accountability Act 2013 and associated rules, and any applicable policies. In this guide the: mandatory principles or requirements are set out as things entities and officials ‘must’ do; and actions, or practices, that entities and officials are expected to take into account to give effect to those principles and/or requirements are set out as things entities and officials ‘should consider’ doing.
Audience

This guide applies to accountable authorities of all Commonwealth entities. It is also relevant to chief financial officers, chief operating officers and their units in all Commonwealth entities. The guide is also intended to support officers who manage the activities of entities.

Key points

This guide:

- provides guidance on the obligations of accountable authorities under section 39 of the Public Governance Performance and Accountability Act 2013 (PGPA Act) to prepare annual performance statements for their entities
- outlines the minimum requirements, prescribed by the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) in section 16F, for entities producing annual performance statements.

This guide comes into effect on 1 July 2015 when the amendments to the PGPA Rule take effect.

Resources

This guide is available on the Department of Finance website at www.finance.gov.au and relates to the following other guidance on the enhanced Commonwealth performance framework:

<table>
<thead>
<tr>
<th>RMG No.</th>
<th>Title</th>
<th>Website</th>
</tr>
</thead>
</table>
Part 1 – Introduction

1. An objective of the PGPA Act is to establish a performance framework across Commonwealth entities that provides meaningful information to the parliament and the public.

2. Section 39 of the PGPA Act requires Commonwealth entities to prepare annual performance statements and include those statements in their annual reports. This requirement takes effect on 1 July 2015, and the first annual performance statements will be published in entities’ annual reports for the 2015–16 reporting period. The annual performance statements will replace the performance section in the annual report.

3. Commonwealth entities will report, through the annual performance statements, on the results actually achieved against the targets, goals and measures that the entity established at the beginning of a reporting year in its corporate plan.

4. The requirements for annual performance statements are designed to provide a consistent approach to performance reporting across all entities. The statements bring together relevant non-financial performance information into one place – much as the financial statements for an entity consolidate financial performance information in one place. The aims are to improve the readability of this information and to provide a clear line of sight between planned performance for the reporting period (usually a financial year), as outlined in the corporate plan of an entity, and actual performance over the reporting period.

5. Under previous arrangements, entities’ reporting of performance, through the publication of annual reports, has varied significantly in quality and structure. This has limited reader’s ability to clearly ascertain the scope, nature and success of an entity’s performance and to what extent the entity has achieved its purposes. It is fundamental to the objectives of the PGPA Act that the presentation of entities’ performance to the public and the parliament is meaningful and improves public accountability. The annual performance statements will replace the previous annual report performance reporting requirements creating a clear, concise and consistent approach to performance reporting across all Commonwealth entities.

Portfolio Budget Statements

6. The majority of Commonwealth non-corporate and corporate entities receive some level of appropriation funding. As a result, key strategic information relevant to entities appears in their responsible Minister’s Portfolio Budget Statements (PBSs) that accompany the annual Appropriation Acts.

7. PBSs are publications presented to parliament by the responsible portfolio minister. They describe, at a strategic level, what is intended to be achieved with money appropriated by parliament. The PBSs explain the estimates for the purposes of the Budget Appropriation Bills and inform Senators and Members of Parliament of changes in the proposed allocation of resources to entities within the portfolio.¹

¹ A Portfolio Budget Statement is produced for every appropriation bill where a Commonwealth entity within a portfolio is appropriated an amount by the parliament.
8. The PBSs is a document that relates to a particular annual appropriation request to the parliament. The performance information in the PBSs is a strategically focused subset of the performance information reported in an entity’s corporate plan, plus any performance measures that relate to material new activities being proposed for funding by the parliament. The performance information for established programmes that are reported in an entity’s PBSs must have a strategic focus, and must be able to be read across to the entity’s corporate plan for that year.

9. It is expected that the strategic level performance measures, relating to the outcomes and the impacts sought, will be reported in an entity’s PBSs and corporate plan. As such, given that annual performance statements acquit the performance information in corporate plans, it will also acquit the performance information in the PBS.

**Commonwealth companies**

10. Under the PGPA Act, Commonwealth companies are not required to produce annual performance statements.

11. However, under section 27A of the PGPA Rule, companies are required to report, in their annual reports, on the actual performance results achieved against the performance information outlined in their corporate plans.

12. *This guidance does not apply to Commonwealth companies.*

**Part 2 – The role of annual performance statements in the enhanced Commonwealth performance framework**

11. The enhanced Commonwealth performance framework builds on three main concepts: entity, purpose and activity. At its most basic, the framework is focused on each entity covered by the PGPA Act. Each entity is required to identify its purposes, which include its objectives, function or role. Lastly, the framework focuses on the activities of the entity, which are its core areas of effort and the actions that it undertakes to pursue and fulfil its purposes. More information on how an entity should identify and define its purposes and significant activities can be found in Resource Management Guide 132 *Corporate plans for Commonwealth entities*. Key to the annual performance statements is the presentation of good performance information that tells a cohesive performance story demonstrating the extent to which a Commonwealth entity is meeting its purposes through the activities it undertakes.

12. Annual performance statements are one of two core elements in the enhanced Commonwealth performance framework. The corporate plan is developed at the beginning of the reporting cycle and sets out an entity's strategies for achieving its purposes and how success will be measured. The annual performance statements are produced at the end of the reporting cycle and provide an assessment of the extent to which an entity has succeeded in achieving its purposes. Figure 1 shows the two elements of the framework and the annual cycle.
13. Many of the minimum content requirements for entities’ annual performance statements are linked to content requirements for their corporate plans (see PGPA Rule section 16E and Resource Management Guide No. 132 *Corporate plans for Commonwealth entities*). This alignment recognises the close relationship between the two elements of the framework. The annual performance statements (which are to be included in each entity’s annual report) complete the annual reporting cycle.

14. Commonwealth entities will report, through the annual performance statements, on the results actually achieved against the measures set out in their corporate plan and on the basis of any review and evaluations they have committed to, to demonstrate their performance in achieving their purposes. The statements will present the performance of the significant activities for which the entity is responsible at the end of each reporting period, by reporting against the targets, goals, measures that the entity established at the beginning of a reporting year. The level of reporting detail should be commensurate with the size, nature and complexity of the activity in question. The aim is to have good quality, comprehensive and accurate information that provides a clear and complete picture of how an entity has performed. Guidance on the performance measurement methods that an entity could use is provided in Resource Management Guide No. 131 *Developing good performance information*. 
15. Every Commonwealth entity subject to the PGPA Act is required to produce annual performance statements. The statements, unless otherwise prescribed by the entity’s enabling legislation, are **required to report on the performance of the entity in the single reporting period for which the statements are produced**.

16. Annual performance statements are intended to be the key location for all public data on the actual performance of an entity in a reporting period. The content reported by entities in their statements should directly reflect the actual results achieved against the planned performance measures and intended results set out in their corporate plans (see Figure 2).

**Figure 2: Corporate plans to annual performance statements – flow and core elements**
17. Section 16F of the PGPA Rule sets out the matters that entities must include in their statements. There are three core minimum requirements for annual performance statements:

- Statements (of preparation).
- Results.
- Analysis.

**Statements**

*Public Governance, Performance and Accountability Rule 2014*

**16F Annual performance statements for Commonwealth entities**

*Matters that must be included in annual performance statements*

(2) The following table sets out the matters that must be included in the annual performance statements for a Commonwealth entity:

<table>
<thead>
<tr>
<th>Item</th>
<th>Topic</th>
<th>Matters to be included</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Statements</td>
<td>The following:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(a) a statement that the performance statements are prepared for paragraph 39(1)(a) of the Act;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(b) a statement specifying the reporting period for which the performance statements are prepared;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(c) a statement that, in the opinion of the accountable authority of the entity, the performance statements:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(i) accurately present the entity’s performance in the reporting period; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(ii) comply with subsection 39(2) of the Act.</td>
</tr>
</tbody>
</table>

18. The annual performance statements must include a statement to be endorsed by the accountable authority. The statement must specify that the annual performance statements have been prepared for paragraph 39(1)(a) of the PGPA Act and any other legislation applicable to the preparation of annual performance statements of the entity. The statement must specify the reporting period which the performance statements cover and provide an assurance by the accountable authority that the annual performance statements accurately reflects the entity’s performance in the reporting period.

19. The statement must also state that the annual performance statements comply with subsection 39(2) of the PGPA Act. Subsection 39(2) requires the annual performance statements to provide information about the entity’s performance in achieving its purposes, and also that it complies with any requirements of the PGPA Rule.

20. This statement is to perform a similar purpose to the statements by accountable authorities for their annual financial statements which is to provide assurance regarding quality of the preparation and information included in the annual performance statements.
**Example statement of preparation**

I, as the accountable authority of [entity name], present the [reporting period] annual performance statements of [entity name], as required under paragraph 39(1)(a) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act) and [other applicable legislation]. In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.

**Results**

*Public Governance, Performance and Accountability Rule 2014*

**16F Annual performance statements for Commonwealth entities**

*Matters that must be included in annual performance statements*

(2) The following table sets out the matters that must be included in the annual performance statements for a Commonwealth entity:

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<th>Topic</th>
<th>Matters to be included</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Results</td>
<td>The results of the measurement and assessment referred to in subsection (1) of this section of the entity’s performance in the reporting period in achieving its purposes.</td>
</tr>
</tbody>
</table>

21. The core requirement of the annual performance statements is for entities to report the actual performance results they achieved in the reporting period against the planned performance defined at the beginning of the reporting period in their corporate plans.

22. The information must be presented in a way that is easily linked to the information presented in the entity’s corporate plan for the relevant period, to allow for a clear read across the two documents. For guidance on establishing planned performance information at the beginning of the reporting period, see Resource Management Guide No. 131 Developing good performance information.

23. When reporting actual performance, entities should consider providing the following information for each activity identified in their corporate plans. This approach is offered as a suggestion only. An entity can make its own choices about how to structure and present its results.

**Activity title or description**

24. Entities should identify the significant activities or key activity areas that were identified for measurement and assessment in their corporate plans at the beginning of the reporting period. An entity should identify each significant activity by the title or description used for the activity in its corporate plan to ensure consistency between its planned performance information and performance results.
Performance measurement methodology

25. For each significant activity or key activities areas identified, entities should briefly describe the performance measurement methodology that has been applied to determine the activity’s performance. The performance measurement methodology should be the same as the methodology identified in the planned performance information section in the corporate plan at the beginning of the reporting period. Any departure from or variation in the performance measurement methodology should be described and explained.

Targets, goals and measures

26. For each significant activity or key activities areas identified, entities should provide any targets, goals and measures that were to be pursued or measured against in the reporting period. The targets, goals and measures should be the same as those set out in the corporate plan at the beginning of the reporting period. Any departure from or variation in the targets, goals and measures should be described and explained.

Results achieved

27. For each significant activity or key activities identified, entities should report the actual performance results achieved in the period. These results should be derived using the prescribed performance measurement methodology and specifically address any targets, goals and measures.

Analysis

Public Governance, Performance and Accountability Rule 2014

16F Annual performance statements for Commonwealth entities

Matters that must be included in annual performance statements

(2) The following table sets out the matters that must be included in the annual performance statements for a Commonwealth entity:

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<thead>
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<th>Topic</th>
<th>Matters to be included</th>
</tr>
</thead>
</table>
| 3    | Analysis | An analysis of the factors that may have contributed to the entity’s performance in achieving its purposes in the reporting period, including any changes to:  
(a) the entity’s purposes, activities or organisational capability; or  
(b) the environment in which the entity operated; that may have had a significant impact on the entity’s performance in the reporting period. |

28. An entity’s annual performance statements must include an analysis of the factors that contributed to its performance in achieving its purposes that provides context to its performance over the reporting period. This requirement may be addressed through an entity-wide overview of performance or, where relevant, an entity may discuss specific issues on a case-by-case basis. For example the analysis section may address how a change to either its purposes, activities, organisational capability or operating environment, had a significant impact on its performance during the reporting period.
29. An entity should provide a relevant context to the performance results reported, and provide an analysis of the factors that have contributed to, or restricted, the delivery of its purposes within the reporting period.

30. For example, this guide recognises that there may have been events or external factors that affected an entity's ability to deliver on the intended results set out in its corporate plan. The entity may wish to discuss how such events or factors contributed to, or restricted, its performance in the reporting period.

**Part 4 – Regulator Performance Framework**

31. The Commonwealth Government’s Regulator Performance Framework (RPF) establishes a uniform set of performance measures for assessing regulator performance. The framework is administered by the Department of the Prime Minister and Cabinet and requires all Commonwealth regulators to be assessed and report against six key performance indicators: reducing regulatory burden, communications, risk-based and proportionate approaches, efficient and coordinated monitoring, transparency, and continuous improvement.

32. Entities may use the reporting requirements of the enhanced Commonwealth performance framework (the corporate plan and annual performance statements) to address the reporting requirements of the RPF. If a regulatory function forms a significant activity of an entity, the entity should consider including the key performance indicators and evidence that addresses the requirements of the RPF in its corporate plans and annual performance statements. However, entities should note that addressing the requirements of the RPF will not fulfil the minimum requirements for corporate plans under the PGPA Rule.

33. The key performance indicators in the RPF address the administrative efficiency and effectiveness of a regulatory function, which constitute just one aspect of the purposes of an entity. To fully address the minimum requirements of the PGPA Rule (i.e. presenting results and analysis that demonstrate whether the entity has achieved its purposes), an entity will need to provide a more comprehensive report on its performance in order to tell a meaningful story through the annual performance statements.


**Part 5 – Tabling and publication requirements**

35. The first annual performance statements will be included in the annual reports that relate to the 2015–16 reporting period. Section 46 of the PGPA Act requires the accountable authority of each Commonwealth entity, after the end of each reporting period, to provide a copy of an annual report to the entity’s responsible Minister.² The annual performance statements are to replace the performance section in the annual report.

²Sections 63(2) and 70(2) of the *Public Service Act 1999* (PS Act) and other enabling legislation also require certain entities to produce annual reports.
36. Under section 46 of the PGPA Act, the annual report must be given to the responsible Minister by the 15th day of the fourth month after the end of the reporting period for the entity, for subsequent tabling by the minister in parliament.\(^3\)

37. The annual report should also be published on an entity's website.

### Part 6 – Sensitive information

38. Under subsection 16E(4) of the PGPA Rule, if the accountable authority considers that the corporate plan contains commercially confidential or sensitive information or, sensitive information on national security matters that if published could prejudice the national security interest of the Commonwealth, a supplementary corporate plan may be prepared for publication on the entity's website that excludes such matters.

39. If an entity has produced a supplementary corporate plan to exclude matters under subsection 16E(4), it should produce an annual performance statements that are a direct acquittal of the performance measurement and reporting intentions identified in its published corporate plan.

40. This guidance regarding sensitive information also applies to government business enterprises that, under subsection 16E(4), have prepared and published a statement of corporate intent in place of a full corporate plan. That is, the annual performance statement should be acquitted against the published version of the corporate plan.

**Intelligence, security or listed law enforcement entities**

41. Intelligence, security or listed law enforcement entities covered by the PGPA Act may seek exemption from the annual performance statements requirements. Under section 105D(3)(a) of the PGPA Act the Minister for Finance is able to, by written instrument, modify requirements of the Act for intelligence, security or listed law enforcement agencies in relation to preparing and publishing annual performance statements under section 39 of the PGPA Act. The responsible Minister needs write to the Minister for Finance seeking such a modification.

### Part 7 – Entities with enabling legislation

42. The PGPA Act does not alter the operational independence of entities as set out in their enabling legislation. A number of entities are subject to legislative requirements for the preparation of their annual reports under their enabling legislation. This guidance provides the minimum requirements for matters to be included in the annual performance statements prepared under section 39 of the PGPA Act and recognises that relevant entities will also include those matters prescribed by their enabling legislation.

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\(^3\) The timeframe for the tabling of an entity's annual report may vary according to the legislation the entity is subject to. For example, entities subject to the *Public Service Act 1999* are currently required to present their annual report on or before 31 October in the year in which the report is given. Other entities may have annual report tabling requirements in their enabling legislation.
Part 8 – Audit of annual performance statements

Public Governance, Performance and Accountability Act 2013:
Part 2-3—Planning, performance and accountability, Division 3—Performance of Commonwealth entities

40 Audit of annual performance statements for Commonwealth entities

(1) The responsible Minister for a Commonwealth entity or the Finance Minister (the requesting Minister) may request the Auditor-General to examine and report on the entity’s annual performance statements.

Note: The Auditor-General may at any time conduct a performance audit of a Commonwealth entity: see Division 2 of Part 4 of the Auditor-General Act 1997.

(2) If, under a request under subsection (1), the Auditor-General examines and reports on the entity’s annual performance statements, the Auditor-General must give a copy of the report to the requesting Minister.

(3) The requesting Minister must cause a copy of the Auditor-General’s report to be tabled in each House of the Parliament as soon as practicable after receipt. The copy that is tabled must be accompanied by a copy of the entity’s annual performance statements.

43. Annual performance statements can be scrutinised through the following means:

- Under section 40 of the PGPA Act, the responsible Minister or the Minister for Finance may request the Auditor-General to audit an entity’s annual performance statements.

- The Australian National Audit Office can audit annual performance statements at its own discretion, in accordance with Division 2 of Part 4 of the Auditor-General Act 1997.

- Section 82 of the PGPA Act provides authority for the sharing of information with other jurisdictions and section 83 allows for state and territory auditors-general to conduct audits of entities where there has been a state or territory contribution.

- Under paragraph 17(2)(b) of the PGPA Rule, the functions of the audit committee of a Commonwealth entity must include reviewing the appropriateness of the accountable authority’s performance reporting.