

SUBMISSION TO PGPA ACT AND RULE INDEPENDENT REVIEW

Introduction

The author is a public administration researcher currently completing a Ph. D in Government with a thesis focusing on performance measurement. He has also practised in performance measurement and related fields such as evaluation and performance audit as a consultant and as a public servant for the Commonwealth and ACT Governments.

The Commonwealth performance framework

This submission focuses on that part of the Terms of Reference (ToR) that relates to the enhanced Commonwealth performance framework, but also refers where relevant to the objects of the PGPA Act. The ToR included in this heading:

- Ongoing monitoring and public reporting of whole-of-government results for the framework;
- Timely and transparent, meaningful information to the Parliament and the public, including clear read across portfolio budget statements, corporate plan, annual performance statements and annual reports

Monitoring and public reporting of whole-of-government results

The first comment is that as yet there is no whole of-government reporting. However, this may be too high an ambition for an institution as complex as the Commonwealth. Any reporting of whole-of-government results would depend on setting whole-of-government objectives, which is a difficult task. It is more useful to focus on reporting by individual entities, as they still have considerable scope for improvement.

Clarification of the purpose of performance measurement

The PGPA objects refer to establishing a coherent system of governance and accountability across Commonwealth entities and establishing a performance framework across Commonwealth entities. The second is presumably to support the first. In considering 'a coherent system of governance and accountability' it is important to distinguish between these two important concepts and recognise when they can come into conflict. Accountability, of course, refers to the need for government instrumentalities to render an account of their use of resources provided and the extent to which they have achieved results promised; and for those receiving the account to take appropriate action. It entails, from an organisation's point of view, an outward focus towards groups such as the Executive, the parliament (including committees) and the public. Governance, by contrast, refers to the means by which the controlling authorities (a Board or a Minister) put in place rules, regimes and principles (including performance measurement) to guide the operations of the organisation so as to improve or maintain performance against its objectives. This is primarily, therefore, an inward-focused activity.

The academic literature is divided on whether it is possible for a single performance measurement system to achieve both objectives at once – to work internally to improve performance and to report externally for accountability purposes. For example, where measures are used for accountability purposes, there is an incentive to set targets low so as to be able to report success, whereas stretch targets are better for improving performance.

My reading of the Act (as supported by the phrasing of the terms of reference) is that accountability, which includes reporting information to the Parliament and public, is the prime purpose of the Commonwealth performance framework. This is worth confirming in guidance.

Provision of meaningful information to the Parliament and the public

One way of trying to meet the combined objective of governance and accountability is the integration of budget measures with strategic planning. However, this attempt at a dual purpose has led to some instances of unclear reporting. Performance statements try to be in response to both the measures in the portfolio budget statement and to the elements of the corporate plan. In these circumstances, it is often hard to get a 'clear read' from the budget KPIs to the annual report, thus compromising the prime purpose of accountability. A clarity of purpose is needed, and this might be along the lines of requiring the portfolio budget statements to define what is to be achieved (outcome and output) and allowing the corporate plan to describe how the desired outcomes are to be achieved (process and input). Such a delineation would enable a clearer presentation of performance measures in both the corporate plan and the annual performance statement. In particular, it would be useful for the corporate plan to incorporate the year one PBS performance measures. This would establish the top level requirements for which the Department is funded and accountable. Other corporate plan activities and performance measures would then support these. It is understood that some corporate plan activities and measures may refer to overall activities, such as support and development of staff, that have no specific connection to a particular output or outcome.

I disagree with the Finance view that there was previously an over-reliance on quantitative measures. In fact, many of the budget measures have been so lacking in quantification that they were essentially unassessable, and although this has improved slightly in the last year or two, it is still a problem. This does not inform either the public or the parliament on what is going on. Many of the 'Performance Criteria' listed in the PBS are still very vague. The 'targets' column gives more information on how to measure and report (in some cases) but these targets do not always answer the performance criteria.

Guidance provided in RMG130 suggests accommodating the size, diversity and varying purposes of Commonwealth entities through a 'fit for purpose' approach, but RMG131 does not give further guidance on how this might be operationalised. There are different challenges and opportunities for organisations with different purposes – e.g. policy development, service delivery and regulation – and with different sizes or organisational forms. This is demonstrated by the quality of the budget KPIs varying considerably across these dimensions. In particular, the formulation of sound KPIs – those that are both robustly assessable and relate clearly to organisational objectives – is more difficult for policy functions. For such agencies or components of agencies, a 'performance story' (referenced in RMG131) could be appropriate, but this guide does not spell out that there is a discipline behind constructing a rigorous performance story that clearly answers the budget KPI. The use of a performance story approach is not an invitation to construct a paragraph in the annual report that selectively describes achievements that shine a positive light on the performance of the area in question. Such components of the performance statement do not provide reliable information to the parliament and the public.

RMG131 at paragraph 84 does refer to the principle that where effectiveness is difficult to measure, output, input and process (efficiency) measures can be adopted. In some circumstances, a measure of capacity (ability to respond when required) is important. It may be worth requiring agencies to set out for each KPI which characteristic (effectiveness, output, capacity, input etc.) is being assessed.

Review of performance measurement

A contributing factor to the variable state of performance reporting may be the lack of external review. Financial statements are audited by the Auditor-General before publication in the Annual Report but performance statements may never be audited. This creates risks of mis-reporting. It may not be practicable for the Auditor-General to review all performance statements prior to completion of the Annual Report, but review of a risk-based sample before the end of the next financial year would act as an incentive to sound reporting.

Conclusions and Recommendations

Further advancements to public sector performance and accountability might be achieved through:

1. Clarifying that the primary purpose of performance measurement under the PGPA Act is accountability
2. Having a clear hierarchical relationship between budget KPIs and measures included in corporate plans
3. Ensuring that performance reports provide a clear read against budget KPIs.
4. Provide additional guidance to entities on how to tailor the development of performance measures to their circumstances.
5. Providing strengthened external reviews of the quality of performance measures

Thank you for the opportunity to prepare this submission. If you wish to get in touch, my details are below.

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