



Australasian Evaluation Society Ltd (AES)

ACN 606 044 624

Submission to the Public Governance, Performance and Accountability Act 2013 and Rule — Independent Review

November 2017

INTRODUCTION

The Australasian Evaluation Society (AES) would like to thank the Independent Reviewers for the opportunity to make a submission to the Post Implementation Review of the *Public Governance, Performance and Accountability Act 2013* and Rule.

The AES is an over 900 member-based organisation in Australasia for people involved in evaluation including evaluation practitioners, managers, teachers and students of evaluation, and other interested individuals both within and external to the APS. It aims to improve the theory, practice and the use of evaluation through the provision of Conferences, professional development workshops, communities of practice, a *Code of Ethics* and *Guidelines for the Ethical Conduct of Evaluations*.

The AES has been supportive of the broader Public Management Reform Agenda (PMRA) and has looked to provide practical assistance to its implementation where possible e.g.

- Hosting a Performance Framework Roundtable in September 2014, in conjunction with the Australian & New Zealand School of Government (ANZOG) and subsequently making a joint submission
- Facilitated presentations by the Department of Finance at AES International Evaluation Conferences in 2015 and 2017
- Responding to calls for submissions from the Department of Finance and Joint Committee of Public Accounts and Audit
- Developed and delivered new training workshops designed to support ECPF implementation.

The AES submission is offered as a formal response from the Board on behalf of AES members, and looks forward to providing ongoing support to the development and implementation of the Enhanced Commonwealth Performance Framework. If the Independent Reviewers wish to discuss or inquire about any aspect of this submission, the AES is available to do so. Please contact the AES Chief Executive Officer at

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OVERVIEW

This submission is responding to the following element of the Post Implementation Review's Terms of Reference:

- The enhanced Commonwealth performance framework, including:
 - 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;

This submission comprises the following parts:

- The role of Evaluation in Contributing to Performance Reporting
- Strengths of the Enhanced Commonwealth Performance Framework
- Areas for Development
- Possible Strategies

THE ROLE OF EVALUATION IN CONTRIBUTING TO PERFORMANCE REPORTING

The performance information for accountability reporting comes from a program's performance management system. Program Monitoring and Evaluation are essential technical components of such a system.

Monitoring and evaluation generally encompasses the systematic collection and analysis of information to answer questions, usually about the effectiveness, efficiency and/or appropriateness of an ongoing or completed activity, project, program or policy.

Monitoring — measures progress towards achieving a pre-determined government purpose or program objective. This involves either direct measurement or, where direct measurement is not possible, using a set of 'indicators' to obtain information about changes to the important attributes of success. Indicator-based performance information usually provides only partial information to inform judgements about the impact of a program.

Evaluation — answers questions about whether government objectives have been achieved and the extent to which program activities have contributed to its purpose. Through careful data collection (qualitative and/or quantitative) and analysis, evaluation incorporates monitoring and additional complementary descriptive performance information to make assessments, form judgements about success, and inform decisions about future programming.

While evaluation (referred to as policy implementation analysis) is often used at the end of an activity or program (commonly referred to as summative or impact evaluation), it is also a powerful tool in program design and implementation (referred to as formative evaluation). Evaluation professionals use formal methodologies to provide useful empirical evidence about public entities (such as programs, products, performance) in decision-making contexts that are inherently political and involve multiple stakeholders, where resources are

seldom sufficient and where time-pressures are salient.¹

Evaluative inquiry therefore can be undertaken across the policy and program life-cycle to:

- help identify and measure the need for a policy or program and to understand best practice
- clarify and strengthen policy and program conceptualisation and design (including what the expected key activities, outputs and outcomes are, when these are expected to occur and in what sequence, and what data is needed to measure these)
- support implementation by testing fidelity (process) and identifying opportunities for improvement during roll-out
- inform ongoing program management by identifying and producing sound data and indicators
- identify the outcomes, impacts effectiveness, efficiency and lessons learned of the policy and/or program.

When it operates across the program and policy life-cycle, evaluation makes a significant contribution to an entity's performance framework, contributing to the development of its underlying architecture, as well as contributing to the delivery of knowledge, evidence and performance information. This enables entities to ascertain and report on the level to which they are achieving their purpose.

The role of evaluation was emphasised from the outset in the PGPA Act's explanatory memorandum:

"...and future elements of the CFAR reforms, will seek to link the key elements of resource management so that there is a clear cycle of planning, measuring, evaluating and reporting of results to the Parliament, Ministers and the public.

51. The PGPA Bill does this by: explicitly recognising the high-level stages of the resource management cycle; recognising the value of clearly articulating key priorities and objectives; requiring every Commonwealth entity to develop corporate plans; introducing a framework for measuring and assessing performance, including requiring effective monitoring and evaluation; and maintaining the rigorous audit arrangements currently in place."

This contribution has also been noted by the National Commission of Audit, the Department of Finance (through its Resource Management Guides and public presentations) and the broader literature. Further, this role has also been highlighted in global-level initiatives such as the Sustainable Development Goals and the 2030 Agenda for Sustainable Development, which stresses the importance of national-led evaluations.

STRENGTHS OF THE ENHANCED COMMONWEALTH PERFORMANCE FRAMEWORK

The AES commends the progress made to date to introduce the PGPA Act and ECPF to improve performance governance and accountability reporting to the Parliament and the

public. The AES also recognises that the implementation of the reforms has been a complex and in some instances challenging task, and may continue to be so in the near term.

The AES particularly supports the following reform directions.

- Recommending the use of different ways to measure, assess and report on performance beyond the historic over-reliance on measurement and quantitative Key Performance Indicators (KPIs).
- Accommodating the size, diversity and varying purposes of Commonwealth entities through a 'fit for purpose' approach.
- Identifying the cultural, educational and technical challenges that can be expected in introducing a new framework.
- Providing a staged and iterative implementation of the Framework and the expectation that the Framework will be further developed over time.

The PGPA Act and Enhanced Commonwealth Performance Framework have been observed by AES members to be having a positive impact within government. In a number of APS entities it has led to a greater focus on outcomes at both the program and broader policy level.

AREAS FOR FURTHER DEVELOPMENT

Feedback from AES members for this submission indicates a number of areas for further development in terms of implementing the PGPA Act and the Enhanced Commonwealth Performance Framework. These are outlined below.

Maturity of Corporate Plans, Annual Performance Reports and Portfolio Budget Statements

A recent report by the Australian National Audit Office on corporate planning examined four entities and found that:

- all were at different levels of maturity in implementing their Corporate Plan requirements and further work was required by all to fully embed requirements into future plans
- one entity had positioned its Corporate Plan as its primary planning document, as intended by the ECPF, while another entity was working to do so and the other two entities did not fully meet the policy intent.²

This aligns with AES members and AES International Conference participants' perspectives that key documents are still a work in progress. Examples include.

- Some instances of confused reporting. Annual Performance Statements respond to both the Portfolio Budget Statements and the Corporate Plan but in some instances it is hard to get a 'clear read' from the budget papers to the Annual Report - the latter are often long and some present as being inaccessible

² <https://www.anao.gov.au/work/performance-audit/corporate-planning-australian-public-sector-2016-17>)

- An emphasis on quantitative measures of success with most assessments based on output indicators. There are few qualitative examples of the medium to long-term effects of entities' activities. Conversely, some budget measures lack quantification, making it difficult to assess these
- Many Performance Criteria are vague
- Some documents appear to make assumptions about cause and effect relationships between the activities of business areas and there is limited acknowledgment of the role other factors can play in achieving specific results.

Additional resourcing required to meet reform requirements

Prior to the introduction of the ECPF, it was foreshadowed by a number of stakeholders (both internal and external to Government) that this would have significant implications on entities' resourcing—particularly in terms of capabilities and capacities.³ This was consistent with findings that arose from the Capability Reviews, which suggested that 'Managing Performance' was a development area for over half of those assessed in 2012–13, as was 'Plan, Resource and Prioritise', 'Outcome-focussed Strategy' and 'Develop People'.⁴

The Department of Finance is to be commended for the work it has undertaken to support the introduction of the reforms at a time of fiscal challenges and restraints. However indications from AES members and participants at recent AES International Conferences suggest that a lack of additional resourcing has had the following impacts:

- Maturity of data collection, management and reporting systems

There have been some positive developments in terms of the availability of administrative data and their management and reporting systems, but it is still common for practitioners to experience limitations in their capacity to support performance measurement and evaluative inquiry.

- Staff performance management literacy and evidentiary expertise

Evaluations are often commissioned with no reference to either the PGPA Act and ECPF, or how findings are expected or required to contribute to performance reporting. This raises questions about the level of awareness amongst APS staff about non-financial accountability and reporting requirements. There is also some indication of limited numbers of APS staff with expertise in research, evaluation and performance measurement. This may reflect both a capability and capacity issue, and that there is a degree of staff 'churn' within the APS.

- Activities

The funding and timeframes made available for evaluation projects is often inadequate for the purpose they have been commissioned, compromising their ability to provide meaningful, robust evidence and findings. This may reflect a lack of exposure to evaluation and social research methodology within the APS, and hence commissioners not being

³ ANZOG-AES Roundtable – Joint Submission to the Department of Finance, October 2014

⁴ <http://www.apsc.gov.au/about-the-apsc/parliamentary/state-of-the-service/sosr-2012-13/chapter-ten/capability-reviews-status-and-findings>

familiar with the level of resourcing required to provide rigorous evidence, sound data and quality reporting.

Incentives for entities to fully engage in the spirit and substance of the reforms

AES members have reported contrasting responses in terms of resourcing, effort and commitment from entities. At one end, there are indications of agencies that have reduced their effort and investment in evaluation and performance reporting. At the other, there are cases of increased development in information technology and reporting architecture, increased resourcing to the evaluation function, and a clearer understanding of the role and linkages from evaluation practice through performance and information management, to achieving accountability via being able to tell a performance story.

Good performance management and reporting (as noted by Department of Finance) also means engaging with risk. Engaging with risk is not straightforward in an environment where inevitably political dynamics and considerations exist. A question that has been raised by a number of members has been one of incentives: namely whether existing APS leadership incentives are potentially antithetical and incompatible to the concept of “performance leadership”? This is not necessarily an issue for the Commonwealth alone. The WA Auditor General, for example, has consistently found that WA Statutory Authorities are superior to Departments in managing and reporting performance.

AES members have noted that one of the proposed incentives to support the introduction of the PGPA Act – that of ‘Earned Autonomy’ and its successor ‘differential approach to regulation’ – appears to have been withdrawn, with references to this no longer visible on the PMRA website.

Evaluation findings being incorporated into Performance Measurement and Reporting

At the 2017 AES International Evaluation Conference, the Department of Finance noted that evaluations and their findings were not yet being sufficiently presented in Corporate Plans or Annual Performance Statements, and asked the evaluation community how this could be addressed. This is also the perspective of a number of AES members. Some dynamics contributing to this have been outlined above. Others also include:

- limited understanding that valid performance information comprises both quantitative and qualitative indicators. While the PGPA Act and ECPF have promoted a renewed interest and focus on outcomes in a number of entities, often first instincts are to measure these quantitatively. Even when both are being considered, they are often seen to be distinct streams, and there is a need to move towards adoption of a more ‘mixed-methods’ approach where they are utilised in a combined manner.
- The changes sought via the PGPA and ECPF are not insignificant, and it may be that even where Departments are moving positively towards these objectives, the time required to do so may be longer than first anticipated.

Underlying Theory of Change for the reforms

There is complexity inherent in performance reporting. Evaluation, and evaluators (both internal and external) can make a significant contribution to policy, program and

performance design, measurement and reporting. Yet they are just one of a number of activities and actors in the system. This system involves a range of actors both internal and in some instances external to the APS, from non-government providers through to state office staff and senior officers. The system also requires a spectrum of policy and technical expertise and range of resources and activities, all of which need to come together for it to be effective.

The Resource Management Guide 131 highlights the role that program logic can play in underpinning program and performance design. Program logics can clarify and articulate not just *what* outcomes are desired but also a ‘theory of change’ that identifies *why* the relationship between inputs, activities, outputs and sequence of outcomes is expected.

The underlying theory of change for the PGPA – in a very simplified form – appears to be:

“Better measurement and reporting leads to increased transparency and accountability, new incentives, and hence better decision making and ultimately improved performance”

There is evidence that this underlying theory of change has been tried in a number of different countries over the past 35 years and that – while a useful foundation – strengthened reporting requirements alone will not drive improved agency performance. The expertise of the AES informed by the research literature suggests that an enhanced theory of change could be:

“Performance leadership plus appropriate incentives and organisational capacity leads to improved performance and ultimately cultural change.”

POSSIBLE STRATEGIES

The AES suggest the following strategies for the Independent Reviewers’ consideration:

- *Review and update the underlying theory of change and program logic underpinning the PGPA and ECPF.*

As noted above, performance measurement and reporting is in itself a system, and it may be helpful to approach it and ‘map’ it as such. Evaluation has a number of tools to apply to this, from program logics and theories of change, through to specific approaches such as Realist Evaluation (which seeks to understand what works, in what context, for whom, and when) and systems mapping.

One strategy for supporting the ongoing implementation of the PGPA Act and Rule could be developing a program logic and theory of change that takes something of a ‘systems’ approach. An example (which could also serve as a useful starting point) is a logic model at Attachment A which reflects a number of dynamics identified in this submission.

- *Investment in Capacity and Capability building*

The AES notes the importance placed on embedding evaluation and its practices across the APS, while observing that currently they are limited to technical and specialist areas of

agencies. The AES supports the Department of Finance's practice of issuing Resource Management Guides to elaborate more generally on the principles of the PGPA Act.

However, this practice is at risk of being read only by key staff and subject to their interpretations of its requirements. The intention of the PGPA Act is to change APS practice and embed its requirements into the future and, as such, needs additional structure to bring this about. Additional investment may be required in creating a greater awareness of the PGPA and ECPF Investment amongst APS staff, and in particular skill sets and knowledge e.g.

- Use of program and 'purpose' logic and theory
- Developing performance measurement frameworks
- Being able to tell a performance story
- How to include useful qualitative analysis in different levels of reporting (e.g. Australian Government Solicitor and DSS - <https://www.dss.gov.au/publications-articles/corporate-publications/annual-reports/dss-annual-report-2016-17>)

The AES, a number of its members and a range of other organisations and institutions provide resources and training in these areas. There may be value in the APS, either via the Department of Finance or the Australian Public Service Commission, looking to develop strategic relationships and partnerships with such entities to deliver relevant training and resources to APS staff.

- *Reviewing incentives for staff and the role of performance leadership*

A common question that arises with reform and change management processes is whether it needs to be driven by a 'top down' process, a 'bottom up' process, or a combined approach. For the PGPA Act and the ECPF, it may require the latter. Consideration should be given to providing incentives for APS staff at all levels and roles to engage with performance measurement and reporting – such as earned autonomy or differential approach to regulation. Additionally, given the role that senior officers have both in influencing organisational culture and in approving input into Corporate Plans and Annual Performance Statements, there may also be benefit in seeking to foster a culture of performance leadership at that level.

- *Evaluation practitioners and organisations (both internal and external) becoming more proactive in supporting the PGPA Act and ECPF*

The AES perceives there is a supportive, proactive role for evaluation practitioners (both internal and external), organisations such as the AES and the broader evaluation community to support the ongoing implementation of the PGPA Act 2013 and ECPF. Practitioners when engaged by policy and program evaluation commissioners can raise with and explore with them the ECPF and how their evaluation may contribute to their non-financial reporting obligations. Internal practitioners may be well-placed to identify ECPF-related capacity and capability gaps and look to address these through the provision of both

informal and formal training opportunities. Organisations in their products and services, should where appropriate look to identify these within the context of the ECPF.⁵

- *Quality assuring of Corporate Plan and Annual Performance Statements prior to publication*

Just as financial statements are routinely audited prior to publication, a similar process for Annual Performance Statements could assist in enhancing the quality of these key documents. This process could be undertaken annually as a post-publication process, or be adopted as part of the cycle prior to publication.

- *Introduction of an Evaluator-General*

The difficulty of assessing the non-financial performance of government policies and programs should not be underestimated. In addition to the above options, the AES also supports calls by Dr Nicholas Gruen for the introduction of an institutional-based strategy, an Office of the Evaluator-General, as an independent office to meet the performance information needs of Parliament by building evaluation capital across government entities and ensuring that evaluation and performance reporting are effectively undertaken. Dr Gruen proposes that it would have the following characteristics:

- All new programs would be introduced with a properly worked up monitoring and evaluation plan
- Evaluation would be undertaken by people with domain skills in both evaluation and in the service delivery area who are formal officers of the Office of the Evaluator-General
- All data and information gathered would travel to both the Evaluator-General and the relevant department's systems, but while the portfolio agency would report to their Minister, the Evaluator-General would report to Parliament — as per the Auditor-General.

The value of such an office would ensure that reforms and programs are designed to be evaluable and be the basis of assessments of effectiveness, while contributing to the non-financial performance statements of the PGPA Act.

⁵ As an example, the AES is looking to publish an article authored by the Department of Finance on the ECPF in the Evaluation Journal of Australasia.

Logic Model for aligning the drivers of user-focussed accountability reporting

