

VICTORIA

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Victorian  
Auditor-General

Audit summary  
of  
Performance Reporting  
by Departments

Tabled in Parliament  
5 May 2010

# Audit summary

This audit examined the performance of departments in the development and reporting of performance indicators on the achievement of the departments' objectives, particularly the outcomes and impacts of the departments' programs and services.

Section 45 of the *Financial Management Act 1994* (the Act) is the legislative basis for performance reporting. It requires departments to prepare annual reports on operations and audited financial statements; and to submit them to the relevant Ministers for tabling in Parliament.

The *Standing Directions of the Minister for Finance* require departments to develop outcome performance indicators for their objectives. There is, however, no corresponding obligation to report or make public the results of these indicators.

It is acknowledged that developing performance indicators is a difficult and challenging task, particularly for central agencies where outcomes are less tangible and are complicated by difficulties in measuring aggregate whole of government outcomes. Nevertheless, the experience of other jurisdictions demonstrates that developing a sound performance reporting regime is achievable.

The objectives of the audit were to assess the adequacy of the current departmental performance reporting regime having regard to the relevance, appropriateness and fair representation of performance indicators, including the extent to which these indicators are used by departments in decision making processes.

## Conclusions

There is a considerable gap between Victoria and the acknowledged better practice jurisdictions of New Zealand, Canada, United Kingdom and Western Australia in reporting the extent of achievement of intended departmental objectives and the contribution to government desired outcomes. Despite the progress in other jurisdictions, the focus of performance reporting in Victoria has largely remained on output performance measures.

Overall, there is a lack of effective outcomes performance reporting across the departments, and the standard of reporting varies considerably. Only a few departments were able to demonstrate the extent to which objectives had been met. While departments are responsible for improving the standard of performance reporting, stronger central agency leadership is needed to drive the reporting standard to minimum satisfactory levels.

While other jurisdictions have made considerable advances in outcomes performance reporting over the last decade, Victoria has made little demonstrable on the ground progress.

## Findings

The Department of Treasury and Finance (DTF) and the Department of Premier and Cabinet (DPC) commenced implementing the *Victorian Government Performance Management and Reporting Framework* (the Framework) in 1999. The Framework aims to provide adequate internal and external accountability for departmental performance. Since 2003, work by the DTF and DPC on the Framework has not progressed.

In the 2001 (*Departmental Performance Management and Reporting*) and 2003 (*Performance Management and Reporting*) parliamentary reports, this Office found that performance indicators at the departmental level remained a gap in the framework. This audit not only confirms that the gap remains, but the extent of reporting has actually declined since the 2003 audit. From 2004–05, disclosure of departmental objectives in the budget papers was discontinued.

The requirements for performance reporting maintained by the Department of Treasury and Finance are not consolidated for departmental access and use. There is a high level of non-compliance with the mandatory requirements under the *Standing Directions of the Minister for Finance* to develop departmental performance indicators.

In addition to non-compliance with the mandatory requirements, there is considerable variation in the standard of outcome performance indicators across departments.

Of the 322 departmental performance indicators reviewed across the 10 departments 152, or nearly half, were relevant. Of those indicators that were relevant, 95 provided appropriate information such as trend or comparative data. This meant that around 30 per cent of the 322 indicators were relevant and appropriate.

Six departments had no or a limited number of departmental indicators that were relevant to the achievement of their objectives. These departments represented nearly half of the state's allocated funding for the general government sector in 2007–08 and 2008–09 years examined. While it is important to note that this funding can be accounted for in a stewardship sense, the effective use of this funding, equating to around \$31 billion over the two years, has not been demonstrated.

Better guidance material needs to be made available to departments to facilitate a consistent approach in the development of performance indicators that not only meet the mandatory requirements but also provide relevant and appropriate outcome performance information.

Specifically, our assessment of departmental performance indicators shows that:

- The Departments of Transport, Innovation Industry and Regional Development, Education and Early Childhood Development and Justice had made considerable progress in developing relevant performance indicators. The first two being the only departments with a high proportion of both relevant and appropriate indicators.

- The Departments of Primary Industries and Human Services have begun to develop performance indicators and outcomes reporting frameworks.
- DPC, the Departments of Planning and Community Development (DPCD), Sustainability and Environment (DSE) and DTF require considerable work to progress the development of their performance indicators.

Of these four departments, DPC and DPCD do not have performance indicators to measure the extent to which departmental objectives are being achieved. DTF and DSE performance indicators relate primarily to relevant high level *Growing Victoria Together* outcomes rather than reflecting outcomes that related to departmental objectives.

Four out of ten departments set out the intended impact of their activities by including performance indicators in their corporate plans. In terms of annual reporting, five departments provided similar details on a limited number of indicators.

Finally, progress reporting on achieving *Growing Victoria Together* outcomes requires further development to:

- expand reporting across a wider range of departments
- update targets that are no longer relevant
- identify actions that need to be undertaken to address any likely shortfalls against performance targets.

## Recommendations

Number	Recommendation	Page
1.	The Department of Treasury and Finance should: <ul style="list-style-type: none"> <li>• establish a performance reporting framework linking departmental performance to the government's strategic outcomes and goals</li> <li>• embed this framework, particularly the reporting of outcomes performance information, into the management cycle covering planning, budgeting, management and accountability processes.</li> </ul>	16
2.	In relation to the development of performance indicators: <ul style="list-style-type: none"> <li>• Departments of Sustainability and Environment and Treasury and Finance should continue to develop performance indicators for all their departmental objectives</li> <li>• Departments of Premier and Cabinet and Planning and Community Development should develop performance indicators to underpin departmental objectives.</li> </ul>	28

## Recommendations – continued

Number	Recommendation	Page
3.	In relation to their corporate plans: <ul style="list-style-type: none"> <li>Departments of Premier and Cabinet, Primary Industries, Sustainability and Environment, Planning and Community Development and Treasury and Finance should link departmental objectives and activities to government outcomes</li> <li>Departments of Human Services/Health, Premier and Cabinet, Primary Industries, Sustainability and Environment, Planning and Community Development and Treasury and Finance should include performance indicators and targets underpinning the objectives specified.</li> </ul>	28
4.	In relation to their annual reports: <ul style="list-style-type: none"> <li>Departments of Premier and Cabinet, Primary Industries, Sustainability and Environment and Treasury and Finance should link departmental objectives to government outcomes</li> <li>all departments should include results against performance indicators in the annual reports.</li> </ul>	28
5.	The Department of Premier and Cabinet should improve progress reporting on achieving <i>Growing Victoria Together</i> government outcomes by: <ul style="list-style-type: none"> <li>seeking contributions from all departments in the preparation of progress reports</li> <li>identifying actions to address shortfalls in meeting targets</li> <li>updating and revising progress measures as required.</li> </ul>	32
6.	The Department of Treasury and Finance should: <ul style="list-style-type: none"> <li>review and consolidate existing guidance material for clarity and ease of access</li> <li>alert departments to the need for increased compliance with the <i>Standing Directions of the Minister for Finance</i> under the <i>Financial Management Act 1994</i> and business rules contained in <i>Budget and Financial Management Guidance</i> statements</li> <li>monitor and report on its effectiveness in assisting departments to consistently implement reporting reforms.</li> </ul>	32