



Auditor-General for Australia



24 November 2015

The Hon Ian MacFarlane MP  
Chair  
Joint Committee of Public Accounts and Audit  
Parliament House  
CANBERRA ACT 2600

Dear Mr MacFarlane

I refer to the Committee's invitation to participate in its hearing on 26 November 2015 as part of its inquiry into the Development of the Commonwealth Performance Framework.

I have the following comments on the Department of Finance's November 2015 submission to the Committee.

As a general principle, Portfolio Budget Statements have been stand-alone documents designed to contain sufficient performance information so that Parliamentarians do not need to unduly rely on other documents, such as the entity's corporate plan and annual report, when considering funding proposals. This is consistent with a user approach to document design.

Portfolio Budget Statements also have a different character to the corporate plan, as they are a Ministerial document presented to the Parliament as part of the Budget Papers. They have been seen as the first stage of Executive accountability to the Parliament for the use of resources, bookended by the Annual Report.

Under the proposed arrangements, funding will be sought by government based on outcomes and programs, and performance will be measured against an entity's purposes<sup>1</sup>. While entities will be required to map outcomes and programs to their purposes, as illustrated at Attachment B of Finance's submission, the nexus between funding proposals and what is expected to be achieved with the amounts appropriated by the Parliament is not as direct as it is under the current framework, which requires the assessment of program performance against quantitative deliverables and key performance indicators. There is, therefore, a risk that the Parliament will have less measurable information available that links directly to the outcomes and programs for which funding is being sought at the time when it is considering the government's funding proposals.

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<sup>1</sup> 'Purposes' includes the objectives, functions or role of an entity or company – see section 8 of the *Public Governance, Performance and Accountability Act 2013*.

The strategic performance measures included in Portfolio Budget Statements should also address, at least at a high level, the full range of activities or programs that are linked to a particular purpose. The worked example in Finance's submission (Table 2.3.1 of Attachment B) provides measures for three of the six programs linked to Finance's 'Services' purpose, while the remainder are simply listed in that table. It is not clear how this is consistent with the proposed requirement for high level strategic performance measures and there is a need to clarify whether this is intended or not.

I also note that the proposed direction to entities included at Attachment A of Finance's submission is substantially different from the draft direction previously provided to the Committee. As a consequence there is a risk that:

- the performance measures included in Portfolio Budget Statements will not focus on the impact of programs and their effectiveness in achieving expected outcomes or objectives. The revised direction no longer refers to impact or effectiveness, focussing instead on providing an 'indication of the substantial difference made when each purpose is fulfilled successfully'. There is also a difference in emphasis between the proposed direction and other guidance material on the features of good performance measures. Specifically, Finance's Resource Management Guide No. 131 states that 'measures should provide meaningful information on an entity's purposes in terms of the effectiveness and efficiency of activities focussed on that purpose'<sup>2</sup>; and
- performance measures on new activities may not be provided to the Parliament as a matter of course. This was a requirement in the earlier draft of the direction but not in the revised direction. I note, however, that there is a reference to new activities at the end of Table 2.3.1 of Attachment B. This issue should be clarified when finalising the direction.

More generally, I support the proposed presentation of outcomes, programs and purposes as illustrated in section 2.1 of Attachment B and the proposed mapping of programs and outcomes to purposes in section 2.2. The presentation would be improved by the Purposes column in Table 2.2.1 *Mapping of Programmes and Outcomes to Purposes* including a full statement of Purposes so that this table can be read as a stand-alone document. Guidance will also be required to assist entities to transition to the new requirements and that guidance should address the apportionment of programs and associated costs where they contribute to more than one purpose<sup>3</sup>.

There is also scope to further clarify the relationship between outcomes, programs and purposes, as the proposal intends that performance information now be directed to measuring the achievement of an entity's purposes (see Table 2.3.1). This approach to measuring performance reflects the requirements of section 38 of the *Public Governance, Performance and Accountability Act 2013*.

Finally, I note that paragraph 20 of Finance's submission comments on the timing and updating of corporate plans, including updates aimed at providing the Parliament with information when it is considering the appropriation bills. This observation raises the question of whether to align the publication of entity Corporate Plans with the Budget cycle, which would enable corporate plans to be available to the Parliament at the time of its

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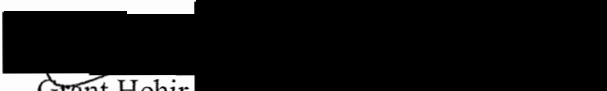
<sup>2</sup> See Resource Management Guide No. 131 page 24.

<sup>3</sup> In the example provided in Attachment B Programme 2.3 – Property and Construction (policy) and Programme 2.4 – Insurance and Risk Management contribute to both Governance and Services purposes.

consideration of the appropriation bills, or to include relevant updated information from the corporate plan in the Portfolio Budget Statements.

My officers and I will be happy to elaborate on these comments at the Committee's hearing on 26 November 2015.

Yours sincerely

  
Grant Hehir  
Auditor-General