

The Parliament of the Commonwealth of Australia

**Senate
Finance and Public Administration
Legislation Committee**

**REPORT ON 1999-2000 ANNUAL REPORTS
REPORT ONE**

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TABLE OF CONTENTS

CHAPTER 1	1
OVERVIEW	1
Reports examined.....	2
Other reports referred to the Committee	3
Non-reporting bodies.....	3
Structure of the report	3
Internet versions of annual reports	4
CHAPTER 2	5
IMPLEMENTATION OF THE NEW REPORTING FRAMEWORK	5
Reporting requirements	5
Structure of annual reports	6
Sufficient information and analysis.....	7
Continuity in reporting.....	7
From PBS to annual report.....	8
Annual Reports and the Final Budget Outcome (FBO) document	10
The APS is openly accountable for its actions	10
Meaningful performance measures	12
Assessment of 'apparently satisfactory'	13
CHAPTER 3	15
SELECTED AGENCY APPROACHES	15
Department of Prime Minister and Cabinet Annual Report 1999-2000	15
Public Service Commissioner Annual Report 1999-00 (incorporating the Annual Reports 1999-00 of the Merit Protection & Review Agency and the Merit Protection Commissioner)	16
Department of Finance and Administration Annual Report 1999-2000	17
Australian Electoral Commission Annual Report 1999-2000.....	20
Australian National Audit Office Annual Report 1999-2000	21
Aboriginal and Torres Strait Islander Commission Annual Report 1999-2000.....	22
APPENDIX	25
Senate tabling dates.....	25

CHAPTER 1

OVERVIEW

1.1 In accordance with the amendment to Continuing Order of the Senate no.1 relating to the allocation of departments to Committees agreed to on 8 February 2001, the Finance and Public Administration Committee has responsibility for the oversight of the following:

- Parliament;
- Prime Minister and Cabinet;
- Finance and Administration; and
- Reconciliation and Aboriginal and Torres Strait Islander Affairs.

1.2 The reports of agencies and bodies in the new Reconciliation and Aboriginal and Torres Strait Islander Affairs portfolio were considered by the Committee as part of the Prime Minister's portfolio prior to the February 2001 amendment.

1.3 Under Senate Standing Order 25 (21) annual reports of departments and agencies stand referred to legislation committees in accordance with the above resolution. Each committee is required to:

- (a) examine each annual report referred to it and report to the Senate whether the report is apparently satisfactory;
- (b) consider in more detail, and report to the Senate on each annual report which is not apparently satisfactory, and on the other annual reports which it selects for more detailed consideration;
- (c) investigate and report to the Senate on any lateness in the presentation of annual reports;
- (d) in considering an annual report take into account any relevant remarks about the report made in debate in the Senate;
- (e) if the committee so determines, consider annual reports of departments and budget-related agencies in conjunction with examination of estimates;
- (f) report on annual reports tabled by 31 October each year by the tenth sitting day of the following year, and on annual reports tabled by 30 April each year by the tenth sitting day after 30 June of that year;
- (g) draw to the attention of the Senate any significant matters relating to the operations and performance of the bodies furnishing the annual reports; and
- (h) report to the Senate each year whether there are any bodies which do not present annual reports to the Senate and which should present such reports.

Reports examined

1.4 As required by standing orders, the Committee is required to report on those annual reports referred to it and which were tabled by 31 October 2000 by the tenth sitting day of the following year, that is, 7 March 2001. On this occasion, all except one annual report had been tabled or presented to the President of the Senate at the time of preparing this report.

1.5 The annual reports referred to the Committee include:

- two from executive departments – the Department of Finance and Administration (DOFA) and the Department of the Prime Minister and Cabinet (PM&C);
- four from parliamentary departments – the Department of the Senate (Senate), the Department of the Parliamentary Library (DPL), the Department of the Parliamentary Reporting Staff (DPRS) and the Joint House Department (JHD);
- 24 from statutory officers or bodies – the Aboriginal and Torres Strait Islander Commercial Development Corporation (CDC), the Aboriginal and Torres Strait Islander Commission (ATSIC), the Aboriginal Land Commissioner, the Aboriginals Benefit Reserve (ABR), the Anindilyakwa Land Council (ALC), the Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS), the Australian National Audit Office (ANAO), the Australian Electoral Commission (AEC), the Central Land Council (CLC), the Commonwealth Grants Commission (CGC), the Commonwealth Ombudsman, the Commissioner for Superannuation (ComSuper), the CSS Board, the Indigenous Land Corporation (ILC), the Inspector-General of Intelligence and Security (IGIS), the Northern Land Council (NLC), the Office of the Official Secretary to the Governor-General, the Parliamentary Service Commissioner, the PSS Board, the Public Service Commissioner (including the report of the Merit Protection and Review Agency and the Merit Protection Commissioner), the Remuneration Tribunal (RT), the Tiwi Land Council (TLC) and the Torres Strait Regional Authority (TSRA);
- one from an executive agency in the Finance and Administration portfolio – the Office of Asset Sales and Information Technology Outsourcing (OASITO);
- two from non-statutory bodies – the Australian Political Exchange Council (APEC), Official Establishments Trust (OET);
- one from a government company – Aboriginal Hostels Limited (AHL);
- one on the operation of an Act – *Members of Parliament (Staff) Act 1984* – Consultants engaged under Section 4 of the Act;
- the Public Service and Merit Protection Commission's State of the Service Annual Report for 1999-2000, and the Workplace Diversity Report for 1999-2000; and

- the Department of Finance and Administration – Service charters in the Commonwealth Government – second whole-of-government report for 1999-2000.

1.6 The Committee has determined to consider but not to report on the annual report of the Indigenous Land Corporation. Pursuant to section 206 (c) of the *Native Title Act 1993*, this report has been referred to the Joint Committee on Native Title and the Aboriginal and Torres Strait Islander Land Fund, which has specific responsibility for overseeing that agency.

Other reports referred to the Committee

1.7 In addition to the above reports, the reports or financial statements of seven Commonwealth companies fell to the Committee's consideration following the gazettal of the Minister for Finance and Administration as the 'responsible minister' of those companies, under section 5 of the *Commonwealth Authorities and Companies Act 1997* on 22 September 1999.¹ The companies are ComLand, Employment National Limited, Essendon Airport Limited and Sydney Airports Corporation Limited.

1.8 With the exception of Comland, the other companies' annual reports have also been referred to the Employment, Workplace Relations, Small Business and Education Legislation Committee and the Rural and Regional Affairs and Transport Legislation Committee for consideration.

1.9 While the Committee has referred to the Employment National report, it does not propose to examine these reports or statements on this occasion. In future years, issues relating to the shareholding responsibilities of the Minister for Finance and Administration will be considered.

Non-reporting bodies

1.10 The Committee has also been provided, on request, with copies of the annual report of the Registrar of Aboriginal Corporations. The Registrar's enabling legislation does not require him to prepare an annual report, but he considers it appropriate and desirable to do so. A copy of the report was provided to the then Minister for Aboriginal and Torres Strait Islander Affairs. In the circumstances, the Committee believes that it is appropriate for the report to be tabled in Parliament and hopes that the new administrative arrangements will lead to such changes.

Structure of the report

1.11 The Committee's focus in this report is on how well the information needs of the Parliament are accommodated by the first round of annual reports required to report on performance against the outcomes and outputs structure of an accrual budgeting framework.

¹ See section 4A(b) Commonwealth Authorities and Companies Amendment Regulations 1999 (No. 5).

1.12 Issues arising from this major change are considered in Chapter 2 along with implementation issues arising from the May 2000 changes to the 'Requirements for Annual Reports'. The Requirements apply by legislation or policy decision to Departments of State, Executive Agencies and prescribed agencies under the *Financial Management and Accountability Act 1997*.

1.13 In Chapter 3 the Committee has selected some specific examples of how key agencies have approached their reporting responsibilities in the hope that this information will assist those agencies still adjusting to the new framework.

Internet versions of annual reports

1.14 The Committee was pleased that departments have well utilised the Internet to provide electronic versions of their annual reports. Each year, the number and level of hyperlinks to other departmental publications continues to improve, removing the need for bulky lists within the appendices of annual reports.

CHAPTER 2

IMPLEMENTATION OF THE NEW REPORTING FRAMEWORK

Reporting requirements

2.1 On 5 December 1999 the *Public Service Act 1999* and the *Parliamentary Service Act 1999* came into effect. Both acts require the relevant heads of departments and agencies to prepare an annual report 'in accordance with guidelines approved on behalf of the Parliament by the Joint Committee of Public Accounts and Audit'.¹

2.2 On 12 May 2000 revised 'Requirements for Annual Reports' (the Requirements) were tabled in the Parliament. The Requirements are prepared pursuant to subsections 63(2) and 70(2) of the *Public Service Act* applying to Departments of State and Executive Agencies respectively. Clause 3 of the Requirements advises that '[a]s a matter of policy they also apply to prescribed agencies under section 5 of the *Financial Management and Accountability Act 1997*'.

2.3 Clause 7 of the Requirements for 1999-2000 sets out the underlying Principles for annual reports. Their purpose is described as 'to provide sufficient information and analysis for the Parliament to make a fully informed judgement on departmental performance' and they are to align with the overall accountability framework. Further, annual reports are to 'reflect the harmonisation ... of reporting regimes within government and non-government sectors'.² Mandatory requirements are articulated clearly in the document as are suggestions for inclusion of other accountability information; both are set out in an attached checklist.

2.4 Specific reporting requirements for agencies which report according to the *Commonwealth Authorities and Companies Act 1997* are set out in Finance Ministers Orders of 17 August 1998, known as the CAC Orders. Annual reporting for Commonwealth authorities is mandated under section 9 of the Act, and for Commonwealth companies, under section 36, as is the requirement for the responsible minister to table the reports or financial statements.

2.5 A further Order, the Commonwealth Authorities and Companies Orders (Amendment No. 1) was tabled in the Senate on 30 August 1999. This change aims to 'achieve uniformity in financial reporting across the Commonwealth public sector' by introducing changes to the preparation of financial statements by the directors of a Commonwealth authority with effect from financial years ending on or after June 2000.

1 *Public Service Act 1999*, s. 63(2) and s. 70(2) and *Parliamentary Service Act 1999*, s. 65.

2 *Requirements for Annual Reports*, May 2000, clause 7.

2.6 The CAC Orders provide an accountability framework that, to a great extent, parallels the Requirements. The CAC Orders also confirm that the schedule 'should not be construed as specifying a particular structure for the report of operations, or as limiting the directors as to any additional matters they may consider appropriate to report on'.³

2.7 Commonwealth authorities are less constrained in terms of structural format but are required to provide as much information as will enable readers to form a full and accurate picture of operations and provide such information in a consistent manner that permits comparisons with previous years. The accountability requirements are thus in no way lessened.

Structure of annual reports

2.8 Most departments have adhered to the suggestions for organisation of their reports as well as the requirements. The simplicity of this approach, particularly when annual reports have incorporated direct reference to the PBS, sometimes even the same format, enables straightforward tracking of budgetary information through the full reporting cycle and enables the reader to examine performance results against estimates, targets and indicators.

2.9 The Committee was pleased, for example, with the Department of the Senate's response to criticism of the relative length and excessive detail of its 1998-1999 report. It found this year's report to be clear and well organised.

2.10 In the committee's view the rigorous application of the goal of 'conciseness' by some departments to reporting on activities and achievements, raise questions about whether in certain critical areas genuine accountability can be claimed. Some departments have restructured the organisation of their annual reports to the extent that the committee's efforts to find specific information proved very time consuming.

2.11 For example, the Department of Finance and Administration's (DOFA) annual report failed in a number of ways to comply with the 'Specific Requirements'. For reasons of consistency annual reports should provide information such as 'Management and Accountability' in one section.⁴ DOFA has split this corporate information across various sections of its report. While this practice does not strictly breach the Requirements, it does make it difficult to gain an insight into the department's performance in an area of vital interest to the Parliament.

3 CAC Orders 1998, Division 1, section 6, Standards of presentation, (5), p. 3.

4 Part 3 – Annual Report Requirements, (8) Specific Requirements (d) Management and Accountability, p. 4, and also, Part 3, (12), Parts 1-6, pp. 7-9, Joint Committee of Public Accounts and Audit, Requirements for Annual Reports, May 2000.

Sufficient information and analysis

2.12 The Committee, while supporting the concept of streamlining the annual reporting process, striking a reasonable balance between the provision of adequate performance reporting and the need for conciseness still presents a major challenge to departments and agencies, particularly where a significant number of outcomes and outputs are involved.

2.13 As the Committee noted in its third report on the format of the PBS, explanatory narratives of process remain of interest to the Australian Parliament and the Australian public. The Committee is firm in its view that to achieve full accountability, annual reports need to extend beyond accrual-based accounting structures and provide in succinct detail information and analysis which facilitate examination of performance and progress towards the delivery of outcomes and outputs.

2.14 The Department of Finance and Administration appears dismissive of process as an element of accountability in its whole-of-government response to the Auditor-General's report *Implementation of Whole-of-Government Information Technology Infrastructure Consolidation and Outsourcing Initiative*:

... the Report focuses heavily on process and documentation and, consequently, encourages an overly process-oriented and literal approach to contract management that may not produce the best service delivery and value for money outcomes for the Commonwealth.⁵

2.15 Performance reporting is intended to focus on results rather than processes, activities and functions. However, an account of *how* outcomes and outputs were actually achieved is essential if one is to form a view of how well departments and agencies have performed, for example, whether they have met the FMA Act requirement for the efficient, effective and ethical use of Commonwealth resources.⁶

2.16 Despite revisions and finetuning of reporting requirements, the primary purpose of annual reports remains clear and constant: accountability to the Parliament.⁷

Continuity in reporting

2.17 Continuity across reporting periods is also important to accountability. Some of the performance indicators developed by agencies provide trend information and the Committee appreciates that this will become a more useful indicator in the years to come, for example, the Department of the Parliamentary Reporting Staff.

5 The Auditor-General Audit Report No.9, 2000-2001, *Implementation of Whole-of-Government Information Technology Infrastructure Consolidation and Outsourcing Initiative*, p. 27.

6 *Financial Management and Accountability Act 1997*, s.44.

7 *Requirements for Annual Reports*, May 2000, clause 5.

2.18 The Committee looks to agencies to include strategies to resolve issues that cannot always be addressed within one reporting period for follow up in subsequent reports. The Committee noted that an issue raised in the Department of the Parliamentary Library's report of 1998-1999 still remained unresolved in 1999-2000, the increasing age of its staff. A report of a strategy to deal with this seems appropriate at this stage.

2.19 A most pleasing result was reported by the Tiwi Land Council which addressed a 1998-1999 budgetary problem by cutbacks to both capital and meeting expenditure. The Council reported a budget surplus of \$16 000 turning around a deficit of \$127 000 from the previous year.

From PBS to annual report

2.20 All departments reported on performance against budget information provided in their PBS for 1999-2000. The 1999-2000 departmental annual reports have, for the most part, reported meaningfully against the outcomes and outputs framework and provided organisational charts or other mapping to relate the former program framework to the new outcome and output framework. These reports are the last required to provide indications of this transition.

2.21 It is clear that departments and agencies have generally advanced in their understanding of the accrual budget format and many have responded to the need for more precise performance measurements. The report of the Public Service and Merit Protection Commission is an excellent model in this regard.

2.22 A number of departments and agencies have refined output performance measures in the PBS to better describe their outcomes and outputs and explanations of these are, for the most part, provided. The Committee would like this to continue across the board and to see the explanations for differences between the PBS and end of year financial statement figures refined similarly.

2.23 In some instances, notably in the annual report of the Office of Asset Sales and IT Outsourcing (OASITO), aspirations for future performance accompanied factual performance reporting for 1999-2000. Apart from the potential to create confusion when assessing the success of OASITO's completed projects, the Committee was unable to judge whether OASITO's predictions for new business generation, for future investments and for job creation, were accurate or would be achieved.⁸ There was, for example, no information to indicate the basis on which such predictions had been made. Were these forecasts provided by independent experts or was this an internal forecast?

8 OASITO, *Annual Report*, 1999-2000, Completed Projects, Group 6.1 Health Group, p. 26.

2.24 For accountability and scrutiny purposes, the Committee is interested in annual reports that focus primarily on what has happened in the reporting year. Outcomes or activities that are anticipated should be confined to an 'Outlook' section, either in the 'Secretary's Review' or in specific output reports.

2.25 The Committee recognises that from time to time, departments and agencies may need to reallocate resources from one output to another. It is hoped that the need for this will occur less frequently as the new structure is bedded down. The Requirements provide for departments to clearly flag such changes in their annual report.⁹

2.26 The Committee would like to see all departments and agencies which transfer resources from one output to another, present in their annual reports information to facilitate straightforward comparisons with the PBS and, where relevant, the Portfolio Additional Estimate Statements (PAES). Departments are urged to make this a priority.

2.27 It is clear that comment in the Committee's report of last year was taken on board by most CAC Act agencies and the Committee is pleased to note the general improvement across the 1999-2000 reports.

2.28 In saying this, CAC agencies are encouraged to further refine the format of their reports to enable performance against the outcomes for which they are funded to be assessed more readily. The Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS) provided a thorough review of activity but, in 1999-2000, rather than continuing to structure its report on the program reporting of previous years, should have placed greater emphasis on reporting on the achievement of quality and quantity performance information against outputs.

2.29 Notwithstanding the ongoing aim of streamlining the cyclical accountability process that culminates in the annual report, the Committee's attention was again drawn to the difficulties faced by some agencies in an environment that applies a common reporting structure to very different agencies.

2.30 This year the Tiwi Land Council, a CAC Act agency, used the Secretary's overview to both acknowledge the requirement to account for and demonstrate that the Commonwealth received value for money from the Council in 1999-2000, and to advise that for the Council, 'management ... is not in controlling an outcome, it is in facilitating a process'.¹⁰

9 *Requirements for Annual Reports*, May 2000. See, Departmental Overview (10), section 2, p. 5, and also, Report on Performance (11), section 2, p. 6.

10 Tiwi Land Council, *Twenty First Annual Report 1999/2000*, Secretary's Overview, p. 13.

Annual Reports and the Final Budget Outcome (FBO) document

2.31 The Committee's report, *The Format of the Portfolio Budget Statements Second Report*¹¹ recommended, among other things, that 'significant differences or variations from budget predictions to actual expenses or revenues should be disclosed in a suitable publicly available document'.¹² On 6 April 2000 the Government agreed to the recommendation, proposing to include this information with the FBO document which is published and tabled in September each year.

2.32 Following this agreement, on 13 July the Committee received a letter from the Department of Finance and Administration altering the April advice. The department advised that the information sought by the Committee is to be found in a combination of agency annual reports and the FBO document.

2.33 The Committee was not surprised to find that the FBO for 1999-2000, although useful for aggregate purposes, did not provide information that could be usefully correlated against the PBS for scrutiny purposes. The Committee intends to advise the Minister of its preference for the more effective solution agreed in April.

The APS is openly accountable for its actions

2.34 Section 10 of the *Public Service Act 1999* sets out the APS Values that require open accountability 'within the framework of Ministerial responsibility to the Government, the Parliament and the Australian public'.¹³

2.35 The 'alignment' of annual reports with reporting regimes adopted by non-government sectors has the potential to encourage a public relations style emphasising departmental 'good news', while glossing over or understating difficulties and obstacles, a trend not consistent with the true spirit of open accountability. However, the Committee was pleased to see many departments and agencies being candid about their shortcomings as well as their successes, and achieving a reasonable balance.

2.36 Agencies should look carefully at where information about difficulties or obstacles they experience is placed in an annual report. Where such detail has been difficult to locate, the reader may be left with the impression that the true spirit of openness and transparency that was intended has been compromised.

2.37 The Committee has over the years noted a growing tendency for some departmental annual reports to read as marketing exercises for government policy and initiatives.

2.38 One example noted among the 1999-2000 reports was the Office of Asset Sales and IT Outsourcing (OASITO). The Chief Executive's Review reported that

11 *The Format of the Portfolio Budget Statements Second Report*, October 1999.

12 *The Format of the Portfolio Budget Statements Second Report*, October 1999, p. 51.

13 *Public Service Act 1999*, ss 10(e).

Audit Report No.9, 2000-2001¹⁴ was tabled on 6 September 2000 and summarised a selection of its findings.

2.39 The Committee supports the mention of a report of such significance to OASITO's operations which was tabled after the end of the reporting period, if the tabling timeframe allows. However it does not agree with the approach taken on this occasion. OASITO provided 'good news' elements of the Auditor's General's report, for example, the claim that the ANAO report 'found tender processes to be fundamentally sound and robust' yet made no reference to less favourable findings, such as its serious criticism of the contracting process for the Strategic Adviser.

2.40 This criticism by the ANAO is notable because expenditure on the Strategic Adviser accounted for some 55 per cent of total expenditure on advisers to 31 May 2000. The Committee would like to have seen OASITO reflect upon the need for improvements to its processes as part of this report

2.41 The Committee found the use of an annual report to selectively summarise the findings of the Auditor-General inappropriate. The Auditor-General's Act ensures that ANAO reports provide adequate space and opportunity for agencies to respond to and put forward comments in the context of the full audit report.

Disclosure of public sector remuneration

2.42 A recent report by the Finance and Public Administration References Committee¹⁵ drew attention to the fact that annual and financial reporting requirements for the APS are less rigorous than those applying to the private sector. Eleven recommendations were made relating to the need for more accountability for decisions by agency heads who now determine the remuneration of staff in their own agencies, including performance bonuses. The Government response to the report, due in February 2001 was still being developed at the time this report was completed in early March.

2.43 In this Committee's view the devolution of remuneration-related decision making must be accompanied by a concomitant strengthening of the accountability framework. In an apparent contradiction, the latest version of the Requirements has watered down the mandatory provisions on reporting public sector remuneration, even at an aggregated level.

2.44 The cost and performance of the APS are vital elements of the effective delivery of outcomes, yet the Requirements do not stipulate disclosure of performance payments is 'required' and only suggest that the 'impact and features of certified agreements and AWAs' be reported.

14 *Implementation of Whole-of-Government Information Technology Infrastructure Consolidation and Outsourcing Initiative.*

15 Finance and Public Administration References Committee, *Australian Public Service Employment Matters First Report: Australian Workplace Agreements, October 2000.*

2.45 APS agencies have provided information on certified agreements but the Committee would like to see much more detail of AWAs and performance bonuses in annual reports. The impact of decisions on remuneration can be significant, for example in DOFA, 98 per cent of staff were rated competent or better and received performance pay totalling \$4, 097,077 in 1999-2000.

2.46 The annual reports revealed a range of approaches to reporting on the earnings of public servants. Executive officers in the Joint House Department are covered by AWAs and 'a small bonus payment based on performance has been/is also available'.¹⁶ Within the body of the report or the Financial Statements there was no further information provided in relation to payment of bonuses or performance pay. The Committee regarded this as inadequate.

2.47 The Committee considers that public servants should be more aware of the impact that being paid by public funds has on their right to individual privacy - and the privacy of others contracted by the Commonwealth.

Meaningful performance measures

2.48 The debate on meaningful performance measures continues and this year's annual reports provide fertile ground. 'Bean counting' performance measures did not, in many instances, give an adequate picture of process.

2.49 Performance indicators are often not much more than notional, and forecasts of targets are useful only in as much as they indicate numbers that may or may not be reached. In this year's annual reports, departments or agencies clearly wrestled with explaining how or why targets set out in the PBS were surpassed or not achieved.

2.50 External assessment is another problematic area for many departments and agencies, that to a great extent facilitate processes. The Tiwi Land Council has already been mentioned in this regard.

2.51 The Committee noted that OASITO's performance reporting was provided in a format that made it difficult to 'compare and contrast' with the PBS. While narrative explanations are essential, the organisation of information in a point by point format would have been more helpful. OASITO described many of its activities in great detail but often fell short of quantifying performance information. While the Committee learned what OASITO did, ascertaining how efficiently business was conducted was more difficult.

2.52 The Committee questioned whether it was useful to have a summary list of steps involved in, for example, a Trade Sale, when the Committee would have preferred to learn whether OASITO's process was effective for all stakeholders and

16 Joint House Department, *Annual Report 1999-2000*, p. 32.

achieved outcomes within predicted timeframes¹⁷ and, perhaps, read feedback from some agency customers.

2.53 The Committee noted that although the performance indicators for each of the outputs in the PBS of the Joint House Department were reiterated in the annual report, the performance of the department was measured only in relation to the overall outcome. While progress towards the overall outcome is the ultimate goal, measurement against the performance indicators is the primary means of demonstrating this.

Assessment of 'apparently satisfactory'

2.54 Standing Order 25(21)(a) requires the Committee to examine each annual report and report to the Senate whether the report is apparently satisfactory. In the Committee's view, all the reports examined on this occasion met the formal requirements.

2.55 Overall, departments and agencies have been extremely conscientious and conscious of the need to abide by the annual reporting requirements. In saying this, the Committee adds its voice to that of its sister Committee in expressing concern that the pendulum may have swung too far in the latest revision. Wide latitude is available to departments and agencies covered by the Requirements to decide whether to report on some matters. This discretion does not reflect the need for increased accountability that should accompany the devolution of employment and financial powers to the heads of APS departments and agencies.¹⁸

2.56 The Committee notes that a number of reporting requirements formerly identified in the checklist for 1998-1999 had been relegated to the 'suggested' category for 1999-2000 annual reports. While the Committee was pleased to see that the provision of a review by the departmental secretary or equivalent is now 'required', those items now listed for inclusion as 'suggested' include reporting categories that, for continuity and contextual purposes, the Committee considers essential for presentation of a full picture. For example, within the Secretary's Review, 'a summary of significant issues and developments' and 'an overview of department's performance and financial results' are now only suggested.

2.57 Under the category 'Report on Performance', the requirement for comment on 'trend information', 'discussion of any significant changes from the prior year or from budget' and 'outlook for following year' were suggested rather than required. The Committee would not like to see further reductions in the required levels of reporting, particularly on operational or budget change issues.

17 OASITO, *Annual Report 1999-2000*, Output 1.1 (Asset Sales Program), Summary of Asset Sales Process pp. 16-17.

18 Finance and Public Administration Committee References Committee, *APS Employment Matters First Report: Australian Workplace Agreements, October 2000*, p. 46.

2.58 As the Requirements have trimmed down the amount of mandatory information set out in the checklist, the wider definition of an 'apparently satisfactory' annual report is called into question. The Committee is aware of a growing reluctance in the public sector to make available freely information that should automatically be in the public domain, a direction that this 'trimming down' has the potential to encourage. The Committee intends to communicate this concern to the JPCAA.

2.59 Receiving a tick for reaching an 'apparently satisfactory' standard, to report pursuant to legislation, to report on the year under review, to achieve an unqualified auditor's report for financial statements, and to table the report within the stipulated timeframe, provides no guarantee that a department or agency has provided sufficient information about performance to be accountable for the expenditure of public money.

CHAPTER 3

SELECTED AGENCY APPROACHES

Department of Prime Minister and Cabinet Annual Report 1999-2000

3.1 The Committee noted that despite one specific reporting shortcoming noted below, PM&C has produced an annual report in the new format that clearly articulated the department's role and functions and linked this to its performance and outputs in the accrual framework. The annual report is foremost an accountability document and PM&C has demonstrated a well-developed understanding of this in its 1999-2000 report.

3.2 The Secretary's Review provides a broadly descriptive account of its operations and highlights succinctly the range of activities undertaken by the department in 1999-2000. Also outlined is the department's primary function, that of providing policy advice and coordination for the Prime Minister and government. There was sufficient reference to significant external issues that affected the department's services for the Committee to form a view of its operations.

3.3 The opening statement also provided a precis of financial expenses and performance, noted the implementation of the *Public Service Act 1999* and the introduction of required reporting arrangements in 1999-2000.

3.4 Both PM&C and DOFA's annual reports disclosed issues that had affected operational and/or financial performance, although these were frequently couched in less than obvious terms and the placement of such information was often obscure. The Committee would have expected to find significant issues that had affected departmental performance disclosed either in the Secretary's Review or in output reports on performance.

3.5 In PM&C's case, the Committee noted that the department reported failures in its outsourced IT&T arrangements. These led to the imposition of accrued service credits as a penalty for failure by the outsource contractor to perform to agreed standards. The Committee considers that this was a significant issue and was surprised to find it buried in the middle of a section entitled 'Operational Initiatives'.¹

3.6 While the Committee has commended PM&C on its annual report in terms of its overall presentation, performance reporting and readability, the Committee noted that immediately following tabling of the report, concerns were expressed in the Senate chamber about certain accountability issues relating to the section of the report dealing with the Office of the Status of Women (Output 2.2 – Women's Policy).² The

1 Department of the Prime Minister and Cabinet, *Annual Report 1999-2000*, pp. 80-81.

2 Senator Crossin, Senate Hansard, 11 October 2000, p 18359.

concern related to the lack of information in the annual report and referred to the number of pages (and content) devoted to providing information was 'only five pages of accountability'.³

Public Service Commissioner Annual Report 1999-00 (incorporating the Annual Reports 1999-00 of the Merit Protection & Review Agency and the Merit Protection Commissioner)

3.7 The Public Service Commissioner reports under the provisions of section 44 of the *Public Service Act 1999* and the annual report, incorporating the annual reports of the Merit Protection & Review Agency and the Merit Protection Commissioner, was tabled in the Senate on 30 October 2000.

3.8 Incorporated in the report was the final report of the Merit Protection and Review Agency, which ceased to exist on 4 December 1999 and the initial report of the Merit Protection Commissioner for the period from 5 December 1999 to 30 June 2000. The report includes background of the Merit Protection Commissioner's role in comparison to the previous arrangements, the major difference being that the Commissioner does not now have determinative powers, but rather an ombudsman-like role for employment related complaints, with recommendatory and reporting powers only.

3.9 The annual report provides the Public Service Commissioner's Review in addition to a Commission Overview. Taking account of the new annual reporting requirements and output structure, readers were alerted to agreed refinements reflecting the Commission's experience with the first full year of accrual budgeting. The Committee appreciated the placement of this information together with an output structure 'map' indicating past and revised structures early in the report. This was provided in addition to a map indicating the transition from programs to outputs.

3.10 As with previous reports, the PSMPC's annual report is a model of clarity. The Committee appreciated the comprehensive review and explanation of the implications of the passage and implementation of the *Public Service Act 1999* and the *Parliamentary Service Act 1999*. The APS Values, reflected in the Requirements in relation to corporate governance and management of human resources, are clearly articulated in the PSMPC's report.

3.11 The Committee appreciated the open nature of reporting on delays and obstacles that had impeded progress on particular aspects of the Commission's work during 1999-2000. The Committee also found particularly helpful graphic comparative tables that provided financial information on total estimated and actual prices for each output, accompanied by textual tables relating to performance indicators and results. Within 'results' readers were provided with explanations relating to costs and performance.

3 Senator Crossin, Senate Hansard, 11 October 2000, p. 18360.

3.12 While the Committee recognises the desirability for departments and agencies to reduce the amount of 'extraneous detail', the annual report also acts as an important source of reference. Given the complexity and scope of activities handled by PSMPC, the Committee congratulates those concerned with the production of an exemplary accountability and reference document.

3.13 The report noted a feature of the initial and successor certified agreements has been a performance appraisal scheme linking annual assessments of people's performance with their remuneration. The report was candid about staff dissatisfaction with the Team Recognition and Rewards Scheme of the previous agreement which was not included in the new certified agreement. A continuing element however is the scheme that links increases in base pay to the achievement of satisfactory rating and pays one-off bonuses to highly performing staff. The Committee was unable to locate details of performance pay paid for the year under review for staff covered by this agreement.

Department of Finance and Administration Annual Report 1999-2000

3.14 The Committee noted that the orientation of DOFA's annual report stressed implementation of its activities conducted with 'a business like approach'.⁴ The Secretary's Overview reported on the department's successes in delivering government reforms and priorities, harnessing the benefits of online opportunities, providing high quality advice and service, gaining international recognition, developing partnerships, and fostering high performance and flexibility in its workforce.

3.15 While taking a 'business like approach' in producing its annual report, the Committee notes that DOFA also used its annual report to promote as well as to account for its activities and outcomes. While a certain amount of promotion is to be expected, DOFA, like all departments, is required to substantiate its claims for excellence. DOFA reported that '[A]s an organisation, we have positioned ourselves at the forefront of public administration reform and our efforts are recognised in both the public and private sectors, and in international arenas.'⁵

3.16 In terms of recognition, DOFA reported on achieving international and national awards for departmental achievements in relation to the theory and practice of outsourcing. This noteworthy information is repeated in both the Secretary's Overview and in performance reporting for Outcome 1.

3.17 While DOFA has achieved reforms in its own workplace administration, the claim that it is at the forefront of 'public administration reform' may be open to challenge by other APS departments. The Committee noted that DOFA claims for itself the 'outstanding achievement' for the 'speed with which agencies accepted and

4 Department of Finance and Administration (DOFA), *Annual Report - 1999-2000*, pp. 5-6.

5 DOFA, *Annual Report - 1999-2000*, p. 2.

understood the new [accrual budget] framework'.⁶ This glowing self-assessment is somewhat at odds with the Committee's assessment of the situation.

3.18 The Committee has been aware that departments have had to confront a range of difficulties complying with the new framework. At times, senators have been less than glowing in their assessment of the level of understanding of the accrual framework by officers at the table at Estimates hearings, while acknowledging that further experience with the framework should improve this situation.⁷ The findings of the Committee's most recent report on the format of the PBS highlights a range of issues relating to the reporting framework.⁸

3.19 The Committee expected to find general information on departmental 'aims' relating to DOFA's human resources strategies included in the Departmental Overview rather than in the Secretary's Overview. While it is useful to know that DOFA 'aims to be an employer of choice',⁹ the Committee assumes that all agencies and departments share this aspiration.

3.20 The Secretary's Overview reports that the department had 'refined and streamlined implementation of the Government's public sector reforms' and continued to 'provide high quality outputs for our customers – the Minister for Finance and Administration, the Special Minister of State, and the Parliamentary Secretary to the Minister for Finance and Administration'.¹⁰

3.21 In the Departmental Overview, under the subheading 'Vision and Values', the department outlined its four core values, stating firstly that 'Our Ministers are our customers – they are always our first priority...'.¹¹ While the Committee recognised the department's conscientious aim of service, it would also expect to find a reference to DOFA's broader responsibilities as defined in the APS Values set out in the *Public Service Act 1999*.

3.22 As mentioned in Chapter 2, DOFA strayed from the Requirements which specify that, a 'core set of information is required to ensure that accountability requirements are met and to provide consistency for readers.' The Committee was critical of DOFA's disregard in this matter because while the required information is provided, it is difficult for readers, particularly the time-challenged, to easily reconcile information presented in such a disjointed manner. Other agencies, including PM&C, have complied with the annual report Requirements without difficulty and readers

6 DOFA, *Annual Report - 1999-2000*, p. 3.

7 Senate Finance and Public Administration Legislation Committee, *The Format of the Portfolio Budget Statements Third Report*, November 2000, p. 42.

8 Senate Finance and Public Administration Legislation Committee, *The Format of the Portfolio Budget Statements Third Report*, November 2000, pp. 5-12.

9 DOFA, *Annual Report 1999-2000*, p. 6.

10 DOFA, *Annual Report 1999-2000*, p. 2.

11 DOFA, *Annual Report 1999-2000*, p. 8.

may identify the required information, albeit reported at varying levels of detail, in one section.

3.23 In relation to DOFA's Human Resource Management, the Committee noted that DOFA has devoted a full chapter (Chapter 7) to set out a range of issues, including the positive steps and strategies it has taken to attract and retain quality staff. DOFA reported that the uptake of Australian Workplace Agreements (AWAs) by staff had increased to 56% by 30 June 1999. This information was repeated in other areas of the report.

3.24 Little comment is made on the dramatic increase in both the number and cost of compensation claims reported in 1999-2000. Also neglected is an explanation for the department's failure to renegotiate its four-year-old certified agreement.

3.25 The Committee was pleased to note that DOFA provided breakdowns of performance payments for staff. DOFA's performance payments amounted to a total of \$4,097,077. This did not include retention bonuses that were paid to participants in the Long Term Incentive Plan 'developed to retain employees in business critical positions and reward them for sustained high performance'. DOFA reported that only 3 of the 55 participants left DOFA in 1999-2000, equating to a turnover rate of less than 6 per cent, significantly less than for the whole of DOFA.¹²

3.26 In its 1999-2000 PBS, DOFA promised to report on achievement against planned performance for Outcome 1 in its annual report. DOFA devoted one paragraph to describing its role of providing 'Shareholder Advice'¹³ and referred briefly to departmental advice given to the Minister. Information that provides a clear view of this role and how its effectiveness is measured would be useful.

3.27 In view of the level of interest expressed at several Estimates hearings on the financial performance of Employment National, the Committee was surprised that the department did not refer to the role of DOFA with EN in its 1999-2000 annual report. The Committee feels that such a reference is warranted, particularly in the light of the Letter of Comfort issued to Employment National which guarantees 'sufficient funds ... to enable it [EN] to meet its debts as they fall due should the entity be otherwise unable to do so'.¹⁴

3.28 In regard to performance information DOFA surpassed its quantity target in Output Group 1.1.2 to provide '40 Briefings to Minister'. The Committee learned from the annual report that '108 Briefings to Minister' were subsequently provided.¹⁵ The expectation from the Committee was for some comment on instances of increased

12 DOFA, *Annual Report 1999-2000*, p. 59

13 DOFA, *Annual Report 1999-2000*, p. 18.

14 *Employment National Limited Annual Report 2000*, Director's Report, 'Significant changes in the state of affairs', p.6.

15 DOFA, *Annual Report 1999-2000*, Output, 1.1.2, Whole of Government Budgetary Advice, p. 21.

activity but, regrettably, none was given. The Committee assumes that DOFA did not generate ad hoc briefings but responded to demand and events, therefore the number of briefs measure DOFA's activity in response to the Minister's demands. How they were delivered, timeliness, accuracy, etc, seems a more meaningful indicator of performance.

3.29 DOFA well exceeded its target for '500 ... items of advice to agencies and GBEs'. DOFA reported that in 1999-2000, it had provided '2,057 ... items of advice to agencies and GBEs'.¹⁶ This increase in demand for advice from agencies and GBEs, prompts the reader to question why there was such an unprecedented demand for advice and query why customers are defined so narrowly.

3.30 Similarly, while DOFA reported that some quantity and quality targets within certain outputs were 'not met', few explanations if any were provided as to why. For example in Output 1.1.2 the 'Quantity Target' for responses, '90 per cent of ministerial letters with a turnaround within 2 working days', was matched with a 'Quality Result' of '8 per cent turned around within 2 working days'.¹⁷ No explanation for this dramatic shortfall was provided.

3.31 Paradoxically, when explanations for 'failing' to reach particular targets were provided, the Committee noted that some targets had been set that either could not be reached or could not be accurately measured. For example, DOFA reported that it had discontinued one quality target in Output Group 1.1.3 as the performance indicator could not be reliably measured.¹⁸ In another instance in Output Group 2.2.2 no performance information was available as relevant benchmarks had yet to be established.¹⁹ The Committee questioned the value of including such indicators in the PBS.

Australian Electoral Commission Annual Report 1999-2000

3.32 The Australian Electoral Commission (AEC) is a statutory body which reports under the *Commonwealth Electoral Act 1918*. It is a prescribed agency under the *Financial Management and Accountability Act 1997* (the FMA Act). The AEC's annual report is logically organised, following the recommended structure and, from the reader's point of view, the result is a model report. All points of contact for access are clearly defined in the front of the report. The AEC's activities are described with clarity and the report contained sufficient analysis of performance as well as actual output results for the Committee to relate this year's performance with the previous year. The Committee was pleased to see that targets established in the PBS were related directly to output groups thus enabling close comparisons with results. The

16 DOFA, *Annual Report 1999-2000*, p. 22.

17 DOFA, *Annual Report 1999-2000*, p. 21.

18 DOFA, *Annual Report 1999-2000*, Output 1.1.3 Outputs and Outcomes Advice, p. 21.

19 DOFA, *Annual Report 1999-2000*, Output 2.2.2 Contract Management, p. 41.

AEC flagged any significant changes to the nature of its functions and/or services and reported on trends and factors influencing performance.

3.33 The Committee found most useful the one page analysis of the AEC's financial performance that assisted with comprehension of performance measurements and financial statements. In addition, the Committee fully expects that 'our readers'— as the AEC describes all interested parties, including voters, the parliament and senators and members - will find the additional information contained in Appendix E (Industrial and commercial election statistics) a useful contemporary and historical reference source.

3.34 The AEC disclosed two compliance issues early in its report fulfilling the requirement to have regard to materiality, parliamentary and public interest,²⁰ and reader expectations, as well as the need for complete openness which is, as the Committee has already remarked, 'one indicator of a good annual report'.²¹

Australian National Audit Office Annual Report 1999-2000

3.35 The Australian National Audit Office (ANAO) is a statutory body and reports under the *Auditor-General Act 1997* and in accordance with the Requirements.

3.36 The ANAO commented on the outputs-outcomes framework in relation to its own operations and to other departments and agencies, executive bodies and others operating under the accrual budget system. Reference was also made to ANAO's recommendations aimed at assisting agencies to understand and comply with the requirements of the new framework, and to accountability issues resulting from ANAO's performance audits.

3.37 The ANAO flagged that minor refining changes had been made to its outcomes and outputs, but confirmed that financial information provided in the 1999-2000 annual report reflects the 1999-2000 PBS.

3.38 To provide an overview that extended to include factors not considered as part of reporting against the PBS, the ANAO provided a 'Scorecard' as an introduction to the 'Reporting on Performance' section. The Committee commends ANAO for taking a comprehensive approach that permits a better understanding of all ANAO's activities.

3.39 The Auditor-General reflected upon some of the difficulties encountered by departments with the introduction of the accrual framework. He outlined the ways in which a better practice guide might summarise relevant good practices identified in

20 *Requirements for Annual Reports* – Approved by the Joint Committee of Public Accounts and Audit, Department of Prime Minister and Cabinet, May 2000, p. 6.

21 Finance and Public Administration Legislation Committee, *Report on 1998-1999 Annual Reports*, March 2000, p. 19

audits.²² The Committee would welcome any steps taken that might assist departments to improve the standards of performance measurement and reporting.

Aboriginal and Torres Strait Islander Commission Annual Report 1999-2000

3.40 The Commission prepares its report in accordance with section 9 of the CAC Act 1997 and section 72 of the *Australian and Torres Strait Islander Commission Act 1989*, as stated in the transmittal letter. Further, in addition to being subject to the CAC Act, the Commission is also a prescribed FMA Act agency for the purposes of the public monies it deals with. The Chief Executive Officer's report notes that 'Given the range of its outputs, ATSIC also endeavours to meet the *Requirements for Annual Reports* approved by the Joint Committee of Public Accounts and Audit in May 2000.'²³ The report includes an index to compliance with annual reporting requirements. The report was tabled in a timely manner on 31 October 2000.

3.41 The Committee was pleased to note that the explanatory note to the summary of resources for outcome provided a clear explanation of significant changes in the distribution of resources to outputs. The Committee also noted that a redefinition and reduction of outputs for 2000-2001 will be reflected in next year's annual report.

3.42 ATSIC has produced a report that, for the most part, presents a clear assessment of performance for each output against indicators as listed in the 1999-2000 PBS and includes a useful table showing the relationship between the new outcome/output structure and the former program structure. The Committee noted, however, that some measures or indicators, for example, surveys of client satisfaction listed in the PBS were reported as not completed. Examples include Output 211 Preservation and Protection of Indigenous Heritage – Qualitative measure - 70% client satisfaction with heritage protection program effectiveness measured by survey of ATSIC regions.

3.43 It was reported that 'No survey was conducted this year to assess the level of client satisfaction.'²⁴ Similarly, for Output 212 Broadcasting Services, the qualitative measure is the 'Provision of high quality broadcasting and communication services to Indigenous people determined by client surveys of two media organisations with 60 per cent client satisfaction'. It was reported that 'No surveys were undertaken in 1999-2000. ATSIC and National Indigenous Media Association of Australia (NIMAA) are investigating the costs and benefits of making periodic independent listener/viewer surveys a condition of continued funding of Aboriginal and Torres Strait Islander broadcasters.'²⁵

22 *Australian National Audit Office, Annual Report 1999-2000*, p. 3.

23 Aboriginal and Torres Strait Islander Commission (ATSIC), *Annual Report 1999-2000*, p. 4.

24 ATSIC, *Annual Report 1999-2000*, p. 60.

25 ATSIC, *Annual report 1999-2000*, p. 65.

3.44 ATSIK's report is available on the Internet, accessible from the homepage as well as the annual reports' page with past annual reports from 1994-95 onwards. The hard copy report advises immediately after the title page that the report is available on the ATSIK website and lists the Internet address.

Senator Brett Mason
Chairman

APPENDIX

Senate tabling dates

Name of body	Date tabled*
Aboriginal and Torres Strait Islander Commercial Development Corporation	01/11/2000
Aboriginal and Torres Strait Islander Commission	31/10/2000
Aboriginal Hostels Limited	11/10/2000
Aboriginal Land Commissioner	05/10/2000
Aboriginals Benefit Reserve	03/10/2000
Anindilyakwa Land Council	(19/10/2000) 30/10/2000
Australian Electoral Commission	31/10/2000
Australian Institute of Aboriginal and Torres Strait Islander Studies	(16/10/2000) 30/10/2000
Australian National Audit Office	(29/09/2000) 03/10/2000
Australian Political Exchange Council	05/12/2000
Central Land Council	28/11/2000
ComLand Limited	01/11/2000
Commissioner for Superannuation (ComSuper)	(26/10/2000) 30/10/2000
Commonwealth Grants Commission	11/10/2000
Commonwealth Ombudsman	(25/10/2000) 30/10/2000
Commonwealth Superannuation Scheme (CSS Board)	(26/10/2000) 30/10/2000
Department of Finance and Administration	(26/10/2000) 30/10/2000
Department of the Parliamentary Library	30/10/2000
Department of the Parliamentary Reporting Staff	30/10/2000
Department of the Prime Minister and Cabinet	11/10/2000
Department of the Senate	03/10/2000
Employment National Limited	31/10/2000
Essendon Airport Limited	31/10/2000
Indigenous Land Corporation	10/10/2000
Inspector-General of Intelligence and Security	(27/10/2000) 30/10/2000
Joint House Department	31/10/2000
Members of Parliament (Staff) Act 1984 report on consultants engaged under s.4	01/11/2000
Northern Land Council	(12/10/2000) 30/10/2000
Office of Asset Sales and Information Technology Outsourcing	01/11/2000
Office of the Official Secretary to the Governor-General	07/11/2000
Official Establishments Trust	07/02/2001
Parliamentary Service Commissioner	30/10/2000
Public Sector Superannuation Scheme (PSS Board)	(26/10/2000) 30/10/2000
Public Service Commissioner (incorporating the Merit Protection & Review Agency and the Merit Protection Commissioner)	(24/10/2000) 30/10/2000
Remuneration Tribunal	(26/10/2000) 30/10/2000
Sydney Airports Corporation Limited	31/10/2000
Tiwi Land Council	(12/10/2000) 30/10/2000
Torres Strait Regional Authority	03/10/2000

* Dates in brackets indicate that the report was presented out of session to the President.