

## SUBMISSION No. 2

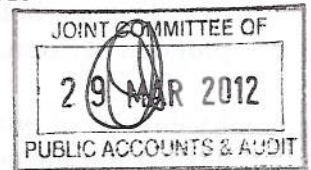
Reviews of Auditor-General

Report's Nos 47(2010 -2011) - 9 (2011 -2012)

### Joint Committee of Public Accounts and Audit

#### ANSWERS TO QUESTIONS ON NOTICE

29 February 2012, Committee Room 2R1



**Department/Agency:** Australian National Audit Office

**Topic:** Audit Report No.5 2011—12, *Development and Implementation of Key Performance Indicators to Support the Outcomes and Programs Framework*

**Member of Parliament:** Ms Gai Brodtmann MP

**Question reference number:**

**Type of question:** Written

**Date set by the committee for the return of answer:** Wednesday, 28 March 2012

**Number of pages:** 2

**Question:** How can we make sure that in judging Government programs we are always judging the real world impact?

**Answer:**

The purpose of key performance indicators (KPIs) within the Outcomes and Programs framework is to provide information that is capable of telling an accurate but succinct performance story of the results of government actions and its success against their outcomes.<sup>1</sup>

Adequate performance information, particularly in relation to program effectiveness, allows managers to provide sound advice on the appropriateness, success, shortcomings and/or future directions of programs. It also allows for informed decisions to be made on the allocation and use of program resources. Importantly, the Parliament and the public's consideration of a program's performance, in relation to impact and cost effectiveness, rely heavily on reliable and appropriate performance information.

Some programs suit the development of relatively straightforward effectiveness KPIs, i.e. programs with tangible products that focus on the delivery of payments, grants, or the allocation of places to the public, lend themselves to the development of quantitative KPIs. The less tangible nature of other programs makes the development of appropriate KPIs more challenging.

Both the Department of Finance and Deregulation (Finance) and the Prime Minister and Cabinet (PM&C) in their current guidance to agencies for constructing Portfolio Budget Statements (Finance) and requirements for annual reports (PM&C) require reference to factors, events or trends influencing the agency's performance and the achievement of outcomes over the year.

The findings of Audit Report No.5 2011—12, *Development and Implementation of Key Performance Indicators to Support the Outcomes and Programs Framework*, suggest that it is timely for entities to refocus efforts to improve the quality and relevance of performance information and reporting for the benefit of the Government and Parliament. In pursuing the

<sup>1</sup> The Department of Finance and Deregulation, *Performance Information and Indicators*, October 2011, <http://www.finance.gov.au/financial-framework/financial-management-policy-guidance/performance-information-and-indicators.html>.

further development of KPIs it is important that entities take a strategic approach to the selection of indicators, both effectiveness and efficiency, so that information that will assist in evaluating program performance is reported over time.

Evaluation of programs also plays an important part in assessing the effectiveness of the program against the intended outcomes. A higher profile given to the importance of agencies evaluating programs periodically, would assist agencies to more strongly focus in the program design phase, on the range of performance information required to assess the performance of programs.