

John Carter
Sectional Committee Secretary,

Attached is the ABS response to the follow up questions regarding the above,
which you forwarded on 3 July to Rob Edwards, Deputy Australian Statistician.
If you have any questions regarding the attached please contact me on 6252 7809.

For reference the questions are repeated below. The ABS responses follow after that.

Paul Sullivan
Director
Secretariat Section

JCPAA Accrual Budget documentation review - follow up questions

ABS follow up questions :-

1. Report of the Senate Finance and Public Administration Legislation Committee (SFPALC), The Format of the Portfolio Budget Statements, Third Report

The SFPALC concluded that Senators were "exhibiting varying levels of patience with the current levels of instability in the reporting frameworks in some portfolios; there is a clear expectation that the frameworks should stabilise sooner rather than later." (Report, p.39)

Do you feel you are achieving year-on-year stability in the outputs/outcomes structure and performance measures which are contained within your Budget documents and annual report?

2. From time to time agencies can achieve a significant operating surplus separate from the Capital User Charge. There appears merit in requiring agencies to specifically identify the details of any surplus to output level with explanations in the agency Annual Report which can be matched to the audited financial statements.

Would you discuss the merits and feasibility of this proposal?

3. The PBS does not currently provide forward performance information in addition to forward financial information. This does not assist members and senators to understand how agencies are performing today and how they expect to perform in the longer term.

Would you discuss the merits and feasibility of providing forward performance information in addition to forward financial information in the PBS?

4. An Annual Report is not tabled in Parliament for some time after the Parliament has had the opportunity to consider the budget estimates. This issue was raised by the Senate Finance and Public Administration Legislation Committee in The Format of the Portfolio Budget Statements, Third Report (page 41).

There appears merit in agencies providing at budget time, an estimated actual performance outcome to allow comparison of that information with the estimated actual financial information in the budget papers.

Would you comment on this proposal?

5. Many outcomes involve the achievement of a desired state of affairs over a longer-term. It may not be possible to report meaningfully against all aspects of the outcome in the shorter term. The ANAO considers that there are benefits in agencies specifying intermediate outcomes. These include :

assisting management to articulate and communicate achievable short-term objectives across the organisation;
demonstrating practical linkages between outputs and desired outcomes;
and assisting in planning, monitoring and performance reporting of long term objectives (superscript: 1)

Would you comment on the use of intermediate outcomes to measure progress towards achieving your longer-term outcomes?

6. It has been suggested that the following could assist departments/agencies to accurately measure their outputs :

develop a data dictionary of the terminology used in their outcomes and outputs framework;
promulgate agency wide measurement methodologies and counting rules to ensure consistent measurement of performance measures particularly where more than one functional area is involved in reporting agency performance;
and set up appropriate audit trails to monitor progress against delivery of their outputs.

Has the guidance provided by DoFA been useful?

Do you already use some or all of the above methods? If yes, which ones?

7. The main aim of the CUC was to encourage agencies to recognise their assets and promote good asset management.

Would you discuss whether in practice the CUC has been beneficial?

8. Currently agencies check with ANAO on an ad hoc basis as to whether accounting policy is in accordance with accounting standards. The ANAO has suggested that agencies should be encouraged to consult with it on the accounting policies in respect of new or complex financial arrangements at the time of budget preparation.

Do you agree with this view?

(superscript: 1)ATO Performance Reporting under the Outcomes and Outputs Framework; Australian Taxation Office, Audit Report no 46, 2000-01, p.47

JCPAA Accrual Budget documentation review - ABS Responses

Question 1

The Australian Bureau of Statistics (ABS) mission and outcome, informed decision making, research and discussion within government and the community based on the provision of a high quality, objective and responsive national statistical service are constant. Although the agency remains very responsive to emerging statistical needs the resultant new statistical activities do not impact on the mission of the organisation and therefore its outcome remains unchanged and its outputs, relating to the broad areas of economic, and social and population statistics remain stable.

There has been some refinement of the ABS performance indicator framework, but the structure will remain fairly constant.

Question 2

Although it is notionally possible to consider the ABS operating outcome as relating to one or other of the two ABS outputs, economic, and social and population statistics, there would be limited real meaning or additional information afforded by the attribution. The ABS would not plan for such a surplus and if it occurred it could relate to changes in circumstances facing its support services, which are intricately interrelated for the two output programs and not able to be meaningfully dissected over those outputs, except as a broad attribution at the aggregate level. The explanatory notes accompanying the financial statements would be a better source of information on the factors that contributed to an operating surplus.

The ABS would be interested in ensuring that it is possible to carry forward funds where outputs expected to be delivered in one year are unavoidably delayed to a subsequent year, without impact on the ABS capital use charge.

Question 3

The ABS prepares a detailed three year rolling forward work program (FWP) and releases it as a publicly accessible document. The FWP presents ABS intentions in terms of the components of the two statistical outputs set out in the Portfolio Budget Statement (PBS). The performance indicators set out by the ABS in the PBS performance indicator framework relate to those statistical outputs. The ABS Annual Report (AR) sets out achievements against the key outputs and developments foreshadowed in the FWP.

The latest version of the ABS FWP, Australian Bureau of Statistics, Forward Work Program, 2001-02 to 2003-04, is accessible on the ABS Internet site via the following doclink

Forward Work Program 2001-02 to 2003-04

The document sets out details of ABS outputs, highlighting planned key developments, for 30 statistical program components and 16 program components which support the statistical operation. Indicators of the allocation of funds to each of those program components is provided, and are consistent with the aggregate ABS estimates set out in the PBS. The preparation of the FWP is done in consultation with a broad range of users of statistics. The Australian Statistics Advisory Council approves the ABS FWP, prior to publication, and the ABS engages in dialogue with a broad range of other specialist external advisory groups prior to finalising the FWP. This broad external scrutiny and awareness of planned outputs ensures that careful external scrutiny of achievements against them are possible, by means of the ABS AR and other external reports.

The ABS FWP sets out planned activity, and as key characteristics required in a statistical agency include relevance and responsiveness, the plan evolves as the 3 year rolling work program develops. This is essential if new policy priorities are to be adequately accommodated in the statistical work program in a timely way. Therefore, the link from the planned detailed statistical activities to the actual achievements is not mechanistic, and the ABS AR discusses achievements and the context in which they occurred.

In summary, the current information on ABS objectives set out in the ABS FWP and the PBS, and performance against those objectives, as reflected in the ABS AR, provide a comprehensive summary of ABS planned outputs and performance against plan. The ABS is keen to further improve the relevance and accessibility of its forward planning and performance reporting documents.

Question 4

The Department of Finance and Administration has access to the monthly financial report to date for the ABS at the time of the preparation of the budget statements. In addition, Finance liaises with the agency to prepare a report on the operational achievements on aspects of both financial and non-financial performance. The ABS would be comfortable to increase the scope of that briefing.

That taken together with the ABS AR for the year ended the previous June, which will reflect recent performance against a medium term rolling FWP, which is fairly stable over time, would be sufficient to ensure that Parliament had a sound feeling for ABS performance against financial and statistical output targets at the time of preparation of the budget.

Question 5 (i), (ii), (iii)

The ANAO proposal is sound, but such a development would not represent a major shift for the ABS, as reporting progress on key medium term initiatives is an essential element of internal project and program reporting and is reflected in the ABS AR.

Question 6

(i) Reporting in a way that is readily accessible to a broad audience is essential and the ABS keeps the terminology in its PBS statement, its FWP and AR non-technical for that reason. For any terminology in the performance indicators related to statistical methodology, the ABS would consider it appropriate to include a glossary of terms, as it does in all statistical publications in which such indicators are included.

(ii) The recommendation of common methodologies for the compilation of performance indicators across all functional areas of an agency is a very sound one. All ABS quantitative performance indicators are based on common methodologies which are clearly defined and common to all ABS functional areas. The ABS is also working to ensure that qualitative indicators are representative and readily interpretable across program areas.

(iii) As described above, the ABS AR is prepared against the outputs defined in its rolling three year rolling FWP. That ensures a link, and an audit trail on delivery of outputs. ABS internal reporting to the Executive Board mirrors that approach, but does so at a program level, thus ensuring that the output focus of the AR and the internal program reports, which are prepared by the organisational units that contribute to the production of that output, are integrated. Of course, the ABS is always striving to improve its monitoring of performance against planned outputs and outcomes, for all elements of the closely integrated set of ABS internal and external reports.

7. The ABS is comfortable with the provision of additional mechanisms to promote and assist good asset management.

The introduction of the CUC budget funding to agencies and payments of CUC to Finance at the point of transition to an output accrual budget, means that the CUC allocation reflects the ABS position at one point in time. There is an implication that the asset base at that time represented the optimal point around which the ABS should manage. This begs the question whether provision should be allowed for a cyclical element to asset build up and run down, related to the periodic events which necessitate asset accumulation? The current system does seem to introduce some inflexibility in managing such essential cyclical or structural changes in the optimal asset base for the organisation.

As agency skills in capital budgeting develop and the associated estimates of outcomes against them improve, Finance and agencies might need to revisit the CUC allocations and management.

8. The ABS checks accounting developments with ANAO in a systematic way in order to ensure that they are in accordance with accounting standards, and discusses issues with ANAO in a budget preparation context. It is sensible where significant changes are proposed, to discuss the treatment and reporting implications and avoid last minute complications.

ABS Australian Business Number: 26 331 428 522 ABS Web Site: www.abs.gov.au