

Audit Report No. 40, 2001–2002

Corporate Governance in the Australian Broadcasting Corporation.

Australian Broadcasting Corporation

Introduction

Background

- 2.1 The Australian Broadcasting Corporation (ABC) was originally established in 1932 as a statutory authority, then known as the Australian Broadcasting Commission. The then Prime Minister declared that the Commission's purpose was to inform, entertain and 'serve all sections and satisfy the diverse needs of the public'. The Australian Broadcasting Commission became the Australian Broadcasting Corporation in 1983 with the passage of the *Australian Broadcasting Corporation Act 1983* (ABC Act).
- 2.2 Today, the ABC provides four national radio services, one national television service simulcast in analog and digital, two digital television multi-channel services, nine metropolitan and 48 regional radio stations, international radio and television services and an on-line service, as well as ABC Enterprises and Symphony Australia. The ABC is one of Australia's core cultural institutions.

The ANAO audit

- 2.3 The audit was undertaken by the ANAO following advice from the Joint Committee of Public Accounts and Audit (JCPAA) to the Auditor-General requesting assurance that ABC programming adequately reflects the ABC's Charter was an audit priority of Parliament. The focus of the audit was on the governance arrangements of the ABC Board and management that enable the ABC to demonstrate the extent to which it is achieving its Charter obligations, and other related statutory requirements, efficiently and effectively.
- 2.4 The audit examined ways in which the ABC aligns its strategic directions with its Charter requirements for programs broadcast on radio, television and on-line and assures itself, and Parliament, about the achievement of its Charter obligations. The audit did not examine the operations of ABC Enterprises or symphony orchestras that operate as ABC-owned subsidiary companies.

Audit findings

- 2.5 Inter alia, Audit Report No.40 2001-2002, Corporate Governance in the ABC found that:
- There was significant scope for the ABC to improve its strategic planning and measurement so that the Corporation can demonstrate how well it is performing against its Charter requirements.
 - The arrangements for strategic direction setting were undergoing considerable change at the time of the audit. While the ANAO supported the initiatives being implemented by the Board and ABC management that were designed to improve the effectiveness of the strategic planning process, successful implementation will require a culture throughout the organisation that supports such changes.
 - Past ABC Corporate Plans have not clearly informed stakeholders of the ABC's corporate objectives, priorities or performance indicators.
 - Board policies and practices were generally in accord with better practice, including the ANAO's *Corporate Governance Better Principles and Practices Guide* or steps have recently been taken to more closely align them with the Guide.
 - The organisation structure that had recently been established positions the Corporation well to implement the Board's strategic directions. The internal control and accountability arrangements have been strengthened as part of the planning framework and a new internal

budget setting process more closely aligned with Corporate Plan objectives and strategies should enable the Board and the Managing Director to take strategic and informed decisions on the allocation of resources against defined priorities and performance standards.

- The performance information used by management and published in key accountability documents could have been more extensive. Although the ABC collects a wide range of data, there are significant gaps and the data could be used more strategically. For the new planning and reporting framework to be fully effective, work is required to collect and integrate valid and reliable performance information, including financial information, that is aligned with the new Corporate Plan. Improvement is also required in the use of audience research data.
- The initiatives that have been taken recently, if accompanied by the commitment and support of the Board, ABC management and staff, should enable the ABC to assure Parliament, through the responsible Minister, that it is meeting its Charter obligations, efficiently and effectively.

The JCPAA Review

At the public hearing, the JCPAA took evidence on the following issues:

- corporate planning
- schedule management policy and procedures
- measuring and reporting corporate performance
- external accountability

Corporate planning

- 2.6 Effective corporate planning, which takes account of the ABC's Charter obligations, audience research, and the effective and efficient use of human and financial resources, is essential to an appropriately functioning independent broadcaster.
- 2.7 The audit report found that, while there were significant improvements in the Corporate Plan 2001-2004 over previous Corporate Plans there was still work to be done in monitoring and evaluation of the ABC's performance against the Charter. In particular the ANAO found that,

although a wide range of performance data was collected, there were significant gaps in the data.¹ In addition, the data that was collected could be used in a more strategic way.²

- 2.8 Section 6 of the ABC Act sets out the Charter of Corporation which requires the ABC to provide an innovative and comprehensive broadcasting service of a high standard that informs, entertains and reflects the cultural diversity of the Australian community, including regional and metropolitan residents, young people and older Australians.³
- 2.9 The Committee agreed with ANAO that, if performance was more closely measured against the Charter, and if there were a clear link between resourcing decisions and the Charter, there would be a greater assurance for the Parliament that the Charter was being fulfilled.⁴
- 2.10 The Committee noted that what data was available indicated that the ABC had some difficulty in meeting its Charter obligations in relation to adults 25-39 years of age and rural and regional Australians.⁵
- 2.11 The ABC advised the Committee that it placed a great emphasis on rural Australia.⁶ In contrast, the Committee notes that objective performance data in relation to regional and rural audiences is not as readily available as data in relation to metropolitan areas and it is therefore not possible to determine whether the ABC is effective in meeting its obligations in this area.⁷
- 2.12 The ABC also advised that it continued to be concerned about the lower level of support from youth age groups although this was a problem common to free-to-air broadcasters.⁸

Committee Comments

- 2.13 It is clear to the Committee that the lack of objective data, particularly in relation to audience reach in regional and rural Australia, hampers effective Corporate Planning in these areas.

1 ANAO, Audit Report No. 40, *Corporate Governance in the Australian Broadcasting Corporation 2001-2002*, p. 13.

2 ANAO, Audit Report No. 40, 2001-2002, p. 13.

3 ANAO, Audit Report No. 40, 2001-2002, p. 56.

4 ANAO, Audit Report No. 40, 2001-2002, p. 61.

5 *Transcript, 23 August 2002*, pp. 3-4.

6 Heriot, *Transcript*, p. 7.

7 ANAO, Audit Report No. 40, 2001-2002, p. 162.

8 Heriot, *Transcript*, p. 7.

- 2.14 The ABC accepts there are deficiencies in its data collection. The Committee considers that there is a particular lack of meaningful data in relation to young people, in particular those young people in regional and rural Australia.
- 2.15 The Committee considers that enhancement of data collection and analysis would assist the ABC in targeting the youth audience more effectively, particularly youth in regional and rural Australia.
- 2.16 The Committee also considers that more focussed data collection in rural and regional Australia would assist the ABC in planning to meet its Charter obligations in this area.

Recommendation 1

- 2.17 **The Committee recommends that the Australian Broadcasting Corporation develop and implement a process for measuring performance data in urban, regional and rural Australia which provides timely and effective information in relation to its fulfilment of Charter obligations.**

Recommendation 2

- 2.18 **The Committee recommends that the Australian Broadcasting Corporation, as a matter of priority, develop and implement a process for using performance data to inform Corporate planning.**

Schedule Management Policy and Procedures

- 2.19 As an independent broadcaster complying with Charter requirements the ABC needs to have a diversity of programming in order to achieve its objectives.
- 2.20 The ABC does not collect as much data on rural and regional areas, listeners, and viewers as it does on metropolitan areas.⁹ This can have the

⁹ ANAO, Audit Report No. 40, 2001-2002, pp. 162, 163.

unintended effect of a more urban focus to programming and resourcing decisions.

- 2.21 The ABC also has different commissioning processes for television and radio.¹⁰ While the radio commissioning process appears to allow for clear identification of targets and measurement of outcomes, there is no integrated information process in television.¹¹ The Committee welcomes the cross media review currently being undertaken which may rationalise these processes.
- 2.22 The ABC acknowledges that services such as Radio Australia present a particular difficulty because of a lack of indicative performance information.¹² The ABC acknowledged that there is significant internal debate about prioritisation and utilisation of resources.¹³ However, the Committee formed the view that clear performance, reach and effectiveness data would enable the ABC to make informed decisions on the prioritisation and utilisation of resources in accordance with its Charter.¹⁴
- 2.23 The Committee also noted that direct consideration of Charter obligations does not appear to be an essential part of scheduling decisions.

Committee Comment

- 2.24 The Committee concluded that indicative performance information is essential to a measurement of compliance with the Charter obligations.¹⁵
- 2.25 In addition, consideration of Charter obligations as part of the overall strategic planning process would enhance the ABC's performance in this area.
- 2.26 The Committee also concluded that performance reporting should be closely linked to reporting against Charter obligations.

Measuring and Reporting Corporate Performance

- 2.27 The Committee noted that the Dix report recommended the ABC adopt output budgeting in 1981.¹⁶ Despite this recommendation and subsequent

10 Heriot, *Transcript*, p. 3.

11 Heriot, *Transcript*, p. 3.

12 Heriot, *Transcript*, p. 4.

13 Heriot, *Transcript*, p. 5.

14 *Transcript*, p. 7.

15 *Transcript*, p. 12.

16 *Transcript*, p. 10.

recommendations by the ANAO output budgeting is not expected to be implemented until 2003.¹⁷

- 2.28 In response, the ABC observed that there have been both cultural and technological difficulties in implementing these recommendations¹⁸.
- 2.29 The Committee also noted that there is no specific method of reporting against the Charter, or otherwise measuring the performance of the ABC against the Charter.

Committee Comments

- 2.30 The Committee concluded that the performance reporting of the ABC needs to be improved in order to enhance the ABC's accountability to Parliament and ensure fulfilment of its Charter obligations.

Recommendation 3

- 2.31 **The Committee recommends that the Australian Broadcasting Corporation specifically report on its performance against Charter obligations in its annual report to Parliament.**

External accountability

- 2.32 In reply to the Committee's observation that the ABC exhibited shortcomings in external accountability, the ABC acknowledged that:

We are still going through a period in the corporation of educating ourselves, in a collective sense, to some of the contemporary expectations of governance and accountability. We are accountable for a great deal in the organisation but we also live, as you know, in a changing environment of expectations. It is a continuous dynamic, a contest of ideas.¹⁹

- 2.33 The Committee observed that, although significant performance data was contained in the ABC's annual report, the data could have been more complete and presented in ways which more fully informed the

17 *Transcript*, pp. 10-11.

18 *Transcript*, pp. 10, 11, 12.

19 Heriot, *Transcript*, p. 5.

Parliament about performance both against the Charter and against accepted standards of Corporate Governance.

- 2.34 The ABC suggested that the delay in implementing integrated financial and performance information was dependent on the implementation of new information technology.²⁰ The Committee is not satisfied, however, that this is an adequate explanation for the deficiencies and delays in implementing an integrated reporting system.
- 2.35 The ABC assured the Committee that it was attempting to improve the quality of its external reporting.

Committee Comment

- 2.36 The performance reporting and external accountability of the ABC has been subject to scrutiny for some time. That it has taken 22 years to implement the recommendations of the Dix report, for example, indicates that there may be underlying cultural resistance to accountability which must be addressed. It is encouraging to see the ABC making positive progress in that regard. However, the Committee concluded that the ABC must devote considerable effort in improving its reporting across the board, including aligning financial and output budgeting information.

²⁰ Heriot, *Transcript*, p. 11.