

Auditor-General of Queensland

Report to Parliament No. 4 for 2007

**Are departmental output performance measures relevant,
appropriate and a fair representation of performance
achievements?**



Queensland

Prepared under Part 6

Division 3 of the

Financial Administration and Audit Act 1977

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Auditor-General of Queensland

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The Honourable M F Reynolds MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Mr Speaker

This report is prepared under Part 6 Division 3 of the *Financial Administration and Audit Act 1977*. It contains the results of a performance management systems audit of the reporting of output performance by a sample of departments. This report is the fourth in the series of Auditor-General's Reports to Parliament for 2007.

In accordance with s.105 of the Act, would you please arrange for the report to be tabled in the Legislative Assembly.

Yours sincerely



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Section 1

Executive summary

1.1 Audit overview

This is my fourth audit focused on performance measurement systems of public sector entities. Outputs are the products and services delivered by departments to achieve the government's policy outcomes on behalf of the Queensland people. They involve a significant investment of taxpayers' funds. The specification of outputs, the setting of performance targets and the analysis of performance results is a key requirement for determining the allocation of scarce public sector resources by government in the annual budget and appropriation process.

The objective of this performance management systems audit was to assess whether the systems and processes in place at the selected departments support accurate and reliable reporting of output performance information to Parliament. With the extension to my audit mandate, I am also able to assess the relevance and appropriateness of output performance measures and whether the measures presented in public documents fairly represent the performance of the entity's output.

This report brings together the findings from audits at the Departments of Employment and Industrial Relations, Health, Justice and Attorney-General, and the Environmental Protection Agency. The audit focused on one output at each department ranging in budgeted outlays for 2006-07 of \$55.04m to \$3.34b. Section 4 of this report outlines the individual audit findings and recommendations at the four departments.

Also included in this report are the results of a follow-up review of the actions taken in response to the recommendations made in my previous reports¹ that focused on the systems and processes used by 11 departments to support the reliable and timely reporting of output performance measures.

1.2 Audit opinion

After eight years of departments supplying output performance measures to support their Ministerial Portfolio Statements (MPS) for output funding, I found a lack of clarity across the sector about what are relevant and appropriate performance measures.

Departments have not developed clear objectives for each of their outputs, and there continues to be minimal alignment between the measures reported in the departments' strategic and operational plans, the MPS and their annual reports.

The reporting of performance information is a cornerstone of parliamentary accountability and should not be considered just a compliance exercise. Performance information tells the Parliament and the community what government is planning to do and what it achieves. Performance information should be balanced, addressing the department's key activities and should report both the good and not so good achievements.

Better performance information is needed for the department, the Minister and all stakeholders including Parliament for a more informed government. Clearer public sector guidance on the requirements of the performance management framework is required. Until then, it will be difficult for me to issue an audit opinion on the relevance and appropriateness of reported performance measures and whether this information fairly represents departments' output performance.

The impression gained during the audit was that not only was the performance information reported to Parliament of limited relevance for external stakeholders, but also that this performance information was not used extensively by the government and departmental officers responsible for resource allocation and monitoring activity.

¹ Auditor-General's Reports Nos. 3 and 5 of 2005

The Managing for Outcomes (MFO) framework and associated guidance material adopted by the government in the late 1990s included specific assistance on these elements. The MFO policy was subsumed in 2006 by the Financial Management Framework (FMF). The FMF provides guidance material for outcomes and output performance management, which is provided in a number of documents, some of which originated under the MFO framework. A full list of the material can be found in Section 6.2 of this report. I believe this dispersal of guidance material across multiple documents has led to some confusion about the needs of departments in upholding a performance management framework and strengthening their accountability to meet the expectations of Parliament. However, the answer is not just about clearer guidance. It is also about departments, Ministers and all stakeholders considering it important to have good performance information that helps drive departmental operations.

I am encouraged to note, based on the information provided to me by the 11 departments subject to my previous audits in this area, that most recommendations raised in my reports² have been fully or partially implemented.

However, the recommendation to improve output costing methodologies has been met with little or no progress. The original recommendation was accepted at that time by all but one department. Four of the seven departments needing improvement now disagree with the need to have improved cost performance information for their output service delivery and have taken no further action. Section 39(4)(a) of the *Financial Administration and Audit Act 1977* requires accountable officers and Ministers to have systems in place to assess the efficiency, effectiveness and economy of the department and to report this information to Parliament. I find it difficult to understand how this is achieved without having in place an adequate system to provide detailed cost information on the departments' output activities. I will follow up with these departments the reasons for the current rejection of this recommendation. I note that the Treasury Department advocates that a cost-benefit approach be adopted with accountable officers having discretion to decide what supporting systems are required to provide them with information to ensure their obligation in this regard is adequately met.

Relevance and appropriateness of output performance measures

Departments need to establish a clear objective for each output that enables an assessment of the relevance and appropriateness of the output performance measures. Overall the audit found that it was not possible to form an opinion on whether output performance measures were relevant and appropriate for their purpose as this requirement is not in place. A clear objective is needed to assess the contribution the output makes to the achievement of the department's strategic goals and whole-of-government outcomes. Measures of output effectiveness and efficiency can then be developed which allow stakeholders to assess whether the quantity, quality, timeliness and cost measures are relevant for the purpose they are intended to achieve.

In some instances, departmental management and Treasury Department officers responsible for monitoring and control of the outputs each advised they did not view all of the current output measures as relevant or appropriate for their intended purpose. In one department the ability to determine relevance was made more difficult by the output comprising two different subject matters.

For output performance measures to be appropriate, the performance measure should give sufficient information for stakeholders to assess output performance over time and against targets and output objectives. I found very little of this form of performance reporting done by the departments audited. In addition, measures of output cost efficiency and effectiveness have not been developed.

As a result, without a clear output objective, many departments have a suite of output performance measures that are of limited use and relevance to stakeholders to be able to assess performance.

RECOMMENDATION

1. **It is recommended that departments —**
 - a. **clearly articulate an objective(s) for each output. The output objective(s) should demonstrate how the output contributes to the department's strategic objectives and government outcomes. This would allow the identification of relevant output measures of quantity, quality, timeliness, unit cost, total cost, effectiveness and cost-efficiency; and**
 - b. **include all dimensions of the output performance measures for each output in annual reports and the MPS that enables a comparison of performance.**

² Auditor-General's Reports Nos. 3 and 5 of 2005

Fairly represent output performance

To fairly represent output performance, departments need to report publicly on output performance measures that are relevant and appropriate and are used consistently over time. It should be clear to stakeholders whether the department has achieved the objectives and performance targets for the output. Suitable reporting protocols to address the need for the key accountability documents including the department's strategic plan, MPS and annual report to fairly represent the performance of the departmental output have not been developed within the current Financial Management Framework.

Reporting performance information involves bringing together non-financial and financial information. It is more than just financial reporting but also needs to report performance in terms of efficiency and effectiveness. An effective outcomes and outputs performance management framework reports results about —

- What does Government want to achieve? (i.e. outcomes);
- How does it achieve this? (achievement of agency objectives and delivery of products and services i.e. outputs and administered items); and
- What are the costs of activities? (inputs).

There is still uncertainty across departments on the minimum requirements to fairly represent the department's performance in delivery of its outputs. Consequently there was minimal alignment between the measures reported in the MPS and the annual report. It was noted that, except for one department, the accompanying notes explaining the context, variances and any limitations in the data reported were insufficient to enable users to assess the department's performance.

As a result of this audit, I intend to undertake an audit of 2006-07 departmental annual reports focusing on the requirement to fairly represent performance.

RECOMMENDATION

2. It is recommended that departments —

- adopt the provisions of the *QAO Better Practice Guide – Output Performance Measurement and Reporting* and the requirements of the *Financial Management Standard 1997* and ensure that performance information reported in the MPS and annual report is aligned;**
- provide sufficient information to enable a meaningful and informed assessment of the measures and targets and level of performance achieved by the output;**
- ensure accompanying notes to the output performance measures in the MPS clearly explain the context, meaning and any limitations in the measures reported;**
- formally document and implement evaluation policies and monitoring, quality assurance, and calculation processes; and**
- clearly explain the context, meaning and any limitations in the measures reported using statistical standards and conventions.**

Reliability of output performance information

The reliability of the output measures reported is also questionable. Despite the findings of my previous reports³ and the release of a better practice guide in February 2006, the four departments audited did not have in place many of the recommended management practices to ensure the reported performance measures can be relied on to be accurate and complete in all material aspects. I had expected to see greater progress towards improved performance reporting in the departments reviewed in these later phases of output performance reporting audits.

³ Auditor-General's Reports Nos. 3 and 5 of 2005

Costing methodologies varied across each department, often dependant on which division or unit contributed to producing the output. Mostly they were of limited use in determining accurate costs of the department's products and services. As previously reported⁴, a more detailed costing approach at the activity and output level would enable departments to better assess the efficiency of their operations and the cost effectiveness of service delivery. It would also enable more informed decision-making in the annual budget resource allocation process. Four of the seven departments previously agreeing with this assessment have now decided that they will not implement this recommendation and are of the view that they meet all statutory requirements in relation to output costings. Without detailed costing information, accountable officers, in my view, are not meeting the requirements of the *Financial Administration and Audit Act 1977* that requires them to have systems that tell them how economic, efficient and effective their operations are.

With the exception of one department, data quality standards and expectations in relation to output performance information were not documented and communicated across the departments, nor were there suitable data assurance arrangements or input controls in place to ensure the accuracy, completeness and reliability of output performance information.

RECOMMENDATION

3. It is recommended that departments —

- a. clearly define and document the roles and responsibilities for data collection, processing, monitoring and quality assurance, analysis and reporting for output performance measures;**
- b. develop and implement suitable costing methodologies that accurately identify the cost of delivering its products and services that make up the output;**
- c. develop and document data quality standards and expectations, and clearly communicate these needs to responsible officers. They may be documented in the form of policies and procedures and/or a data dictionary;**
- d. develop suitable data assurance arrangements for output performance measures by documenting data definitions and collection methods to ensure consistent measurement and calculation; and**
- e. implement suitable data collection, processing and monitoring controls over output performance information to ensure the accuracy, completeness and reliability of performance data and implement appropriate succession planning for staff who are responsible for collection, processing and reporting of performance information.**

⁴ Auditor-General's Reports Nos. 3 and 5 of 2005

Section 2

Audit focus

2.1 Reasons for the audit

In the late 1990s, the Queensland Government introduced the Managing for Outcomes (MFO) framework. This initiative was part of a number of reforms made necessary by the introduction of accrual output budgeting and improvements in accountability to Parliament. This framework links the budget and resource allocation process with the performance management and reporting systems.

Members of Parliament and other stakeholders need timely information to scrutinise the operation of the budget and performance of departments in delivering their funded outputs in accordance with their expectations. Information includes —

- a suite of relevant and appropriate output performance measures to determine the level of resources to be allocated and funding required to produce the output service delivery targets specified in the budget and detailed in the MPS;
- annual reporting that fairly represents and acquits the output's performance results against the targets funded in the MPS; and
- assurance that the results reported are supported by systems that ensure the information is accurate, reliable and free from bias.

A cornerstone of parliamentary accountability is public disclosure by government of its plans and intended results and achievements in the annual budget and appropriation process. This outlines to Parliament and the community what is to be achieved prior to approval of budget funding and the implementation of departmental strategic plans. Disclosure of this information signals the strategic directions and priorities of government and its departments to stakeholders, and provides a context for reporting performance results against the outputs that have been funded. Public disclosure in a department's MPS and annual report of achievements against intended outcomes, objectives, performance measures and targets closes the accountability loop.

Parliamentary accountability comprises the Charter of Social and Fiscal Responsibility from which government determines its —

- expected whole-of-government outcomes and priorities;
- setting of departmental objectives; and
- service delivery goals that are to be achieved through the resources allocated to outputs, their associated performance measures and targets.

These decisions are detailed in budget papers and the MPS as well as in departmental strategic planning documents.

The MPS is the key document whereby Ministers report to Parliament on their portfolio's expected performance of outputs, activities and costs for the coming year as a subset of the Treasurer's Budget Papers. The MPS also includes details of the estimated results for the past year. The annual report provides a further accountability mechanism where the results, expenditure and performance of the output against the targets stated in the MPS are reported to the responsible Minister. The results are tabled in Parliament to inform Members of Parliament and acquit the government's budget performance.

Amendments to s.80 of the *Financial Administration and Audit Act 1977* extended my mandate to enable me to review and provide an independent assessment of the relevance and appropriateness, and fair representation of the published output performance measures used by departments. I therefore conducted this audit as the first of many audits directed to fulfil the requirements of my new mandate.

I have also included in this report an update on the implementation status of the recommendations documented in my previous reports⁵ to Parliament on output performance measurement and reporting. I have based the update on information provided to me by the 11 departments previously audited.

2.2 Context of the audit

The outcome and outputs framework has been adopted by the Australian Government and a number of State and Territory Governments as the basis for their government's approach to budgeting and reporting for public sector departments. The framework provides the means by which the Parliament appropriates funds in the annual budget context. It aims to increase transparency and accountability for the decisions made about resource allocation. The public sector operates in a challenging environment with changing parliamentary, government and community priorities and expectations. The Australian National Audit Office (ANAO) recently commented⁶ that departments often find it challenging to implement all the elements of the outcomes and outputs framework in a manner that concisely reports on effectiveness and efficiency. Reports by parliamentary committees and their respective Auditors-General from other jurisdictions, and a range of other observers have all highlighted the implementation of the framework as being a 'work in progress'.

The extension to my mandate that came into force on 1 January 2007 includes —

- reviewing the public sector entity's performance measures; and
- stating whether, in the Auditor-General's opinion, the performance measures—
 - are relevant and otherwise appropriate, having regard to their purpose; and
 - fairly represent the public sector entity's performance.

To enable me to carry out this audit mandate, I have formulated a number of definitions based on the intent of the MFO documentation and the outcomes and outputs framework for the auditing of performance measures and reporting. This information is contained in Section 6 - Appendices.

The *QAO Better Practice Guide — Output Performance Measurement and Reporting* issued in 2005-06 will be updated to reflect the expansion to my mandate.

2.3 Audit objective

The objective of this performance management systems audit was to assess whether —

- the selected departments report on relevant and appropriate performance measures in the MPS and annual report;
- the performance measures fairly represent the departments' output performance to stakeholders through the MPS and annual report; and
- the systems and processes used by departments support accurate, reliable and timely reporting of output performance information to Parliament.

In addition the audit reports on the implementation status of the recommendations documented in my Auditor-General's Report Nos. 3 and 5 for 2005.

2.4 Audit scope

The following four departments and outputs were selected for the audit of their systems and processes, relevance, appropriateness and fair representation of output performance measures —

- Department of Employment and Industrial Relations – Workplace Health and Safety Services (including Workers' Compensation Policy);
- Department of Health – Treatment and Management – Acute Inpatient Services;
- Department of Justice and Attorney-General – Justice Services; and
- Environmental Protection Agency – Protecting Our Natural and Cultural Heritage.

⁵ Auditor-General's Reports Nos 3. and 5 of 2005

⁶ ANAO, Applications of the Outcomes and Outputs Framework Report No. 23 2006-07

The departments and outputs selected for the audit represent a range of services provided by the budget sector. In total, these four departments accounted for approximately 31 per cent of the 2006-07 total operating expenditure of the Queensland budget sector of \$24b. The four outputs selected accounted for approximately 16 per cent of the Queensland budget sector's operating expenditure. These outputs are outlined below with their estimated expenditure for 2006-07.

Table 2.1 — Summary of departments and outputs selected for audit

Department	2006-07 estimated total expenditure \$'000	Percentage of total state expenditure	Output	2006-07 estimated output expenditure \$'000	Percentage of total state expenditure
Department of Health	6,649,890	27.8	Treatment and Management – Acute Inpatient Services	3,342,426	14.0
Environmental Protection Agency	294,488	1.2	Protecting Our Natural and Cultural Heritage	150,661	0.6
Department of Industrial Relations	99,184	0.4	Workplace Health and Safety Services (including Workers' Compensation Policy)	55,040	0.2
Department of Justice and Attorney-General	267,197	1.1	Justice Services	189,430	0.8
Total of sample (department expenditure)	7,310,759	30.5	Total of sample (output expenditure)	3,737,557	15.6
Total estimated State expenditure (2006-07)	23,937,893	100	Total estimated State expenditure (2006-07)	23,937,893	100

Source: MPS's for 2006-07 for the audited departments, BP 2 Budget Strategy and Outlook 2006-07.

Follow-up of previous reports

A follow-up of my Reports Nos. 3 and 5 for 2005 on output performance measures audits was undertaken. Departments were requested to report on their progress in implementing their respective recommendations. No further confirmation of their progress was performed by QAO within the scope of this audit. The follow-up of my previous audits included the 11 departments detailed below —

- Department of Education and the Arts
(now Department of Education, Training and the Arts);
- Department of Emergency Services;
- Department of Employment and Training
(now Department of Education, Training and the Arts);
- Department of Local Government, Planning, Sport and Recreation;
- Department of Main Roads;
- Department of Natural Resources and Mines
(now Department of Natural Resources & Water);
- Department of Primary Industries and Fisheries;
- Department of State Development, Trade and Innovation;
(now Department of State Development)
- Department of Transport;
- Disability Services Queensland; and
- Department of Police.

Section 3

Audit findings and recommendations

3.1 What questions did these audits seek to answer?

These performance management systems audits sought to answer three broad questions about whether departments' output performance measures —

- are relevant and otherwise appropriate, having regard to their purpose;
- fairly represent the service delivery performance of the departments output; and
- have adequate systems to support reliable and accurate performance reporting.

3.2 Overview of output performance measures reviewed

Table 3.1 — Summary of measures at the four departments and output audited

Type of output measure	Total number of output measures	Percentage of total number of output measures	Average number of measures per output	Observations
Quantity	42	46	10.5	For the four outputs, quantity measures ranged from 29 per cent to 55 per cent of all measures reported. For two of the four outputs, quantity measures accounted for more than half of the measures reported.
Quality	19	21	4.8	For the four outputs, quality measures ranged from 9 per cent to 41 per cent of all measures reported.
Timeliness	24	26	6.0	For the four outputs, timeliness measures ranged from 18 per cent to 31 per cent of all measures reported.
Location	1	1	0.3	For three of the four outputs, location measures were not reported.
Cost	2	2	0.5	For two of the four outputs, activity and / or unit cost measures were not reported.
Total Cost	4	4	1.0	A total cost measure is a mandatory requirement for each output.
Total	92	100	23	

Source: QAO

3.3 Relevance and appropriateness of output performance measures

If output measures are to be relevant, they need to represent the more material activities that make up each output and reflect the range of measure types – quantity, quality, location, timeliness and cost. Table 3.2 illustrates this.

Table 3.2 — Examples of better practice output measures

Examples of better practice of quantity and timeliness measures at the Department of Health. These measures materially represent the total service provision for the Output.

Output: Treatment & Management – Acute Inpatient Services			
Measures	2005-06 target/estimated	2005-06 estimated actual	2006-07 target/estimated
Quantity			
Acute inpatient episodes of care (total number of inpatients for the year)	710,000 – 730,000	729,500	720,000 – 740,000
Occupied bed days	2,150,000 – 2,250,000	2,231,592	2,220,000 – 2,300,000
Average length of stay (days)	3.07	3.06	3.07
Timeliness			
Elective surgery patients receiving treatment in a specified time frame			
Category 1 (30 days)	95%	90%	95%
Category 2 (90 days)	95%	75%	95%

Source: Extract MPS Minister for Health 2005-06

3.3.1 Relevance

For output measures to be relevant, each department should have clearly explained objectives for their outputs to establish a concept of what was to be achieved. Flowing from the output objective, the output measures would —

- demonstrate the contribution made by the output to the achievement of the department’s strategic goals and government outcomes;
- be relevant to the people and department producing the measures;
- be relevant for the end-user and for the intended purpose. The department’s performance achievement is open to scrutiny by Members of Parliament, taxpayers, service users and for the annual resource allocation process of the budget; and
- comprehensively address the key material aspects of the department’s output, related key activities and be reflected across the range of quantity, quality, timeliness, location and costing measures.

Currently departments are only required to provide a description of their output for the purpose of the MPS, rather than a stated objective. I am not assured that the output performance measures are generally relevant to department objectives and whole-of-government outcomes. There has been no development of the outcomes and outputs framework to require an output objective that clearly links the outputs and its targets to the department’s strategic goals and government outcomes.

Across all outputs audited, measures of effectiveness and efficiency were not in place. This was due in part to the absence of an objective, but also because performance information does not appear to be rigorously scrutinised as part of the annual budget preparation and monitoring frameworks.

Management at all departments advised that they considered some or most output performance measures were not relevant for their day-to-day operational management of the output and its activities. There were varying reasons for this. In some instances the chosen performance measures relied on the performance results of other independent bodies. For others, there are better measures used internally that are not represented by the published output performance measures.

In some instances, these views were shared by the relevant Treasury Department analysts. This has led to the use of performance information for the budget resource allocation process which is not part of the publicly reported MPS and annual report data. This reduces the transparency around resource allocation decisions which the outcomes and outputs framework was established to address.

While the output performance measures reported may all relate to the quantity, quality, timeliness and total cost, the audit found that they do not address all the key or material aspects of the output's activities and products. For example, where some departments had identified several key services that comprise the output, there were usually no corresponding measures of quality, timeliness or cost, including unit cost for each of the separate services. Only the total costs of the outputs were measured and reported.

3.3.2 Appropriateness

For appropriateness, I expected the performance measures would give sufficient information to assess the extent to which the department has achieved a predetermined target, goal or outcome, by reference to —

- a balanced view of quantity, quality, timeliness and cost;
- trend data which explains its performance over time;
- corresponding targets and output goals and objectives which identify the performance to be reached within a set timeframe; and
- performance relative to the performance of similar outputs and departments in other jurisdictions.

In terms of appropriateness, I looked to the MPS and annual report to provide sufficient information on the results of the output performance measure. I found across the four departments that —

- there was no trend data provided to demonstrate performance achievements by three of the departments. The remaining department had a funded performance target that was aspirational and therefore unlikely to be achieved. Actual results were not reported against this target;
- some quality measures do not have specific and measurable targets for the year; and
- the MPS and the departments' annual reports do not disclose a comparison of performance to predefined benchmarks or other similar departments.

The audit identified that the measures of quantity, quality, timeliness, and cost did not provide a balanced view of the key products and services delivered to produce the output. No objective was specified and comparison to targets and past performance were not included. In addition three of the departments did not measure or report the unit costs or costs of key activities or products and services within the output.

RECOMMENDATION

1. **It is recommended that departments —**
 - a. **clearly articulate an objective(s) for each output. The output objective(s) should demonstrate how the output contributes to the department's strategic objectives and government outcomes. This would allow the identification of relevant output measures of quantity, quality, timeliness, unit cost, total cost, effectiveness and cost-efficiency.**
 - b. **include all dimensions of the output performance measures for each output in annual reports and the MPS on the output's performance that enables a comparison of performance.**

3.4 Fairly represent output performance

To fairly represent output performance, the performance information must include measures that relate to the achievement of the department's objectives, be consistent in all public documents reporting the information and clearly explain the context, meaning and any limitations in the measures reported. I expected to find —

- reported performance measures that are relevant and appropriate;
- a report on the output's actual performance disclosed in the department's annual report which aligns with the output performance measures and targets contained in the MPS and strategic plan;
- continuing analysis and formal evaluation of output performance information and measures including variance analysis of results and progress to date;
- monitoring and quality assurance procedures in place to ensure the reliability of reported performance information;
- the process and calculations involved in reporting each measure being clearly documented; and
- notes on performance measures clearly explaining the context, meaning and limitations of the measures reported and following statistical standards and conventions.

I found the departments have some way to go to comply with the requirements of the *Financial Administration and Audit Act 1977* and the annual reporting requirements contained in the *Financial Management Standard 1997* (FMS). There is minimal alignment of output performance measures in the MPS and the departments' annual reports. As a minimum, the FMS requires the accountable officer to perform the following actions —

- For systems —
 - obtain information about operational performance in terms of delivering its outputs and meeting its output performance measures as stated in its operational plan⁷; and
 - enable a comparison to be made between the progress of the department's output performance (i.e. results to date) and the set operational targets⁸.
- For the content of annual reports —
 - include a review of the department's progress towards achieving its goals and delivering its outputs for the year, including details about the department's actual performance in relation to its goals and outputs measured using the performance measures in the department's strategic plan⁹; and
 - incorporate information about how efficiently and effectively the department has carried out its operations, including a review of the department's progress in benchmarking and achieving best practice and cost-effectiveness in carrying out its operations¹⁰.

The performance measures reported in departments' annual reports about output performance are not always the same as contained in the departments' MPS. The lack of alignment between performance information for the outcomes, the departments' strategic plans and the outputs they are funded to deliver services through has led to this problem. A review of each department's planning framework, being their strategic and operational plans and MPS output statements, found there is little common language between each of the documents and that different performance measures are used in each of them. Each level of the planning framework, i.e. outcomes, strategic plans and outputs, needs to be reported upon separately. However, the alignment between each level of planned performance and identifying the contribution each level makes to the next is not currently in place.

⁷ *Financial Management Standard 1997* s.61(c)

⁸ *Financial Management Standard 1997* s.61 commentary.

⁹ *Financial Management Standard 1997* s.95(1)(g).

¹⁰ *Financial Management Standard 1977* s.95(1)(h)(iii).

I expected to find processes for the continuing analysis and formal evaluation of an output's activities, its measures and continued relevance to whole-of-government outcomes and priorities to enable continuous improvement in service delivery. I found there was a need for improvement in these processes at two of the four departments reviewed. The Service Delivery and Performance Commission have identified evaluation and continuous improvement as one of its six elements of an effective performance management framework. This enables departments to turn data into information which can be used to assess operations and performance results, and is critical to the fair reporting of output performance. Regular and timely analysis and formal evaluation of an output and its performance information can detect any anomalies with the data and identify performance trends and shortcomings over the medium to longer-term that need management attention.

I also found that the frequency of monitoring and analysis varies considerably among the departments audited. While most departments perform monitoring and quality assurance for MPS output performance measures, the same cannot be said for the measures contained in their strategic and operational plans. The major weaknesses observed in most departments were the lack of management sign-offs and formally documented monitoring, quality assurance and calculation processes for the reported performance measures and information.

Except for one department, the accompanying notes explaining the context, variances and any limitations in the data reported were insufficient to enable stakeholders to clearly understand and assess the outputs' service delivery performance.

RECOMMENDATION

2. It is recommended that departments —

- a. adopt the provisions of the *QAO Better Practice Guide – Output Performance Measurement and Reporting* and the requirements of the *Financial Management Standard 1997* and ensure that performance information reported in the MPS and annual report is aligned;**
- b. provide sufficient information to enable a meaningful and informed assessment of the measures and targets and level of performance achieved by the output;**
- c. ensure accompanying notes to the output performance measures in the MPS clearly explain the context, meaning and any limitations in the measures reported;**
- d. formally document and implement evaluation policies and monitoring, quality assurance, and calculation processes; and**
- e. clearly explain the context, meaning and any limitations in the measures reported using statistical standards and conventions.**

3.5 Reliability of output information

To ensure the accuracy and completeness of the performance measures and that supporting information can be relied upon, I expected to find that —

- there are clearly defined roles and responsibilities for the collection, processing, monitoring and quality assurance, and reporting of the information necessary to measure non-financial performance;
- there is alignment between internal and external management reporting of non-financial performance information;
- costing methodologies are established and supported by appropriate assumptions and adequate documentation;
- there are well documented data quality standards and expectations for non-financial performance information which are clearly communicated across the department;
- data assurance arrangements are in place for non-financial performance information that include documentation of data sources, collection methods, and standards and procedures; and
- controls are established over data collection and processing to ensure the accuracy, completeness and reliability of output performance information that include input, validation and monitoring controls.

3.5.1 Roles and responsibilities

With the exception of one department, the roles and responsibilities for the collection, processing, monitoring and reporting of the data required for accurate and reliable output measures were not formally documented. Having these processes in place helps promote and enforce individual and shared accountability for reliable output performance information.

Improvements were required at all four departments in monitoring and quality assurance practices. Without these, there are risks that incorrect information and results could be reported to stakeholders.

3.5.2 Alignment between internal and external management reporting

Two of the four departments demonstrated a high degree of alignment between output performance information used for day-to-day management and external reporting. In the other two departments, quarterly internal management reporting included some of the MPS output measures. However the usefulness of this reporting is diminished as only a limited number of MPS output measures in the quarterly report can be collated for the period, with the remainder being collated only on an annual basis.

The key measures used by department management to monitor performance during the year were not externally reported. The control and monitoring of service delivery output is a critical role performed by all levels of management. This requires access to timely, accurate and useful financial and non-financial output performance information, which annual performance measures cannot provide. Running a dual reporting system for the management of the same service delivery output also incurs additional costs.

3.5.3 Costing methodologies

A suitable costing methodology is necessary for an informed understanding of the cost drivers for service delivery. It provides information on the various output activities and unit cost of the products and services that make up the output. The audit found a lack of adequate costing methodologies at three of the four departments reviewed. Across these three departments, costing is limited to the allocation of direct costs and corporate overheads across the department's outputs. It is considered that a more detailed costing approach for key activities would enable these departments to better assess the efficiency of their operations and the cost effectiveness of service delivery. Further comment about costing methodologies at the 11 departments previously audited is provided in Section 5.3 of this report.

The adoption of suitable output costing methodologies will benefit departments and government by improving the reliability and availability of cost information used in decision-making. The costing of outputs and sub-outputs enables the identification of inefficiencies through benchmarking against other comparable activities and suppliers of services.

3.5.4 Data quality standards and expectations

At three departments, data quality standards in relation to output performance information were not documented and communicated across the responsible departmental staff. There were no suitable data assurance arrangements or input controls in place to ensure the accuracy, completeness and reliability of output performance information. Establishing these standards assists departments in ensuring a consistent approach to the collection and collation of the data and that the output information reported is accurate and reliable and meets the requirements of stakeholders.

3.5.5 Data assurance arrangements

Three of the four departments required improvements to their data assurance arrangements. In each of these departments, a data dictionary was either not in place or contained insufficient detail for a consistent basis of what the measures represented and how the calculation of the measure is to be undertaken. The absence of data assurance arrangements increases the risk that inaccurate and inconsistent data may be used for internal decision making and reporting to stakeholders.

3.5.6 Controls established over data collection and processing

At three of the departments there was a need to improve output data collection and processing controls with information for the performance measures obtained from multiple information systems. In addition the audit identified inconsistently applied input controls and an absence of processing controls to ensure accuracy. There is a risk that internal management reporting and decision-making can be affected by inaccurate data. Further, external users of the performance information can be misled if reported information is not accurately reflective of true departmental performance.

RECOMMENDATION

- 3. It is recommended that departments —**
 - a. clearly define and document the roles and responsibilities for data collection, processing, monitoring and quality assurance, analysis and reporting for output performance measures;**
 - b. develop and implement suitable costing methodologies that accurately identify the cost of delivering its products and services that make up the output;**
 - c. develop and document data quality standards and expectations, and clearly communicate these needs to responsible officers. They may be documented in the form of policies and procedures and/or a data dictionary;**
 - d. develop suitable data assurance arrangements for output performance measures by documenting data definitions and collection methods to ensure consistent measurement and calculation; and**
 - e. implement suitable data collection, processing and monitoring controls over output performance information to ensure the accuracy, completeness and reliability of performance data and implement appropriate succession planning for staff who are responsible for collection, processing and reporting of performance information.**

Section 4

Departmental recommendations and responses

4.1 Overview of departmental recommendations

Across the four departments audited, common issues reported can be summarised as the need —

- for greater relevance and appropriateness of output performance measures;
- to fairly represent, through public reporting, actual output service delivery performance; and
- for greater reliability of output performance information.

This section of the report includes an overview of the key findings and recommendations for each department audited and the departmental responses to this report.

4.2 Department of Employment and Industrial Relations

4.2.1 Background

The Department of Employment and Industrial Relations (DEIR) was established by machinery-of-government change in October 2006. DEIR brings together the activities of the former Department of Industrial Relations and the Employment and Indigenous Initiatives Division of the former Department of Employment and Training. DEIR is the Queensland Government's lead department for industrial relations and workplace safety, and incorporates the division of Workplace Health and Safety Queensland (WHSQ). The responsibilities of DEIR are met through the delivery of six outputs with a combined total expenditure in 2006-07 of \$177.6m.

This audit focused on the *Workplace Health and Safety Services (including Workers' Compensation Policy)* output, with a budgeted cost of \$55.0m for 2006-07 and representing 28 per cent of the merged department's total budget. This output develops and implements legislative, compliance and enforcement strategies and activities to improve workplace health and safety in Queensland, and provides policy advice on workers' compensation matters. Client groups include employers, workers, self-employed people, insurers and the community.

4.2.2 Overall audit conclusion

The department has in place a number of elements of a performance measurement system around governance and internal reporting. However the current suite of measures collectively do not allow stakeholders to easily assess the effectiveness and cost efficiency of the service delivery output and its achievements and performance against its targets for quantity, quality, timeliness, location and cost. As a result, the current suite of performance measures and the commentary provided in the department's annual report for 2005-06 does not fairly represent the actual results achieved and the performance of the output.

4.2.3 Recommendations

RELEVANCE AND APPROPRIATENESS OF OUTPUT PERFORMANCE MEASURES

4. In relation to relevance, it is recommended that the department —
 - a. regularly review and where necessary improve their output performance measures to ensure there is a range of appropriate measures that incorporate better practice characteristics to provide stakeholders with useful and reliable performance information; and

5. In relation to appropriateness, it is recommended that the department —
- a. regularly review and where necessary improve the output performance measures to ensure that there is a range of appropriate measures that incorporate better practice characteristics that provide stakeholders with useful and reliable performance information;
 - b. consider reporting longer term trend data for indicators where appropriate;
 - c. ensure each measure has an appropriate and achievable target for the reported and specific timeframe;
 - d. review other jurisdictions particularly Australian States and Territories to determine if performance measures can be enhanced by benchmarking and the inclusion of reporting comparisons in the annual report; and
 - e. ensure full disclosure of all measurement details and limitations either in the measure description or explanatory notes.

FAIRLY REPRESENT OUTPUT PERFORMANCE

6. It is recommended that the department —
- a. ensure that output performance information is fairly represented in the MPS by reviewing the reporting of all current measures to ensure sufficient information is disclosed to enable a meaningful and informed assessment of the measures and that the targets are achievable;
 - b. enable assessment of the department's service delivery by —
 - documenting and formalising monitoring and quality assurance processes for output performance measurement and reporting; and
 - assigning an independent unit (for example internal audit) to regularly review output performance information and to assess: risks; controls; relevance and appropriateness of performance measures; and the alignment of strategic goals, outputs and measures;
 - c. improve processes for the ongoing analysis and evaluation of output performance information and measures by —
 - developing and implementing an evaluation policy to ensure all outputs are reviewed and evaluated on a periodic basis;
 - including comment on annual measures in quarterly reporting particularly where there are indications that significant variations from target have occurred; and
 - reporting trends over prior years for output performance measures; and
 - d. ensure adequate linkages and alignment of output performance information reported in the MPS with that included in the department's annual report by complying with the provisions of the *Financial Management Standard 1997* and ensure that performance information reported in the MPS and annual report is aligned.

RELIABILITY OF OUTPUT PERFORMANCE INFORMATION

7. It is recommended that the department —
- a. improve the accountability for output performance measurement and reporting by clearly defining and documenting roles, responsibilities for data collection, processing, monitoring, analysis and reporting for output performance measures;
 - b. improve the integration of internal management reporting processes by —
 - enhancing linkages between the internal management reporting and output performance reporting;
 - ensuring significant variances against performance measure targets are documented and reported; and
 - improve costing methodologies by developing and implementing suitable costing methods that accurately identify the cost of delivering its products and services that make up the output; and
 - c. ensure well documented data quality standards by —
 - developing and documenting data quality standards and management's expectations, and clearly communicate these requirements to responsible officers. They may be documented in the form of policies and procedures and/or a data dictionary; and
 - ensuring that the entire output performance management process is covered by a robust records management policy particularly where different areas of activity have been amalgamated into the department through machinery-of-government processes.

4.2.4 Department of Employment and Industrial Relations response

The Director-General stated in his response of 17 July 2007 —

“... Thank you for the opportunity to respond to this extract and the consideration you have given to previous advice I have provided on these matters.

The Department of Employment and Industrial Relations (DEIR) supports the overall findings and recommendations outlined in the report. I recognise the importance of performance reporting to provide clear and accurate reporting to Parliament and the community on the department's work and the extent to which it is meeting its overall objectives. I also recognise the need to review and continuously improve the department's performance measures and associated management processes.

I would like to advise that a review of the existing performance measures will be undertaken during 2007-08 which will look at both the relevance and appropriateness of the current performance measures, as well as continuous improvement in the management processes used to develop, calculate and report on these measures.

Amendment to performance measures cannot be implemented in isolation of central agencies. As you know, there are significant dependencies between the development of departmental performance measures and Treasury's requirements for the MPS and the Department of the Premier and Cabinet's requirements for annual reporting. It is proposed to continue to work closely with these agencies in the review and improvement to the existing measures...”

4.3 Department of Health

4.3.1 Background

The Department of Health provides a wide range of health services to the population of Queensland and contributes to the Government's Outcome of *healthy active individuals and communities*. Health services are delivered through a state-wide network of acute care facilities and a range of non-inpatient services.

Health services are consolidated under five output categories for the purpose of output budgeting and performance reporting.

The total budgeted expenditure under these five outputs for the 2006-2007 year was \$6.650b. The departmental output subject to this audit was the *Treatment and Management – Acute Inpatient Services* output. Expenditure under this output was budgeted at \$3.342b or approximately 50 per cent of the total 2006-07 budgeted expenditure for the department.

4.3.2 Overall audit conclusion

The Department of Health has an appropriate framework and systems in place to provide assurance over MPS data. The audit did however identify a need to improve the relevance and appropriateness of the output performance measures. While some of these measures are relevant and appropriate for some users, overall the current public reporting of the suite of measures does not fairly represent the *Treatment and Management – Acute Inpatient Services* output's actual level of service delivery performance.

4.3.3 Recommendations

RELEVANCE AND APPROPRIATENESS OF OUTPUT PERFORMANCE MEASURES

8. In relation to relevance, it is recommended that the department —
 - a. ensure the output performance measures are aligned and linked to the strategic objectives of the department;
9. In relation to appropriateness, it is recommended that the department —
 - a. ensure each measure has appropriate and achievable targets for the reported timeframe;
 - b. provide trend data which demonstrates its performance over time in the annual report; and
 - c. provide comparison of performance results with other similar entities in the annual report.

FAIRLY REPRESENT OUTPUT PERFORMANCE

10. It is recommended that the department —
 - a. ensure that output performance information is fairly represented in the MPS by —
 - including a target against its 'Average cost per weighted episode of care' measure and include an explanation for any variance, to enhance the usefulness of this measure to a reader; and
 - including an explanation for MPS variances in a suitable note;
 - b. enable an assessment of the department's service delivery by assigning an independent unit (e.g. internal audit) to regularly review all output performance information and to assess: risks; controls; relevance and appropriateness of performance measures; and the alignment of strategic goals, outputs and measures; and
 - c. ensure adequate linkages and alignment of output performance information reported in the MPS with that included in the department's annual report by complying with the provisions of the *Financial Management Standard 1997* and ensure that performance information reported in the MPS and annual report is aligned. This includes reporting on year-end results against the specific performance measure targets for the outputs.

4.3.4 Department of Health response

The Minister for Health advised the following on 31 July 2007 —

“... I accept the recommendations that you have made in your report. The existing outputs and performance measures have been in place since implementation of the Managing for Outcomes framework in the late 1990’s. Queensland Health has recognised that the outputs and associated performance measures no longer adequately align with the significant health reform priorities underway.

Underpinning Queensland Health’s New Funding Model is a program structure which reflects the health services provided by my department across the health continuum. In the 2007-08 Budget, Cabinet Budget Review Committee endorsed the transition to new outputs based on the new program structure.

The six outputs to be reported as part of the 2008-09 Ministerial Portfolio Statements are:

- Promotion, Prevention and Protection*
- Primary Health Care*
- Ambulatory*
- Acute Inpatient*
- Rehabilitation and Extended Care, and*
- Integrated Mental Health*

Work is currently underway to determine appropriate performance measures to support each of the new outputs. The recommendations made in your report will be considered in the development of these measures to ensure appropriate systems and processes are in place to support accurate and reliable reporting of output performance information, as well as ensuring the relevance and appropriateness of measures that fairly represents actual departmental performance.

I am confident that a future review of this audit will identify that the recommendations have been addressed ...”

4.4 Department of Justice and Attorney-General

4.4.1 Background

The Department of Justice and Attorney-General is the lead department for Queensland's criminal, civil and human rights justice services. The Department aims to deliver a fair, open and accessible justice system for all Queenslanders. The Department contributes to the government's community outcomes of safe and secure communities and a fair and socially cohesive and culturally vibrant society by delivering three outputs: *Justice Services*; *Law and Justice Reform*; and *Legal and Government Services*. These three outputs had a budgeted total expenditure of \$267.2m for 2006-07.

The audit focused on the output performance measures associated with the *Justice Services* output which had a budgeted expenditure of \$189.4m for 2006-07. This represents approximately 71 per cent of the budgeted total expenditure of the three outputs. Through the *Justice Services* output, the department delivers —

- accessible and technologically advanced court and tribunal processes to deal with civil disputes and criminal matters fairly and quickly;
- civil and criminal mediation;
- criminal prosecution; and
- a range of guardianship services to support adults with impaired decision-making capacity.

4.4.2 Overall audit conclusion

The Department of Justice and Attorney-General is currently in the process of reviewing its outputs and are developing performance measures that are relevant and appropriate for the department and the users of its services. The audit identified that for the current set of performance measures there was a need to improve —

- elements of the framework, systems and reporting processes supporting output performance measurement; and
- the relevance and appropriateness of its output performance measures.

While the department had some relevant and appropriate performance measures, it is considered that overall the current suite of measures collectively do not fairly represent the output's service delivery performance.

4.4.3 Recommendations

RELEVANCE AND APPROPRIATENESS OF OUTPUT PERFORMANCE MEASURES

11. In relation to relevance, it is recommended that the department —

- ensure the output performance measures are relevant by regularly reviewing and where necessary improving the suite of performance measures. When reviewing the measures, consider factors such as the extent of the department's control over the performance of independent bodies;**
- include measurable, clearly articulated objectives for the output. The output objectives should demonstrate how the output contributes to the department's strategic objectives and the relevant government outcome and will allow the identification of relevant output effectiveness and cost efficiency measures to assist in the annual resource allocation process;**
- ensure the quality text based measures in the *Justice Services* output are relevant and their targets are specific and measurable; and**
- ensure that output performance measures comprehensively address all of the key aspects of the department's output and its activities by covering quantity, quality, timeliness and full accrual cost per unit.**

12. In relation to appropriateness, it is recommended that the department —
- a. regularly review and where necessary improve the output performance measures to ensure there is a range of appropriate measures that incorporate better practice characteristics that provide stakeholders with useful and reliable performance information;
 - b. ensure each measure has an appropriate and achievable target for the reported timeframe;
 - c. provide trend data which demonstrates performance over time in the annual report; and
 - d. provide comparison of performance results with other similar entities in the annual report.

FAIRLY REPRESENT OUTPUT PERFORMANCE

13. It is recommended that the department —
- a. ensure that output performance information is fairly represented in the MPS by —
 - ensuring accompanying notes to the measures in the MPS explain the context, meaning and any limitations in the data reported; and
 - ensuring all output performance measures are valid in that they measure the characteristic they are designed to represent;
 - b. enable assessment of the department's service delivery by —
 - formalising the monitoring and quality assurance processes for output performance measurement and reporting by developing documentation which clearly outline these processes;
 - ensuring that the entire output performance management process is covered by a robust records management policy; and
 - conducting periodic independent checks over the processes involved in the production and reporting of output performance information; and
 - c. comply with the provisions of the *Financial Management Standard 1997* by ensuring adequate linkages and alignment of output performance information reported in the MPS with that included in the department's annual report. This includes reporting on actual year-end result against the specific performance measure targets for the outputs and achievement of results.

RELIABILITY OF OUTPUT PERFORMANCE INFORMATION

14. It is recommended that the department —
- a. improve the accountability for output performance measurement and reporting by clearly defining and documenting roles and responsibilities for data collection, processing, monitoring, analysis and reporting for output performance measures;
 - b. improve costing methodologies by —
 - developing and implementing suitable costing methods that accurately identify the cost of delivering key products and services that make up the output;
 - formalising the costing methodology by documenting the formula and underlying assumptions; and
 - regularly reviewing the costing methodology and the underlying assumptions to ensure they are still appropriate for decision-making;
 - c. ensure well documented data quality standards and expectations by —
 - developing and documenting data quality standards and expectations, and clearly communicating these requirements to responsible officers. They may be documented in the form of policies and procedures and/or a data dictionary; and

- ensuring procedures are in place at the operational/business unit level pertaining to data collection, processing, monitoring and reporting for output performance information;
- d. ensure adequate data assurance arrangements are maintained by documenting data definitions and collection methods to ensure consistent measurement and calculation; and
- e. ensure adequate controls are established over data collection and processing by —
 - implementing suitable data collection, processing and monitoring controls over output performance information to ensure the accuracy, completeness and reliability of performance data; and
 - implementing appropriate succession planning for staff who are responsible for collection, processing and reporting of performance information.

4.4.4 Department of Justice and Attorney-General response

The Director-General stated in his response of 9 July 2007 —

“... Overall, I agree with the findings and recommendations of the audit. The department has been aware for some time that its performance measures could be improved and that performance management systems, reporting and governance should be strengthened.

As the audit report notes, the department had initiated a project to review its output structure and output performance measures before the audit began. The timing of the audit was therefore opportune and has provided useful feedback about areas for improvement. The report recommendations will provide welcome guidance through the remainder of the project, particularly in relation to establishing robust governance and systems control mechanisms for new and revised measures.

In relation to the specific recommendations in Section 4.4.3, the recommendation about the relevance of output performance measures states “When reviewing the measures, consider factors such as the extent of the Department’s control over the performance of independent bodies.”

There are some measures which are currently contained in the Ministerial Portfolio Statement (MPS) and are also reported in the Report on Government Services which relate more specifically to the work of the judiciary rather than to the work of departmental staff. These measures are based on nationally agreed counting rules and data definitions and are used to benchmark performance against that of the other Australian jurisdictions. They are relevant as they provide information to the public on the general performance of our courts and tribunals. If the performance measure meets that public interest criterion, it is my view that it should be retained and accompanying notes clearly explain the context, meaning and relevance of the measure.

In relation to the report recommendations generally, the department intends to address these systematically and in line with the QAO Better Practice Guide – Output Performance Measurement and Reporting.

The performance management systems audit of this department has been timely and will be a positive catalyst for ongoing review and improvement of the Department’s performance management frameworks and systems...”

4.5 Environmental Protection Agency

4.5.1 Background

The role of the Environmental Protection Agency (EPA) includes maintenance of the natural resource base and a clean, liveable healthy environment. The EPA is the Queensland Government's lead agency for environmental protection and conservation management, and incorporates the Queensland Parks and Wildlife Service (QPWS). The EPA meets its responsibilities through the delivery of three outputs with a budgeted total expenditure of \$294.5m for 2006-07. The output audited represented almost 50 per cent of the total budget funding to the agency.

This audit focused on the output performance measures associated with the *Protecting Our Natural and Cultural Heritage* output which had a budgeted total expenditure of \$150.1m. Through this output the EPA focus on the diversity and integrity of natural ecosystems and native species by ensuring that —

- the diversity and integrity of Queensland's natural ecosystems are preserved;
- the conservation status of Queensland's native species is maintained or enhanced; and
- Queensland's historical cultural heritage is recognised and protected.

4.5.2 Overall audit conclusion

The EPA is working with the Treasury Department to reformat its outputs and performance measures to improve upon the present output structure and associated performance measurement reporting requirements. The audit found the EPA would need to improve —

- elements of the framework, systems and reporting processes supporting output performance measurement; and
- the relevance and appropriateness of its output performance measures.

4.5.3 Recommendations

RELEVANCE AND APPROPRIATENESS OF OUTPUT PERFORMANCE MEASURES

15. In relation to relevance, it is recommended that the agency —
 - a. ensure the output performance measures are relevant by regularly reviewing and where necessary improving their suite of performance measures. When reviewing the measures, factors such as the extent of the agency's control over the performance against the measures should be considered;
 - b. include measurable, clearly articulated objectives in each of the MPS output statement. These output objectives should demonstrate how the output contributes to the department's strategic objectives and the relevant government outcome and will allow the identification of relevant output effectiveness and efficiency measures to assist in the annual resource allocation process; and
 - c. ensure that output performance measures comprehensively address all the key aspects of the agency's output and its activities by covering quantity, quality, timeliness and full accrual cost per unit.
16. In relation to appropriateness, it is recommended that the agency —
 - a. regularly review and where necessary improve the output performance measures to ensure that a range of appropriate measures are used that incorporate better practice characteristics that provide stakeholders with useful and reliable performance information;
 - b. ensure each measure has an appropriate and achievable target for the reported timeframe;
 - c. provide trend data which shows its performance over time in its annual report; and
 - d. provide comparison of performance results with other similar entities in the annual report.

FAIRLY REPRESENT OUTPUT PERFORMANCE

17. It is recommended that the agency —
- a. ensure that output performance information is fairly represented in the MPS by —
 - ensuring accompanying notes to the measures in the MPS explain the context, meaning and any limitations in the data reported; and
 - ensuring all output performance measures are valid in they measure the characteristic they are designed to represent;
 - b. enable assessment of the agency's service delivery by —
 - formalising its monitoring and quality assurance processes for output performance measurement and reporting by developing documentation which clearly outline these processes; and
 - conducting periodic independent checks over the processes involved in the production and reporting of output performance information;
 - c. improve processes for the ongoing analysis and evaluation of output performance information and measures by —
 - including comment on annual measures in quarterly reporting particularly where there are indications that significant variations from target may occur; and
 - benchmarking data with other jurisdictions and reporting trends over prior years for selected performance measures; and
 - d. comply with the provisions of the *Financial Management Standard 1997* to ensure adequate linkages and alignment of output performance information reported in the MPS with that included in the Agency's annual report. This includes reporting on actual year-end result against the specific performance measure targets for the outputs and achievement of results.

RELIABILITY OF OUTPUT PERFORMANCE INFORMATION

18. It is recommended that the agency —
- a. improve the accountability for output performance measurement and reporting by clearly defining and documenting roles and responsibilities for data collection, processing, monitoring, analysis and reporting for output performance measures;
 - b. improve the integration of internal management reporting processes by —
 - enhancing the linkages between the MPS measures and internal reporting; and
 - further developing existing output performance reporting to assist in determining the resources required to produce the output and achieve its targets;
 - c. improve costing methodologies by —
 - developing and implementing suitable costing methods that accurately identify the cost of delivering key products and services that make up the output;
 - formalising its costing methodology by documenting the formula and underlying assumptions; and
 - regularly reviewing the costing methodology and the underlying assumptions to ensure that they are still appropriate for decision-making;
 - d. ensure well documented data quality standards and expectations by —
 - developing and documenting data quality standards and expectations, and clearly communicating these requirements to responsible officers. They may be documented in the form of policies and procedures and/or a data dictionary; and
 - ensuring procedures are in place at the operational/business unit level pertaining to data collection, processing, monitoring and reporting for output performance information;

- e. ensure adequate data assurance arrangements by documenting data definitions and collection methods to ensure consistent measurement and calculation; and
- f. ensure adequate controls established over data collection and processing by —
 - implementing suitable data collection, processing and monitoring controls over output performance information to ensure the accuracy, completeness and reliability of performance data; and
 - implementing appropriate succession planning for staff who are responsible for collection, processing and reporting of performance information.

4.5.4 Environmental Protection Agency response

The Director-General stated in his response of 10 July 2007 —

“... As identified in your report, there are conceptual and practical issues with the Reporting by outputs framework and its implementation in practice. In conjunction with this challenge and as referred to in our earlier correspondence, we have embarked on a strategy process that:

- *establishes a clear vision and goals*
- *clarifies our purpose and objectives*
- *redefines our outputs, strategies and activities*
- *aligns our strategies, structure and outputs*

Your acknowledgement of our intent to reformat our outputs and performance measures in collaboration with Treasury Department is appreciated. This will support us in focusing on building a robust system that will ensure management decision making is optimal and our planning and reporting activities provide the best information available to us, our stakeholders and government for the multiple purposes to be served, rather than trying to retrospectively fix an existing system which poorly supports our requirements.

This report is timely in providing us with recommendations on how the Agency can progress our work on building a robust performance management framework and system and identifying opportunities to move forward. It has also provided a number of critical success factors we will work on to establish our new framework and supporting systems and, the resource Better Practice Guide – Output Performance Measurement and Reporting published by your office will provide input to our strategy process.

The EPA is making considerable progress, and we look forward to the opportunity to work with you where appropriate during the development of our system.

In summary, I agree with the recommendations in the report and they will be taken into consideration in our current review ...”

4.6 Central agency responses

4.6.1 Department of the Premier and Cabinet response

The Director-General stated in his response of 25 July 2007 —

“... I note the findings of the audit report and your view that there is a need, within Government departments, for greater relevance and appropriateness of output performance measures; a fair representation of actual output service delivery performance; and greater reliability of output performance information.

I also note your concern that the current Financial Management Framework does not, in your view, provide adequate guidance material to departments about the outcomes and the output management framework, and that there is a need for departments to ensure that they adhere to the guidance provided in the Queensland Audit Office’s (QAO) Better Practice Guide – Output Performance Measurement and Reporting and the requirements of the Financial Management Standard 1997.

In view of your concerns, and in conjunction with the Under Treasurer, I will request all Government departments and agencies to review their current systems and processes to ensure compliance with the QAO’s Better Practice Guide and the Financial Management Standard 1997. I will also request the Under Treasurer to progress concerns with the Financial Management Framework through the Financial Management Framework Advisory Group...”

4.6.2 Treasury Department response

The Under Treasurer stated in his response of 20 July 2007 —

“... Practical application of performance management concepts

Notwithstanding the extent of guidance material that is available on output performance management, Treasury acknowledges the challenges faced by agencies in the application of the concepts as evidenced by the results of the audit. Agencies operate in a complex environment with often competing policy, economic and social objectives. The Australian Policy Handbook (which has replaced the Queensland Policy Handbook) outlines these complexities in more detail (Chapter 3). The prescription and application of an output/outcome performance management framework in itself represents a further challenge for agencies which vary in their ability to comply.

Nonetheless, the objective of improving performance management across the sector provided at least part of the impetus for the Government’s establishment of the Service Delivery and Performance Commission in 2005. The role of the Commission as detailed in the Service Delivery and Performance Commission Act 2005 includes:

- *the development of enhanced performance targets for particular agencies or particular services;*
- *educating agencies about managing and monitoring their own performance; and*
- *establishing standards for internal government planning and reporting practices about service delivery across the public sector.*

The Commission is planning to undertake performance management reviews of all agencies. It has identified in its Performance Management Review Framework that the performance reviews will emphasise the effective use of performance management tools.

Each review will:

1. *Examine the level of maturity of performance management frameworks of the departments, including the alignment between corporate plans, resource allocation, implementation, monitoring and performance evaluation.*
2. *Examine the use of targets and, where possible, identify targets that engender greater focus on efficiency and effectiveness to maximise resource utilisation.*
3. *Recommend improvements in performance management arrangements.*

Treasury is of the view that the Commission's work with each agency should lead to significantly improved agency capability in this area. Future QAO performance management system audit plans should consider prioritising agencies that have been reviewed by the Commission.

Proposed changes to the ministerial portfolio statements (MPS)

The Financial Management Framework strongly promotes consistency in performance reporting across agency strategic plans, operational plans, budget documentation and annual reports. The recommendations made by the draft report appear to be uneven in this regard with the emphasis on changing the MPS, more so than the other documents.

The focus of the MPS is clearly on the forthcoming year. Priority is given to presentation of information that relates to new funding initiatives for the forthcoming year i.e. the budget process is not zero-based. Additionally, because of the timing of the budget cycle, the MPS is largely forecast-based in relation to both performance in the current year, and projections for the budget year.

For these reasons, it may not be the ideal vehicle for including detailed notes on performance measures. Agency strategic plans and annual reports, both of which are publicly available, may be more suitable documents to provide more extensive detail on performance measures and targets. In any event, Treasury agrees (and the Financial Management Framework promotes) that the information in all these documents should align, and should also cascade down to inform internal agency operational plans.

The findings and recommendations of this audit report will inform the review of whole-of-Government reporting currently being undertaken by the Department of Premier and Cabinet, the purpose of which is to streamline reporting requirements across the sector.

Balancing the costs and benefits of improvements to performance management

Treasury recommends that a cost-benefit approach be used to prioritise investment in improving performance management capability. The substantive cost of developing statistically valid, reliable and consistent information for all government activity, should be balanced against the potential for the information to provide a basis for improvement ...”

Section 5

Follow-up review of Reports Nos. 3 and 5 for 2005

5.1 Summary of findings

Follow-up audits are recognised as an important element of the accountability process of public administration. Parliament looks to the Auditor-General to report, from time to time, on the extent to which departments have implemented recommendations of previous audit reports. Follow-up audits keep Parliament informed of progressive improvements and current challenges in areas that have previously been subject to scrutiny through performance management systems audits.

As part of this audit, I considered it timely to follow up on the implementation of the audit recommendations made in my previous reports¹¹ to Parliament on output performance measurement and reporting.

I am pleased to note that, based on the information provided by the departments, most recommendations previously raised have been fully or partially implemented. A notable exception was the recommendation to improve costing methodologies. While the departments accepted the recommendation at the time of the audit, four of the seven departments requiring improvement now disagree with the need to have improved cost performance information for their output service delivery. The following sections, with the accompanying tables, provide an overview of the status at the 11 departments.

5.2 Overall finding — frameworks

The area with the most improvement is the integration of internal management reporting processes with reporting of output performance information. Three of the six departments have fully implemented the recommendation. In relation to monitoring and quality assurance practices, one of the eight departments has not commenced implementing the audit recommendation and another four have only partially implemented this recommendation.

Progress towards implementation of all audit recommendations in relation to frameworks is summarised in the following table.

Table 5.1 — Audit findings – output performance measurement frameworks

Attributes assessed		Status of 11 departments previously audited		
		Number of departments where issues raised previously	Number of departments partially implementing this recommendation	Number of departments which fully implemented this recommendation
1	Clearly defined roles, responsibilities and accountabilities for output performance measurement and reporting.	3	3	0
2	Well documented data quality standards and expectations for output performance information.	4	3	1
3	Monitoring and quality assurance processes for output performance information.	8	4	3
4	Internal management reporting processes and accountabilities integrated with reporting of output performance information.	6	3	3

Source: QAO – responses of departments to self assessment of progress against audit recommendations.

¹¹ Auditor-General's Reports Nos. 3 and 5 for 2005

5.3 Overall findings — systems

The area where the most progress has been made by departments is in relation to ongoing analysis and evaluation of output performance information. Three of the six departments have fully implemented the recommendation.

Progress towards implementation of all audit recommendations in relation to systems is summarised in the following table.

Table 5.2 — Audit findings – output performance measurement systems

Attributes assessed		Status of 11 departments previously audited		
		Number of departments where issues raised previously	Number of departments partially implementing this recommendation	Number of departments which fully implemented this recommendation
1	Data assurance arrangements for output performance information	8	5	3
2	Costing methodologies established and supported by appropriate assumptions and adequate documentation.	7	1	2
3	Controls established over data collection and processing.	6	4	1
4	Ongoing analysis and evaluation of output performance information.	6	3	3

Source: QAO – responses of departments to self assessment of progress against audit recommendations.

In relation to costing methodologies, four of the seven departments have not, and do not intend to implement the audit recommendation. Each department responded that they meet all statutory requirements for output costings. As I have raised previously in my reports¹², a more detailed costing approach at the activity and output level would enable departments to better assess the efficiency of their operations and the cost effectiveness of service delivery and enable more informed decision-making in the annual budget resources allocation process.

In my view, without detailed costing information, accountable officers and Ministers are not meeting the requirements of the *Financial Administration and Audit Act 1977* that requires them to have systems that tell them how economic, efficient and effective their operations are.

The purpose of having detailed costing of the products and services that make up the output includes —

- identifying the cost of providing a product or service within the output;
- providing one measure of the success or failure in efficiently producing outputs;
- estimating anticipated output costs for submissions for the budget process, justifying the forward estimates and negotiating appropriate resource levels;
- continually monitoring performance and budget for internal and external purposes such as meeting the requirement to report output costs to the Cabinet quarterly; and
- identifying the nature, quantity and quality of outputs that can be produced within the forward estimates and negotiating appropriate output performance targets with Cabinet.

¹² Auditor-General's Report Nos. 3 and 5 for 2005

Resource allocation and decision-making can be improved as departments develop robust and reliable costing systems with effective benchmarking. The benefits that would flow include —

- for departmental management, information to assist in —
 - resource allocation decisions;
 - resource management decisions;
 - pricing of user pays fees (see my Auditor-General Report No. 8 for 2006); and
 - highlight cross-subsidies and inefficiencies; and
- for whole-of-government —
 - development of departmental budgets in a transparent manner; and
 - better information for government and stakeholders to use in decision-making.

I strongly encourage the departments that have not implemented the recommendations relating to enhanced costing methodologies to reconsider their rejection of this audit recommendation.

5.4 Overall findings — reporting

The area of most improvement is in relation to the alignment of output performance reporting between MPS and annual report. Four of the eight departments have fully implemented this recommendation.

No departments have fully implemented the recommendation ensuring an adequate management trail for output performance information is in place. One of the four departments has not yet commenced implementing this recommendation.

Progress towards implementation of all audit recommendations in relation to reporting is summarised in the following table.

Table 5.3 — Audit findings – output performance reporting

Attributes assessed		Status of 11 departments previously audited		
		Number of departments where issues raised previously	Number of departments partially implementing this recommendation	Number of departments which fully implemented this recommendation
1	Adequate management trail for output performance information.	4	3	0
2	Fair presentation of output performance information.	10	5	3
3	Alignment between output performance information in MPS and annual report	8	4	4

Source: QAO – responses of departments to self assessment of progress against audit recommendations.

5.5 Agencies responses

5.5.1 Department of Emergency Services

The Director-General stated in her response of 20 July 2007 —

“... I support the findings reported in Sections 1 and 2 of the report as they reflect our observations of the current performance management framework.

I reaffirm my earlier advice regarding the intentions of the Department of Emergency Services to advance performance management initiatives identified in the review of our performance management framework undertaken by the department during the 2007-2008 strategic planning cycle. These will holistically address the recommendations made by the QAO ...”

5.5.2 Department of Education, Training and Arts

The Director-General stated in her response of 19 July 2007 —

“... The Department of Education, Training and the Arts supports transparent performance reporting. I have no amendments to recommend in relation to the draft report. From reading your extract, it appears that most agencies are progressing towards more transparent and robust reporting ...”

5.5.3 Department of Natural Resources and Water

The Director-General stated in his response of 19 July 2007 —

“... I have noted your comments on the lack of clarity about relevant and appropriate performance measures which fairly represent each department’s output performance. I note also that you referred to the Australian National Audit Office’s comments that departments often find it challenging to implement all the elements of the outcomes and outputs framework in a manner that concisely reports on effectiveness and efficiency, and I would agree that this can be a challenge and one we will continue to work on ...”

5.5.4 Disability Services Queensland

The Director-General stated in her response of 23 July 2007 —

“... As Disability Services Queensland has fully implemented its recommendations, I have noted the content and have no further comments to make ...”

5.5.5 Department of Main Roads

The Director-General stated in his response of 11 July 2007 —

“... Due to the ongoing significant interest in performance measurement and reporting practices in the Queensland public sector, the Department of Main Roads is continuing to implement, educate and enhance our performance management system ...”

5.5.6 Department of Transport

The Director-General stated in his response of 19 July 2007 —

“... Queensland Transport (QT) recognises the importance of sound performance measurement and reporting practices for organisational improvement and accountability purposes. The establishment of the new Information Management division within QT in November 2006 will enhance the quality of data and information systems, processes and reporting of the Department.

The Department supports your stance regarding continued Whole-of-Government policy support and direction regarding output and outcome performance measurement.

Since the review occurred, QT has fully implemented two of the five recommendations made in the audit report and partially implemented the remaining 3. The Department continues to work towards implementation of all recommendations and is monitoring progress of this work program which will include incorporation into a major review of the Department's Strategic Plan that will commence later this year ..."

5.5.7 Department of Primary Industries and Fisheries

The Director-General stated in his response of 24 July 2007 —

"... After reviewing the audit findings detailed in this report, Department of Primary Industries and Fisheries (DPI&F) has no specific comments to include in the report, other than endorsing your opinion that there is a need for clearer public sector guidance on the requirements of the performance management framework.

To date the best practice recommendations from the Auditor-General's Reports 3 and 5 of 2005 and the Performance Management Review Framework (Service Delivery and Performance Commission 2007) have provided significant support to DPI&F's efforts to continually improve all aspects of its performance management framework ..."

Section 6

Appendices

6.1 Performance Management Systems Audit approach

6.1.1 Legislative basis for this audit

The legislative basis for this audit is s.80 of the *Financial Administration and Audit Act 1977* (FA&A Act). The statutory office of Auditor-General, as the external auditor for the Parliament, is established pursuant to the FA&A Act. The Auditor-General is independent and is not subject to direction by any person. Although the Auditor-General takes note of the entity's perspective, the scope of a public sector audit is at the sole discretion of the Auditor-General as the FA&A Act prescribes that the Auditor-General may conduct an audit in the way the Auditor-General considers appropriate.

A performance management systems audit (PMSA) is an independent examination of whether an entity or part of an entity's activities has performance management systems in place to enable management to assess whether its objectives are being achieved economically, efficiently and effectively. While a PMSA will not review or comment on government policy, it may extend to the entity's performance measures, and whether in the Auditor-General's opinion, the performance measures are relevant, purposeful and fairly represent the entity's performance.

The intent of a PMSA is to provide independent assurance to the Parliament, and to act as a catalyst for adding value to the quality of public administration by assisting entities in the discharge of their governance obligations. A PMSA has a focus on ascertaining whether the systems and controls used by management to monitor and measure performance assist the entity in meeting its stewardship responsibilities.

The Auditor-General's *Guidelines for the Conduct of Audits of Performance Management Systems* were first tabled in Parliament in March 1995 and the most recent update to this publication is available at www.qao.qld.gov.au.

6.1.2 Audit Criteria

My Auditor-General's Report No. 5 for 2005 commented on elements of the existing output performance measures contained within the MPS output statement representing quantity, quality, timeliness and cost. My earlier findings principally related to the relevance of the measures in terms of their use by management in internal reporting and fair presentation in the MPS and departmental annual report. The expansion to my mandate now enables me to provide an opinion on the performance measures themselves.

6.1.3 Framework for performance measures

There are normally three measures associated with performance —

Economy	the extent to which resources (financial, human, physical, and information) are acquired at the lowest cost and at the right time given the appropriate quality and quantity. (referred to as a measure of cost);
Efficiency	the relationship between products or services produced (outputs) and resources (inputs) used to produce them. (referred to as a measure of performance); and
Effectiveness	a concise definition does not exist but generally defined as the "extent to which desired results (outcomes) were achieved, assigned missions accomplished, and the work done consistent with values, overall goals and plans". (referred to as an indicator of performance).

Within the Queensland Public Sector, performance information and the measures that demonstrate performance achievements are required to be reported on at three levels —

1. whole-of-government outcomes;
2. department performance of its strategic plan —
 - goals (a general statement of desired results [outcomes] to be achieved); and
 - objectives (a specific statement of results to be achieved over a specified period of time) i.e. strategies; and
3. outputs (products and services identified and delivered by departments to achieve the outcomes being sought).

The achievement of departmental strategic goals is measurable in the medium to longer term, and has a focus on the effectiveness and efficiency of the achievement of outcomes through the delivery of outputs. Whereas outputs, the focus of this audit, have a short-term focus aimed specifically at the products and services funded by parliamentary appropriation in its annual resource allocation. They are delivered and measured in respect to quantity, quality, timeliness and cost.

6.1.4 Defining the terms of my mandate

I consider the following positions formulated by the Auditors-General for Western Australia and Victoria (who have similar mandates) provide significant clarity in that the MPS and the annual report are only effective if they report on performance measures that —

- are relevant and appropriate (report the right things);
- fairly represent (are meaningful to any group or individual who can affect, or is affected by, the achievement of a department's purpose);
- report fairly (are accurate and reliable);
- are audited and evaluated to provide assurance on relevance, appropriateness and accuracy; and
- include measures of efficiency and effectiveness.

However, to carry out my mandate as prescribed I need to define the terms “performance”, “performance measure”, “relevant”, “appropriate” and “fairly represent”. These terms are used widely in management texts, performance measurement theory, and in other jurisdictions and audit offices. Within the Queensland public sector however, there is minimum guidance in place on the meaning of these terms. I have therefore drawn on MFO publications and definitions used by Auditors-General with a similar mandate to guide me in defining these terms.

The MFO documents (see Appendix 6.3) require the comparison of actual versus intended output results in terms of effectiveness, efficiency, and standards of service delivery output. The measures of efficiency are defined as comprising the following: quantity of services delivered; the quality or standard of the service or product; and cost.

The following are the definitions of criteria I will use to audit performance measures.

Table 6.1 — Definitions

Performance	The result achieved in terms of a given activity, usually measured in terms of economy, efficiency and effectiveness, but may also include other metrics such as sustainability, capacity and capability.
Performance Measures	<p>Measures of performance include measures of efficiency and indicators of effectiveness. Measures of outputs should include the four dimensions of output performance in terms of quantity, quality, timeliness and cost.</p> <p>measures of efficiency which shall comprise the following —</p> <ul style="list-style-type: none"> ● efficiency: output/input (e.g. number of social assistance requests processed per social worker) ● quality:(e.g. % social assistance requests receiving correct entitlement) ● service level: (e.g. % requiring social assistance who receive entitlement) ● service response: (e.g. average time to respond to social assistance requests) <p>indicators of effectiveness which shall describe the quantifiable extent of the immediate effect on recipients as a result of the level and quality of the service or good provided (may relate to knowledge, skills, attitudes, values, condition, or status).</p>
Relevant	<p>The measures should have a logical and consistent relationship to clearly defined objectives which define what is to be measured and are linked to the government's desired outcomes.</p> <p>The department is accountable for the achievement of the objective and for reporting against the measure(s).</p>
Appropriate	<p>The measures should include sufficient information to assess the extent to which the department has achieved a predetermined goal, target or outcome including reference to —</p> <ul style="list-style-type: none"> ● the trend in performance over time; ● performance relative to predetermined benchmarks; and ● performance relative to performance of similar agencies. <p>The measure should be accompanied by adequate notes that allow stakeholders to draw conclusions about the performance of the agency.</p>
Fairly Represent	The information provided must include verifiable measures about achievement of the department's objective(s), be consistent in all public documents reporting the information and clearly explain the context, meaning and any limitations in the measures reported.
Reliability	The accuracy and completeness of the performance measures and supporting information can be relied upon and verified.

Source: QAO, Auditors-General of Western Australia and Victoria.

6.1.5 Audit methodology

The audit procedures comprised a desktop examination of documentation developed by central departments and individual departments; walk-throughs of departmental systems; and interviews with public sector staff involved in the output performance measurement process.

6.2 Queensland Financial Management Framework

In July 2000 the Managing for Outcomes (MFO) framework was implemented across the Queensland budget sector. It is a comprehensive and integrated planning, budgeting and performance management reporting framework. Guidance material was issued by the Treasury Department at the time of MFO implementation, providing information on the government's intentions for MFO in the Queensland context.

The guidance material noted that the MFO Performance Management Framework is an organisational and accountability framework for public sector service delivery representing the whole delivery process. This includes inputs, outputs and outcomes and defining community outcomes to focus effort across the public sector in delivering services and appropriate results. In addition, the framework relates outputs to outcomes, and inputs to outcomes, to assist decision makers in the alignment of government services and resources with desired outcomes and government priorities.

The MFO Policy Guidelines defines —

- **outcomes** as the effects on, or consequences for, the community of the services and products (outputs) purchased by the government; and
- **outputs** as a discrete service or product (including policy advice) produced by a department and purchased by the government, for external customers or consumers.

Further, specific information supporting the use of the MFO framework included the following —

- MFO is an important move towards improving service delivery and resource management across the Queensland public sector. It is intended to promote the achievement of the government's endorsed policy objectives and outcomes, by translating them into funded services and therefore promote better management of the State's public resources. It will encourage an improved focus on results achieved and not simply on inputs consumed.
- MFO clarifies the government's role as owner and investor in government departments. As an owner, the government's role is to ensure that it has optimum investment in each department and that each department's financial performance meets the government's required targets
- MFO provides for the government's role as purchaser and the departments' role as provider in service delivery.

In addition the *MFO - Output Specification Guidelines* (July 1997) states that output specification and measurement is critical to —

- department management in specifying, costing and producing outputs in the most efficient and effective manner;
- the government's selection and resourcing of the most efficient and effective outputs; and
- the comparison of actual versus intended (purchased) output results.

The guidance material also provides direction on how to measure the outputs produced. The *MFO - Performance Management Framework* (November 2002), states that —

"Output Measures focus on the efficiency and effectiveness of the Outputs. Aspects such as quantity of services delivered, the quality or standard of the service of product and cost, are important aspects towards ensuring that outputs are appropriately directed towards the Outcomes."

I support the continued use of the outcomes and outputs framework as a budgetary instrument and encourage government to retain the funding principles and accountabilities within this framework. The MFO framework has recently been subsumed by the Financial Management Framework (FMF) developed by the Treasury Department. The FMF is a consolidation of all existing policy and guidelines in relation to the State's approach to financial management and the outcomes and outputs framework. Some of this guidance material originated under the Managing for Outcomes framework, including —

- *Mapping Outputs to Outcomes, 2003;*
- *Government Priorities, Outcomes, Outcome Indicators and Key Outcome Measures, 2003;*
- *Performance Management Framework, 2002;* and
- *Strategic Governance Principles and Indicators, 2003.*

Other Treasury-generated material included in the FMF with specific reference to output and outcome performance management includes —

- *Financial Management Standard*;
- *Planning Overview*;
- *Strategic Planning Guidelines*;
- *Operational Planning Guidelines*; and
- *Cost Effective Internal Control Guidelines*.

The Resources page on the FMF also includes links to other agency guidance material on the application of the concepts contained in the framework.

6.3 References

There is a wealth of literature and resources on performance measurement both within Australia and internationally. The primary references sourced during the course of this audit are detailed below.

6.3.1 Publications

Queensland

Queensland Treasury. 2002. *MFO Fact Sheet. Performance Management Framework*. November 2002.

Queensland Treasury. 2002. *Cost-effective Internal Control Guidelines Underpinning Agency Performance*. April 2002.

Queensland Treasury. 2003. *MFO Fact Sheet. Government Priorities, Outcomes, Outcome Indicators and Key Outcome Measures*. March 2003.

Queensland Treasury. 2003. *MFO Fact Sheet. Mapping Outputs to Outcomes*. March 2003.

Queensland Treasury. 2003. *MFO Fact Sheet. Strategic Governance Principles & Indicators*. May 2003.

Auditor-General of Queensland. 2004. Audit Report No. 5 for 2004-05. *Results of Performance Management Systems Audits*.

Auditor-General of Queensland. 2005. Audit Report No. 5 2005. *Results of Performance Management Systems Audits of Output Performance Reporting – Phase 2*.

Auditor-General of Queensland. 2006. *Better Practice Guide – Output Performance Measurement and Reporting*. February 2006.

Service Delivery and Performance Commission. 2007. *Performance Management Review Framework*. February 2007

Publications no longer available

Queensland Treasury. 1997. *MFO Series. Managing for Outcomes in Queensland*. July 1997.

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National

Australian National Audit Office. 2002. *Better Practice Guide – Performance Information in Portfolio Budget Statements*. May 2002.

Australian National Audit Office. 2004. *Better Practice Guide – Better Practice in Annual Performance Reporting*. April 2004.

Australian National Audit Office. 2007. Audit Report No. 23 for 2006-07. *Application of the Outcomes and Outputs Framework*. February 2007.

Other Australian Jurisdictions

Auditor-General of Victoria. 2001. *Performance Audit. Departmental performance management and reporting*. November 2001

Auditor-General of Victoria. 2003. *Performance Audit. Performance management and reporting - Progress report and a case study*. April 2003.

Auditor-General of Western Australia. 2006. *Audit Report 3 for 2006. Public Sector Performance Report*. May 2006.

Auditor-General of New South Wales. 2006. *Performance Audit. Agency Use of Performance Information to Manage Services*. June 2006.

Auditor-General of Western Australia. 2006. *Audit Report 8 for 2006. Second Public Sector Performance Report 2006*. August 2006.

International

Al Gore – Vice President U.S.A. 1997. *Serving the American Public: Best Practices in Performance Measures*. June 1997.

Audit Commission United Kingdom. 2000. *Management Paper – aiming to improve the principles of performance measurement*.

Auditor-General of British Columbia. 2003. *Performance Reporting Principles For the British Columbia Public Sector Principles Endorsed by Government, the Select Standing Committee on Public Accounts and the Auditor General of British Columbia*. November 2003.

Auditor-General of British Columbia. 2001-02. *Building Better Reports Public Performance Reporting Practices in British Columbia*.

Controller and Auditor-General of New Zealand. 2002. *Reporting Public Sector Performance 2nd Edition*. January 2002.

Auditor-General of British Columbia. 2006. *Building Better Reports: Our assessment of the 2004/05 Annual Service Plan Reports of Government*. March 2006.

6.3.2 Websites

www.treasury.qld.gov.au	Queensland Treasury. Queensland Government central agency providing guidance and monitoring in relation to performance measurement reporting by other Queensland Government agencies.
www.qao.qld.gov.au	Queensland Audit Office.
www.anao.gov.au	Australian National Audit Office.
www.audit.nsw.gov.au	New South Wales Audit Office.
www.audit.vic.gov.au	Victorian Audit Office.
www.audit.wa.gov.au	Western Australian Audit Office.
www.audit-commission.gov.uk	Audit Commission of United Kingdom.
www.nao.org.uk	National Audit Office of the United Kingdom (UK). An independent agency that scrutinises public spending on behalf of the UK Parliament.
www.bcauditor.com	Auditor-General of British Columbia.
www.gao.gov	United States (US) Government Accountability Office. An independent, non-partisan agency that works for Congress and investigates how the US federal government spends taxpayer dollars.
www.oag.govt.nz	Controller and Auditor-General of New Zealand.
govinfo.library.unt.edu	National Performance Review (NPR) U.S.A. NPR sponsors and organises benchmarking studies aimed at making government work better and cost less. This effort is championed by the President's Management Council, which is made up of the Deputy Secretaries and their equivalents in the major federal agencies.

6.3.3 Acronyms

DEIR	Department of Employment and Industrial Relations
EPA	Environmental Protection Agency
FA&A Act	<i>Financial Administration and Audit Act 1977</i>
FMF	Financial Management Framework
FMS	<i>Financial Management Standard 1997</i>
MFO	Managing for Outcomes
MPS	Ministerial Portfolio Statement
PMSA	Performance Management Systems Audit
QAO	Queensland Audit Office

Section 7

Acknowledgements

The assistance and co-operation of officers from the Environmental Protection Agency, Department of Health, Department of Employment and Industrial Relations and Department of Justice and Attorney-General is noted and appreciated.

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Glenn Poole
Auditor-General

Section 8

Publications

8.1 Publications

Publication	Date released
Annual Report 2006	October 2006
INFORM	
Issue 3 for 2007	June 2007
Issue 2 for 2007	April 2007
Issue 1 for 2007	February 2007
Guidelines	
Checklist for Organisational Change — Managing MOG Changes	September 2006
Checklist — Preparation of Financial Statements	August 2006
Better Practice Guide — Output Performance Measurement and Reporting	February 2006
Other	
Auditor-General of Queensland Auditing Standards	April 2007
Performance Management Systems Audits — An Overview	January 2006

8.2 Auditor-General's Reports to Parliament 2007

Report No.	Subject	Date tabled in the Legislative Assembly
1	Auditor-General's Report No. 1 for 2007 Results of Local Government Audits for 2005-06	19 April 2007
2	Auditor-General's Report No. 2 for 2007 Results of Performance Management Systems Audits of Management of Funding to Non-Government Organisations	22 May 2007
3	Auditor-General's Report No. 3 for 2007 Results of Aboriginal Shire Council and Torres Strait Island Council Audits for 2005-06	26 June 2007
4	Auditor-General's Report No. 4 for 2007 Are departmental output performance measures relevant, appropriate and a fair representation of performance achievements?	August 2007

Queensland Audit Office publications are available at www.qao.qld.gov.au or by phone on (07) 3405 1100

