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Introduction

Agencies' annual reports are a key mechanism by which they account for their performance. Information in annual reports should enable readers to clearly identify an agency's objectives and the efficiency and effectiveness with which those objectives are achieved.

Agencies are required by the Annual Reports Acts to report to Parliament annually on their operations and financial performance. Acts, Regulations, Treasury Circulars and Premier's Memoranda provide further guidance and detail on what agencies must report.

The Audit Office has recently completed a performance audit of the information published in the annual reports of eight public sector agencies.¹

Although there is much guidance material on preparing annual reports, the performance audit found that the quality of published performance information in annual reports often falls short of what is considered best practice.

Agencies tend to focus on reporting activities rather than outcomes and achievements. Few annual reports discuss setbacks and failures or compare performance to goals, targets and benchmarks.

The performance audit highlighted opportunities for agencies to improve the quality of information published in annual reports. Improvements in performance information will allow key stakeholders such as the Government, Parliament and members of the public, to judge agency performance.

¹*Judging Performance from Annual Reports, Audit Office of NSW, 2000.*

AIM OF THIS GUIDE

The aim of this Guide is to assist agencies to prepare annual reports that provide performance information that demonstrates accountability for the expenditure of public monies.

To do this, annual reports should:

- report objectives that are clear and measurable
- focus on results and outcomes
- discuss results against expectations
- be complete and informative
- explain changes over time
- provide evidence of value for money
- discuss risks, strategies and the external operating environment.

Each of these elements is discussed in the Guide. Findings from the audit and case studies are used to illustrate important points.

Checklists are provided at the back of the Guide for agencies to:

- test how well they meet better practice principles for reporting performance information
- identify opportunities for improvement.

Better practice principles

Objectives are clear and measurable



LEGISLATIVE REQUIREMENTS

Under annual reporting legislation agencies are required to publish:

- a statement of the manner and purpose for which the agency was established (the charter) and the principal legislation it administers
- aims and objectives, that is information on what the agency sets out to do, the range of services provided and the clients or community groups served².

The annual report also should disclose the vision and mission statements and corporate values as shown in the agency's strategic plan.

GOOD PRACTICE

Aims and objectives should reflect the enabling legislation and government policy.

Objectives need to:

- be specific
- define impacts on the community, environment or the economy
- be measurable.

Many agencies use corporate planning activities to clarify objectives, identify strategies to achieve objectives, identify outputs and outcomes and to set medium and long-term goals for performance.

When preparing the corporate plan, consideration should be given to how performance will be measured and what performance information will be published in the annual report.

Better alignment of corporate planning activities with the preparation of the annual report also will ensure that strategic information is consistent in both documents.

SPECIFYING MEASURABLE OBJECTIVES

Objectives need to be measurable. It is not possible for a reader of an annual report to determine what the agency intended to achieve, if the objectives are ambiguous or stated in very general terms.

²Annual Reports (Departments) Act 1985 and Annual Reports (Departments) Regulations 2000; Annual Reports (Statutory Bodies) Act 1984 and Annual Reports (Statutory Bodies) Regulations 2000.

THE AUDIT FOUND

SEVEN OF THE EIGHT AGENCIES COMPLIED WITH THE LEGISLATION BY EXPLAINING THE AGENCY CHARTER AND PROVIDING INFORMATION ON AIMS AND OBJECTIVES, AND AN OVERVIEW OF ACTIVITIES AND FUNCTIONS.

 **GOOD PRACTICE**

EXPLAINING THE SIGNIFICANCE OF AGENCY OBJECTIVES

In the 1998-99 annual report of the Department of Fair Trading three corporate objectives are identified. For each objective the Department discusses the significance of the objective, what the Department aims to achieve and the main activities that it undertakes related to that objective. For example:

Objective 1: Appropriate safeguards for consumers with minimal restrictions on business and traders

This is one of two core objectives which flow from our strategic intent of having NSW recognised for fairness and value in the marketplace. Within our areas of responsibility for consumer goods and services, accommodation and property services and home building, we develop and maintain the policy and legislative framework which provides the setting for many consumer and trader interactions in NSW. The aim is to ensure the framework creates a balance between the interests of consumers and traders.

 **GOOD PRACTICE**

REPORTING ON OBJECTIVES

The 1998-99 annual report of the NSW Police Service reports a key objective as to reduce crime. Results are reported in terms of performance against the following categories:

- assault
- break and enter
- motor vehicle theft
- robbery
- other stealing.

This objective is clear and measurable. Readers would be able to judge the success or otherwise of the NSW Police Service in reducing crime rates.

THE AUDIT FOUND

THE MANNER IN WHICH SOME AGENCIES DESCRIBED OBJECTIVES RENDERED THEM VERY DIFFICULT IF NOT IMPOSSIBLE TO MEASURE.

THE FOLLOWING OBJECTIVES ARE EXAMPLES WHERE THE AGENCY WOULD FIND IT DIFFICULT TO MEASURE AND REPORT RESULTS:

COUNCIL, BOARDS AND COMMITTEES OPERATE SUCCESSFULLY

STRONG RELATIONSHIP WITH OTHER ORGANISATIONS AND INDIVIDUALS ARE DEVELOPED AND MAINTAINED

PROVIDE STRONG LEADERSHIP THROUGH EXCELLENCE IN OUR OWN ACTIVITIES AND THROUGH RESEARCH AND PUBLICATIONS.

Focussing on results and outcomes

2

REPORTING OUTCOMES

An annual report should provide a clear discussion on what the agency planned to achieve, did achieve and plans to achieve in the future.

This includes reporting on:

- outputs to be delivered
- outcomes to be achieved
- the efficiency of service delivery outputs
- the effectiveness of programs.

Reporting outcomes enables readers to judge the effectiveness of the agency.

Therefore in annual reports, agencies should:

- report results and outcomes not just activities and outputs
- relate outcomes directly to objectives
- express outcomes in terms of impacts on the community
- relate outcomes to goals and targets.

OUTCOMES ARE RESULTS OR CONSEQUENCES ON THE COMMUNITY OF THE ACTIONS OR EVENTS (OUTPUTS) OF AN AGENCY. PLANNED OR DESIRED OUTCOMES ARE THE RESULTS OR IMPACTS THAT THE AGENCY WISHES TO ACHIEVE. ACTUAL OUTCOMES ARE THE RESULTS OR IMPACTS ACTUALLY ACHIEVED.

OUTPUTS ARE THE GOODS AND SERVICES PRODUCED BY AGENCIES ON BEHALF OF GOVERNMENT FOR EXTERNAL ORGANISATIONS OR INDIVIDUALS. OUTPUTS CAN NEVER BE OUTCOMES.

INPUTS ARE THE HUMAN, PHYSICAL AND FINANCIAL RESOURCES USED AND THE TIME REQUIRED TO PRODUCE OUTPUTS.

 **GOOD PRACTICE**

CLEAR IDENTIFICATION OF INPUTS, OUTPUTS AND OUTCOMES

In the front of its 1998-99 annual report the NSW Department of Sport and Recreation provides readers with a performance summary for the year.

The Department identifies in the summary inputs, outputs and outcomes, and relates these to its primary objective of increasing the level of community participation in sport and regular physical activity.

Outcome measures are participation rate for NSW as a whole, participation rate for each program and participation rate by demographic group.

To assist readers to determine whether the participation rate is increasing or decreasing, the Department provides four-year trend data to support comparisons.

 **GOOD PRACTICE**

REPORTING HEALTH OUTCOMES

The Illawarra Area Health Service provides a comprehensive view of its achievements in the 1998-99 annual report. One example is the outcomes achieved by the Falls Prevention Project. The Health Service identifies the target population and reports on:

- reductions in falls over the last three years
- reductions in hospital admissions
- savings arising from less hospital admissions.

THE AUDIT FOUND

IN MOST CASES IT WAS NOT POSSIBLE TO JUDGE FROM INFORMATION PROVIDED IN ANNUAL REPORTS THE EXTENT TO WHICH AGENCIES MET THEIR GOALS AND OBJECTIVES. MOST AGENCIES CONTINUE TO REPORT ONLY ACTIVITIES AND OUTPUTS, NOT RESULTS AND OUTCOMES.

Discussing results against expectations

3

SETTING PERFORMANCE TARGETS

Targets set by an agency provide measures against which readers can assess the success or otherwise of the agency's performance.

To be useful, targets must be:

- specific with numerical values assigned (not vague terms such as "reduce" or "improve")
- set at a reasonable (but challenging) level
- achievable within the timeframe.

Agencies need to report:

- actual results against the target
- the reasons for any significant variance from the target
- actions taken or planned to be taken to address unfavourable variances.

GOOD PRACTICE

CLIENT SERVICE TARGETS

The Office of State Revenue (OSR) publishes client service targets in its annual report.

An example of a key client satisfaction indicator is client waiting time for counter services at OSR's Sydney and Parramatta offices.

Targets for 1998-99 were:

- more than 60% of clients are served within 5 minutes
- more than 80% of clients are served within 10 minutes.

Results are reported each year in the annual report.

OSR's targets appear both challenging and achievable and focus on functions that are important to external clients. The information also provides readers with a view of the client service levels established by the Office.

THE AUDIT FOUND

TARGETS ARE RENDERED MEANINGLESS IF THE TARGET ITSELF IS NOT QUANTIFIED AND/OR THE AGENCY DOES NOT REPORT RESULTS AGAINST THE TARGET (BUT MERELY REFERS TO ITS EXISTENCE IN THE REPORT).

Reporting is complete and informative

4

COMPLETE AND INFORMATIVE

Performance reporting is complete and informative if:

- it covers key functions and programs of the agency (using key performance indicators)
- reports on performance against targets identified in the previous annual report
- it includes honest coverage of both successes and setbacks
- it includes trend data (for example, multi-year comparative tables and/or graphs ideally over the last three years) and a discussion and analysis of changes over time.

Discussion and analysis of financial performance also needs to be provided. Agencies should include:

- a brief financial summary together with explanations
- key financial ratios (exemplifying performance) with an explanation of the significance of each
- a preface to the financial statements including management's comments on the results.

GOOD PRACTICE

COMPLETE AND BALANCED REPORTING

In the 1998-99 Integral Energy annual report the Chairman provides an overview of both successes and failures:

- at the end of the second full year of the competitive electricity market, financial results fell well short of expectations. Earnings before interest and tax of \$120m did not meet our forecast target of \$176m. After several years of sustained growth, our profit before tax and abnormals of \$74m fell 61% on last year's result of \$127m. Consequently we failed to achieve our target of a positive shareholder value added...
- these disappointing results dominated Board and management attention for most of the financial year, and require detailed explanation.

The annual report goes on to provide an explanation of the causes and details the actions taken by the Board and management to address the issues.

THE AUDIT FOUND

AGENCIES REPORTED FEW FAILURES OR "BAD NEWS" STORIES IN THE ANNUAL REPORT. WHERE FAILURES WERE IDENTIFIED, THERE WAS LIMITED DISCUSSION OF THE REASONS FOR FAILURE OR HOW THE AGENCY PLANNED TO RESOLVE THE ISSUE.

THE AUDIT FOUND

PERFORMANCE INFORMATION
PUBLISHED IN THE ANNUAL REPORT
OFTEN VARIES IN TYPE AND QUALITY
BETWEEN WORK UNITS/FACILITIES
EVEN WHERE THE FACILITIES
(SUCH AS HOSPITALS) ARE PROVIDING
IDENTICAL SERVICES.

SELECTING KEY INDICATORS

Published performance indicators should:

- be both qualitative and quantitative
- be relevant and appropriate for the program
- provide evidence of how core functions contribute to the objectives of the agency
- concentrate on high level indicators so readers are not overloaded with information
- provide sufficient information for readers to judge if targets, goals and objectives have been achieved.

The annual report also should include:

- results against output and outcome targets as set out in Budget Papers
- results against targets specified in the Statement of Financial Performance or the Statement of Corporate Intent (for Public Trading Enterprises).

Where appropriate, details of the methodology used to measure performance would be useful to assist readers to judge results. For example, in the case of client satisfaction surveys, details of the size and composition of the sample should be provided.

GOOD PRACTICE

MODEL PERFORMANCE INDICATORS FOR BUS SERVICES

Objective: To provide urban bus services that are used by people in the Perth metropolitan area who need transportation.

Effectiveness indicators:

- proportion of target population whose needs have been met
- proportion of clients satisfied with the service
- service reliability and on time running.

Efficiency indicators:

- cost per bus service
- cost per client service
- cost per bus hour.

Public Sector Management Office, Preparing Performance Indicators - A Practical Guide Western Australia 1997

HOW MUCH INFORMATION IS NEEDED?

What constitutes sufficient information will vary with the program or activity. The number of indicators that should be provided to readers will be dependent on the complexity of the item being reported.

The Balanced Scorecard, developed by Kaplan and Norton, is one approach to performance measurement used by agencies³.

The Scorecard aims to identify a set of measures for activities essential to an organisation's survival and growth.

The measures indicate an organisation's progress towards its strategic objectives and focuses on:

- financial performance
- service delivery
- business process
- organisational behaviour.

The Scorecard suggests that there should be no more than 4-6 key indicators for any single activity and no more than about twelve key indicators for an organisation.

For examples of the use of Balanced Scorecard in annual reports see Integral Energy 1998-99 annual report or The Waterways Authority 1998-99 annual report.

³R.Kaplan, and P.Norton, *The balanced scorecard: Translating strategy into action*. Harvard Business School Press 1996.

Explaining changes over time

5

CONSISTENT REPORTING

Agencies should report performance information consistently from one year to the next. Consistency builds reader confidence that performance is not being selectively reported and allows results to be compared from one year to the next.

Agencies should:

- ensure that readers have consistent and sufficient information to compare results from year to year
- report the same suite of indicators for a particular program or function in consecutive annual reports
- clearly identify and where possible use the same methodology across periods to measure performance.

Consistent reporting requires agencies to link current performance to targets published in previous annual reports.

Notwithstanding the need for consistency in reporting from year to year, some changes to performance indicators will be necessary over time.

Redundant indicators should be replaced with more appropriate measures of performance, for example in response to changes in government priorities or policies or changes in programs, processes or data collection methods.

GOOD PRACTICE

LINKING RESULTS

In its 1998-99 annual report, Central Sydney Area Health Service summarises performance against key objectives. The summary also provides readers with the targets that were set for the year; the results against those targets and the new targets set for the next year.

EXPLAINING THE CHANGES

When published performance indicators are changed, agencies should:

- clearly describe the change
- explain the reasons why the change has occurred (and any advantages of the new indicator over the previous one)
- where possible, provide data for both the original and the replacement indicator for the changeover year.

Where data on key indicators is not available annually, best practice suggests that the readers be advised of why the indicator is not being reported and when it will appear in the future.

An example of this might be client or staff satisfaction surveys that are undertaken every second year (due to resource constraints).

GOOD PRACTICE

WHEN DATA IS NO LONGER AVAILABLE

In the 1997-98 annual report, the Department of Community Services provided readers with an explanation of why it was not possible to publish the results of an indicator that had appeared in previous annual reports.

As indicators are expected to change over time, providing an explanation of the reasons for the change promotes accountability.

THE AUDIT FOUND

AGENCIES DID NOT ALWAYS PROVIDE AN EXPLANATION FOR CHANGES TO PERFORMANCE INDICATORS. WITHOUT AN ADEQUATE EXPLANATION THERE IS A RISK THAT ACCOUNTABILITY IS DIMINISHED AND AGENCIES ARE BEING SELECTIVE ABOUT WHAT THEY REPORT.

Providing evidence of value for money/benchmarking

6

VALUE FOR MONEY

In reporting value for money agencies should:

- define the population or client base the program is designed for
- identify the main outputs and outcomes provided to clients
- disclose the costs involved in providing each of the main outputs (and where possible) outcomes
- benchmark their operations against similar organisations in other jurisdictions or the private sector.

Outputs represent the goods and services delivered by agencies to clients in order to achieve outcomes. Inputs are the monetary, physical and human resources required to produce outputs.

The relationship between outputs and inputs provides an indicator of efficiency. For example, an efficiency indicator would be the cost per unit of output such as the cost of processing an application for a licence.

Similarly, one aspect of reporting outcomes is to relate inputs to the cost of outcomes, that is report cost effectiveness indicators. An example would be the cost savings arising from a reduction in motor vehicle accidents resulting from traffic control activities.

GOOD PRACTICE

REPORTING ON EFFICIENCY

The 1998-99 Office of State Revenue (OSR) annual report refers to improvements in the accuracy, speed and quality of services, processes and systems as a means of maximising operational efficiency.

To demonstrate performance, OSR reports on a number of key efficiency indicators. Some examples are:

- dollar revenue collected per dollar expended
- revenue collected per full time employee.

THE AUDIT FOUND

THERE IS VERY LIMITED INFORMATION IN ANNUAL REPORTS TO SHOW THE COST EFFICIENCY AND COST EFFECTIVENESS OF AGENCIES. ALMOST ALL OF THE AGENCIES REVIEWED DID NOT LINK COSTS TO OUTPUTS AND OUTCOMES.

BENCHMARKING

Wherever possible, agencies should benchmark their performance against similar agencies so as to provide readers with the opportunity to make comparisons.

When benchmarking performance agencies should:

- select activities or services for benchmarking that are important
- identify appropriate partners to benchmark with
- explain the reasons behind any differences in performance.

SOURCES OF DATA

There are many potential sources of data for benchmarking exercises. Some examples are:

- the Report on Government Services published annually by the Steering Committee for the Review of Commonwealth/State Service Provisions. The report provides data from each of the jurisdictions and provides a framework for developing consistent performance indicators for same or similar services
- Australian Bureau of Statistics
- reports by specialist agencies such as the Bureau of Crime Statistics
- annual reports of similar agencies in other jurisdictions
- statewide reports on services such as health or schools.

THE AUDIT FOUND

NONE OF THE ANNUAL REPORTS IN THE SAMPLE COMPARED AGENCY RESULTS TO THE RESULTS OF SIMILAR ORGANISATIONS IN OTHER JURISDICTIONS OR THE PRIVATE SECTOR (THE EXCEPTION BEING SOME BENCHMARKING OF CORPORATE SERVICES).

THIS IS EVEN THE CASE WHERE COMPARABLE DATA FROM OTHER JURISDICTIONS IS AVAILABLE SUCH AS FOR HEALTH SERVICES, COMMUNITY SERVICES, EDUCATION AND THE POLICE SERVICE.

Discussing strategies, risks and external factors



THE AUDIT FOUND

ALL OF THE ANNUAL REPORTS REVIEWED FEATURED A LIST OF MAJOR STRATEGIES AND PLANS BEING UNDERTAKEN. HOWEVER, THERE WAS LITTLE DISCUSSION OF EXTERNAL FACTORS AND RISKS THAT MIGHT IMPACT ON THE AGENCY'S ABILITY TO IMPLEMENT PLANS.

OTHER FACTORS

Often factors outside the control of the agency affect its performance.

Best practice suggests agencies discuss these issues in their annual report and provide readers with information on:

- the agency's operating environment, that is external and internal factors that affect or constrain the agency's day to day activities
- internal and external factors that might impact on success, both present and those likely in the future
- the agency's response to issues of significant public interest
- the future operating environment and developments.

Annual reports should also:

- identify external factors that are within the agency's control and the level and extent of influence
- outline major features of corporate governance and actions taken to address weaknesses
- report on the effectiveness of the system of risk management and internal control.

Checklist

Objectives are clear and measurable

1

The annual report should provide a clear picture of the agency's role and main functions.

Does the annual report:

- include the charter and list aims and objectives, services and client groups?
- cover the organisation as a whole?
- report on the performance of specific programs?

The annual report should allow readers to gain an understanding of the agency's objectives and functions.

Does the annual report assist readers to understand the agency's objectives and functions by:

- explaining the basic purposes for the agency's existence?
- having objectives that reflect the agency's enabling legislation and government policy?
- reporting performance information to show how each program contributed to the objectives of the agency?

The objectives reported by agencies should be clear and measurable.

Does the annual report publish objectives that:

- define impacts on the community, environment or the economy?
- are specific and measurable?
- are easily understood by readers?
- reflect the problem or reason that the program is designed to address?
- are aimed at meeting the needs of a specified target group?

Focussing on results and outcomes

2

Performance information should focus on results and outcomes.

Does the annual report focus on reporting results and outcomes by:

- distinguishing clearly the agency's clients, services, inputs, outputs and outcomes?
- concentrating on reporting outcomes and outputs?
- identifying and reporting outcomes against each of the agency's objectives?
- identifying and reporting progress towards both short-term (intermediate) outcomes and long-term (ultimate) outcomes?
- comparing achievements against expectations (that is, objectives and targets)?
- showing a clear relationship between agency objectives and outcomes (that is, how agency activities directly influenced outcomes)?
- reporting client responses to services?
- including both qualitative and quantitative performance indicators?

Discussing results against expectations

3

Agencies should provide a context for readers to judge achievements more effectively through reporting comparisons or benchmarks.

Does the annual report provide context for readers to judge achievements by:

- reporting results in comparison to:
 - previous years
 - internal targets
 - similar activities in other organisations?
- explaining significant variances in performance from targets or benchmarks?
- explaining changes in targets or benchmarks from one year to the next?
- describing actions taken or planned to be taken to address unfavourable variances?

Setting internal targets.

Are internal targets:

- specific and measurable?
- assigned numerical values?
- reasonable but challenging?
- achievable within the timeframe set?
- appropriate to stakeholders needs (that is, reflect key information and standards of service expected by clients)?

Reporting is complete and informative

4

Performance information should be complete and unbiased.

Does the annual report include performance information that:

- reports on all significant functions and programs in the agency?
- reports against all performance indicators and targets previously notified to readers?
- presents information in a manner that avoids giving a false or misleading impression to readers?
- discusses setbacks as well as successes?

Performance information should be sufficient to allow judgement without overloading readers.

Does the annual report:

- include a few key (high level) indicators for each program?
- report key indicators of efficiency and effectiveness?
- report key indicators that are relevant and appropriate to the program?
- present performance information in a manner that facilitates reader understanding?
- provide sufficient information for readers to judge if targets, goals or outcomes have been achieved?
- provide trend data over time?
- compare results to performance in similar organisations in other jurisdictions or the private sector?
- report results against predetermined targets?

Explaining changes over time

5

Performance information should be reported consistently over time.

Does the annual report describe performance in a manner that enables valid comparison of results by:

- reporting consistent indicators for a particular program or function in consecutive annual reports?
- using consistent indicators to measure performance for similar activities across facilities or work groups?
- using a consistent performance measurement methodology across the agency? (For example, are there definitions available to staff for each measure including statements of what the measure shows and how data is collected?)
- reporting performance against objectives and targets published in its previous annual report?

Changes in the performance indicators should be explained.

Does the annual report identify changes in the indicators being reported by:

- explaining why indicators differ from those presented in previous years?
- providing data, wherever possible, for both the original indicator and its replacement in the first year of reporting a replacement indicator?
- highlighting where data is not available for a key indicator and advising when results will next be reported?

Providing evidence of value for money and benchmarking

6

Performance information should link costs and results.

Does the annual report provide measures of value for money by:

- identifying agency inputs and outputs for each major program and function?
- including both cost efficiency and cost effectiveness indicators for outcomes and outputs?
- providing adequate evidence the the agency has:
 - followed sound procurement practices
 - acquired the appropriate type, quality, and amount of resources when needed
 - used the minimum amount of resources (staff, equipment and facilities) in producing or delivering the goods or services?
- reporting on benchmark costs with agencies in other jurisdictions or the private sector?

Benchmarking.

Does the annual report include information on benchmarking that:

- compares similar functions in partner organisations?
- cover activities that are important to clients and stakeholders?
- explains reasons for differences in performance?

Discussing strategies, risks and external factors

7

Agencies should provide information on environmental factors affecting the agency's ability to achieve objectives.

Does the annual report include information on:

- significant external and internal challenges, both present and those likely in the future, that affect the agency's environment and operations?
- the likely impacts that these challenges might have on agency objectives and undertaking its functions?
- the agency's response to these factors?
- external factors that were within the agency's control and explaining the nature and extent of influence?
- the major features of corporate governance operating within the agency and actions taken to address any weaknesses?
- the existence and effectiveness of the system of risk management and internal control?

Access to annual reports



Annual reports should be easily accessible to all stakeholders.

Agencies should review how readers access the annual report and consider:

- is the annual report provided in electronic format via the internet?
- is internet access to the annual report user-friendly, allowing quick access to the report from the agency's home page?
- is the annual report in a format that can be easily downloaded and printed?
- are copies of previous years' annual reports available electronically on the internet?
- is it appropriate to publish a short form annual report to address the needs of specific stakeholders that might not require all the information normally provided?
- is the distribution list current and does it include all stakeholders who should receive a copy of the report?

Glossary

Benchmarking	is comparing performance to the best performance level of comparable operations in other jurisdictions.
Cost effectiveness	is the cost per unit of outcome. It relates total inputs to units of outcome achieved.
Cost efficiency	is the cost per unit of output. It relates total inputs to units of output produced.
Effectiveness indicators	provide information on the extent to which the outputs of a program or sub program have contributed to the achievement of its objectives.
Efficiency indicators	relate outputs to the level of resource inputs required to produce them.
Inputs	are the human, physical and financial resources required to produce outputs.
Key Performance Indicators	are those indicators which give a comprehensive, high level overview of a program's performance. They are particularly aimed at external users of performance information.
Objectives	are the general ends towards which an agency directs its efforts. Objectives address issues by stating policy intention and reflect the priorities of the government and the agency.
Outputs	are the goods or services produced by the program or sub program and provided to the external client/user. Goods and services can never be outcomes but they are the means by which outcomes are achieved.
Outcomes	are the impacts on the community as a result or consequence of the agency outputs.
Performance indicators	provide a means to measure how well an agency has performed in meeting objectives or achieving outcomes. Performance indicators are not an exact measure of achievement but rather provide an indication of agency performance.
Program	refers to a specific project for a particular client or group, or a group of similar services receiving funds.
Strategies	are the means by which the agency achieves its objectives.
Targets	are the quantified level of performance an agency wishes to achieve within a specified timeframe.
Value for money	provides evidence of how well the purposes of stakeholders were served by the money spent by agencies. It encompasses the concepts of economy, efficiency and effectiveness.

Further reading

GENERAL GUIDANCE

Annual Reports (Departments) Act 1985

Annual Reports (Departments) Regulations 2000

Annual Reports (Statutory Bodies) Act 1984

Annual Reports (Statutory Bodies) Regulations 2000

CCAF-FCVI, *Principles for Building a Public Performance Report*, CCAF-FCVI, July 1999

National Audit Office, *Good Practice in Reporting in Executive Agencies and Non-Departmental Public Bodies* UK March 2000

NSW Treasury, *Fundamental Review of NSW Financial and Annual Reporting Legislation* July 1998

NSW Treasury, Treasury Circulars:⁴

- TC99/12 Guidelines on Reporting of Investment and Liability Management Performance September 1999
- TC99/10 Annual Reporting Update July 1999
- TC97/7 Annual Reporting Update June 1997
- TC97/1 Equal Employment Opportunity Disclosure Requirements February 1997
- TC96/10 Results of Annual Reports Review Program July 1996
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⁴Available from the NSW Treasury website: www.treasury.nsw.gov.au

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Notes
