

*Performance Audit Report*

**Judging Performance  
from Annual Reports**

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**Review of eight agencies'  
annual reports**

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# **Executive Summary**

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## Executive Summary

### Annual reports

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. Annual reports should present a fair and balanced view of performance and plans for the future. Readers should be able to use this information to judge operational performance.

### The audit

This report follows on from an earlier performance audit report titled *Key Performance Indicators (KPIs)*.<sup>1</sup> That report was concerned with the issue of holding individual agencies accountable for their performance (through the use of KPIs), and doing so in a reliable and consistent way across the New South Wales (NSW) public sector.

This audit examined eight agencies' annual reports against a set of criteria outlined at Appendix 1. This report highlights both good practice in public sector annual reports and opportunities for agencies to further improve the quality of published performance information.

The agencies examined and the result of those examinations are also detailed in the appendices. Whilst the result of those examinations are important, the main concern for this audit was the preparation of a Better Practice Guide to assist agencies preparing annual reports. This Better Practice Guide forms part of this audit and is published as a separate document.

### Audit opinion

**Agencies have made some notable attempts to nominate objectives and define measures of performance and report against them each year. However, the quality of the performance information varies and in most cases falls short of what is accepted as best practice. The result is diminished accountability, transparency and openness.**

**Agencies still have problems reporting outcomes and results and frequently regress to reporting activities and plans. Few annual reports discussed setbacks and failures (particularly in the same detail as successes) or compared performance to goals or targets.**

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<sup>1</sup> The Audit Office of NSW, *Key Performance Indicators*, August 1999.

**And none of the agencies benchmarked their achievements against the results of operators in other jurisdictions or the private sector.**

**Without the influence of market forces, the requirements for reporting on accountability in the public sector need to be more stringent and wider ranging than in the private sector. In the absence of benchmarking, it is doubtful if citizens would have sufficient information to be able to judge operational performance or whether they are receiving value for money.**

**As is, using only information published in the annual report, it is very difficult, if not impossible, to judge if an agency is operating efficiently and effectively.**

**The Audit Office also concluded that annual reporting requirements in NSW do not reflect best practice. Although agencies generally complied with the legislation, the requirements for reporting performance information are too general and do not support the assessment of accountability and performance.**

**Audit findings**

The audit opinion is based on the following findings.

**Reporting requirements**

Departments and agencies are required by legislation to report to Parliament annually on their activities and financial performance. Acts, Regulations, Treasury Circulars and Premier's Memoranda provide further guidance and detail on what agencies must report.

Audit found overall compliance with the legislative requirements and six agencies had improved public access to their annual report by placing a copy on the internet.

**The quality of performance information**

Although there have been notable improvements in the quality of annual reports, they often fail to reach their full potential. In fact, only four of the eight annual reports reviewed by audit were judged as adequate and even these reports did not fully meet the needs of readers.

Some of the better annual reports:

- presented information clearly and brought key performance information to the front to the report
- aligned measures of performance with aims and objectives
- reported the outcomes of activities
- were consistent in their selection of performance indicators and the presentation of performance information over time.

However, in all the annual reports, including those considered to be of a higher standard, there was:

- a reluctance to compare results and achievements with operators in other jurisdictions or the private sector
- limited information linking costs to results
- very few explanations of the reasons for changes in performance indicators from one reporting period to the next.

The major weakness for some annual reports was a focus on reporting activities rather than outcomes and achievements, which limited any judgement of performance.

**The problems with performance measures**

Performance measurement is essential for good management and accountability. Agencies are required to report performance in their annual report against indicators of efficiency and effectiveness (“if practicable”).<sup>2</sup>

A recent report by the Parliamentary Accounts Committee identified problems with performance measurement mainly where circumstance change and performance indicators become redundant and yet remain unaltered. Also, the potential for indicators to influence decision-making to the extent that a sub-optimal outcome could result from resources being directed to the wrong tasks (i.e. focussing effort on those tasks that are measured).<sup>3</sup>

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<sup>2</sup> *Annual Reports (Departments) Regulations 2000.*

<sup>3</sup> *Cost Control in the Department of Juvenile Justice*, Report No. 123, Public Accounts Committee, July 2000.

Yet in this review there have been numerous examples of agencies changing performance indicators in response to changes in priorities, policy or delegated powers. The indicators published in the NSW Police Service annual report provide a very good example of agency flexibility and responsiveness. Key performance indicators have altered since 1996 to reflect the new corporate direction for the Police Service.

Changing indicators from one reporting period to the next, especially where significant variances are explained, does not necessarily diminish accountability or confidence. However, accountability is diminished where there is an absence of performance information (or performance information is meaningless) preventing informed discussion and debate.

**Independent assurance**

And in NSW, there is no guarantee that the performance information reported by agencies is valid and reliable (unlike financial information, which is subject to independent review).

In the 1999 performance audit, the Audit Office advocated that the independent validation of performance information be made a legislative requirement. It was noted, for instance, that in Western Australia the Auditor-General has been given the mandate not only to audit the accuracy of the indicators, but also to attest to their relevance and that they reflect the agency's primary legislation.

The Audit Office considers that an independent validation of performance indicators is an essential component of accountability.

**Legislative reforms**

Since the enactment of the annual reporting legislation over 15 years ago, some minor amendments have been made to include the recommendations of Parliamentary Committees and additional disclosure requirements. But the legislation is dated and no longer reflects contemporary practices in public sector reporting.

NSW Treasury released a paper for comment in 1998 outlining proposed changes to the legislation that would address many of the issues raised in this report. In particular, the new legislation would improve the quality of performance information and require agencies to compare results to internal targets or other similar agencies. However, none of these changes have been progressed.



**Agencies not required to produce annual reports**

Also, current arrangements require only certain agencies to produce annual reports either because their statute requires it or they are captured by the annual reporting legislation. The Public Accounts Committee previously indicated its concern with the number of agencies, which have important roles and functions but are not required to produce annual reports.<sup>4</sup>

In this audit, area health services were included although they are not required to produce an annual report to Parliament. (Area health services are controlled entities of the Department of Health and included in a consolidated report.)

These arrangements appear anomalous. Although each area health service presents an annual report to the Minister, the Minister is only required to table in Parliament the consolidated report on activities prepared by the Department.

## **Recommendations**

**It is recommended that the Government:**

- **progress amendments to the Annual Reporting Act and Regulations in line with the proposals outlined by NSW Treasury in its 1998 document “Fundamental Review of NSW Financial and Annual Reporting Legislation”, which includes requiring agencies to obtain and produce comparative data to benchmark their operations**
- **in redrafting the legislation, consider requiring agencies and controlled entities (such as area health services) that have important roles and functions, to produce annual reports to Parliament**
- **progress recommendations from the earlier report by the Audit Office titled Key Performance Indicators in relation to introducing legislative requirements for the independent validation of performance information reported by agencies.**

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<sup>4</sup> *Annual Reporting in the Public Sector*, Report No. 95, Public Accounts Committee, March 1996.

## **Response from the Premier's Department**

I refer to Mr T Jambrich's letter of 23 October 2000 and copy of the above report which he enclosed for my comment in accordance with Section 38C(2) of the *Public Finance and Audit Act 1983*.

Your office's report has identified significant issues in annual reporting by NSW departments and agencies. I should note however, that the issue of performance reporting has been considered by a range of bodies in recent years including the Public Bodies Review Committee, the Parliamentary Accounts Committee, The Treasury and the former Council on the Cost of Government.

As you are aware, my Department and the Council on the Cost and Quality of Government, along with The Treasury and The Cabinet Office, continue working to fully implement a whole-of-government approach to service delivery, strategic planning and performance reporting. Given such framework, any progression of amendments to the Annual Reporting Act and Regulations needs to take into account these developments.

Regarding your second recommendation, that legislation be redrafted to require agencies and controlled entities, such as area health services, to produce reports for Parliament, I believe that greater consultation of key stakeholders is warranted to ensure an effective outcome.

Regarding your third recommendation about the introduction of legislative requirements for the independent validation of performance information reported by agencies, my letter of 20 August 1999 commenting on the Audit Office report on *Key Performance Indicators* remains pertinent. Changes to legislation may not be the most appropriate means to achieve the desired outcomes in performance reporting. Agencies should have flexibility to select the reporting methodology most appropriate to their functions within a whole of Government framework and with a broad requirement that they may need to obtain and produce comparative data to benchmark their performance.

In considering the validation of performance information, there are various roles that need to be undertaken. The Government has reaffirmed the role of the Council on the Cost and Quality of Government in independently assessing the appropriateness of performance information through the Service Efforts and Accomplishments projects. The Council is currently working collaboratively with agencies in refining the performance information used, including the development of appropriate sources of data.

Your report is a positive contribution to the assessment and discussion of overall public sector reporting requirements. The Audit Office along with other bodies has a valuable role to play in this regard. The current report will assist the ongoing development of NSW public sector performance reporting framework.

(signed)

C Gellatly  
Director-General

Dated: 16 November 2000

## Response from NSW Treasury

Thank you for your letter dated 23 October 2000 providing a draft copy of *Judging Performance From Annual Reports*. Treasury welcomes the interest of both the Audit Office and the Public Bodies Review Committee in performance reporting.

New South Wales public sector agencies are currently required to prepare annual reports under the *Annual Reports (Statutory Bodies) Act 1984* or the *Annual Reports (Departments) Act 1985*. Both Acts, and their Regulations, prescribe some mandatory disclosure for annual reports. However, there has been many developments in performance reporting since these Acts became operative and these developments will be reflected in proposed new legislation concerning financial and annual reporting in the NSW public sector. Most of the comments made in your report are consistent with the proposed new financial and annual reporting legislation.

The report makes three principal recommendations. The first recommendation is that agencies be required to obtain and produce data to benchmark their operations. While benchmarking is a desirable objective, there can be factors which inhibit the ability of an agency to publish meaningful information. These include the availability and quality of comparable information and the structure of government agencies in other jurisdictions.

The second recommendation is that certain controlled entities (eg Area Health Services) be required to produce annual reports. Although under no legal requirement, Area Health Services already produce annual reports, which are made available publicly on Internet sites.

The third recommendation is that key performance indicators be independently validated. In the early stages of performance reporting, agencies should be encouraged to find appropriate indicators to report. Currently Treasury is assisting eleven agencies to develop Service and Resource Allocation Agreements, which will form an integral part of the 2001-02 budget process. These agreements incorporate performance targets for outcomes and outputs. In the short term, agencies

should be allowed to experiment before being required to have their key performance indicators validated by the Audit Office. However, once appropriate indicators have been established, the Audit Office should be relied upon to validate the accuracy of reported performance data.

(signed)

John Pierce  
Secretary

Dated: 20 November 2000

# 1. Introduction

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## 1.1 Introduction

This report follows on from the performance audit report titled Key Performance Indicators tabled in Parliament in August 1999.

The previous report examined performance accountability in terms of the use of performance indicators by public sector organisations to monitor and report on achievements. The report highlighted the benefits derived from the publication of meaningful and useful performance information and identified deficiencies in the current system.

This performance audit further promotes accountability for performance by examining the standard of annual reports produced by public sector agencies.

To fully meet the needs of readers, annual reports should:

- focus on results and achievements
- discuss results against expectations
- be complete and unbiased
- explain the link between agency objectives, achievements and activities
- relate costs to results
- describe strategies, risks and the external operating environment.<sup>5</sup>

This audit examines the adequacy of information published in annual reports and whether or not it fully demonstrates accountability for the expenditure of public monies.

## 1.2 Annual reporting in NSW

The requirements relating to annual reports are set out in the *Annual Reports (Departments) Act 1985*, the *Annual Reports (Statutory Bodies) Act 1985* and associated Regulations. Certain agencies are required to prepare and present to Parliament an annual report containing both financial and non-financial information on their operations.

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<sup>5</sup> *Principles for Building a Public Performance Report*, CCAF-FCVI, July 1999. CCAF-FCVI was formerly known as the Canadian Comprehensive Auditing Foundation.

Since the enactment of the annual reporting legislation over 15 years ago, some changes have been made in response to recommendations of Parliamentary committees (Public Accounts Committee, Public Bodies Review Committee) and Government policy decisions requiring greater disclosure.

### **NSW Treasury guidelines**

Overall, there have been notable improvements in the quality of annual reports produced by government agencies since the legislation was introduced.

To improve standards of reporting, NSW Treasury first issued annual reporting guidelines in 1993 and has since issued numerous circulars. Also, the annual reports review program (undertaken by the Audit Office on behalf of NSW Treasury) and educational efforts have enhanced agency awareness of best practice in performance reporting.

Yet, there is clearly room for further improvement. In 1996, and every subsequent year, NSW Treasury has reported opportunities to improve agency annual reports and has tried to raise awareness of accountability obligations through issuing circulars to Ministers and Chief Executive Officers.

## **1.3 Other reviews**

### **Public Bodies Review Committee**

The Public Bodies Review Committee of Parliament conducted its first review of annual reports in 1995.<sup>6</sup> Established to examine and monitor the annual reports of agencies, the Committee has focussed its reviews on how effectively performance is reported. In 1998, the Committee undertook a further review of ten public sector annual reports.<sup>7</sup> In this review, the Committee indicated that progress in improving performance reporting had been slow and judged only three of the ten reports as satisfactory.

The Committee also issued guidelines for agencies on best practice in annual reporting.<sup>8</sup>

<sup>6</sup> Refer *Guidelines for Reporting Performance (1996)* and *Results of the Committee's Review of Five Annual Reports*, Report No 2, Public Bodies Review Committee, June 1997.

<sup>7</sup> *Results of the Committee's Review of Ten Annual Reports*, Report No 4, Public Bodies Review Committee, June 1998.

<sup>8</sup> *Ibid.*



## **Public Accounts Committee**

The Public Accounts Committee, following its review of public sector annual reports in 1996, concluded that despite improvements in the standard of public reporting by agencies, only the briefest information (on performance) is reported to Parliament.

The Committee recommended numerous reforms to the legislation including the requirement to report key performance information.

### **1.4 Proposed amendments**

Problems with the current legislation have been identified by NSW Treasury as:

- the provisions being too detailed and prescriptive and not focussed on the key issues relevant to the assessment of accountability and performance
- two separate sets of reporting requirements for statutory bodies and departments whereas the actual differences in prescribed disclosure are small
- some requirements are specified in non-legislative documents such as Premier's Memoranda and Treasury Circulars (and are therefore not binding on agencies)
- some reporting requirements are no longer relevant.<sup>9</sup>

To address these issues, NSW Treasury has proposed a new reporting framework, comprising:

- general reporting obligations that would require agencies to provide meaningful discussion and analysis of all major issues relating to past performance and future prospects
- performance information which includes qualitative and quantitative measures of actual performance including comparisons to past and planned performance, agencies in other jurisdictions and reporting on successes and setbacks.

Other changes include differential disclosure requirements for large and small agencies and options for agencies to publish in addition to a full annual report, short form reports for readers.

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<sup>9</sup> *Working Paper - Fundamental Review of NSW Financial and Annual Reporting Legislation*, NSW Treasury, July 1998.

These proposals are outlined in a green paper released for comment in 1998. To date, no changes have been made to the legislation.

## **1.5 The audit**

To undertake this audit, the Audit Office used a case study approach to review a sample of eight annual reports published by NSW agencies.

The sample comprised:

- Department of Community Services
- Department of Education and Training (School Education)
- Department of Land and Water Conservation
- Department of Transport
- NSW Police Service
- State Library of NSW
- Central Sydney Area Health Services
- Illawarra Area Health Services.

Comments on each of the annual reports are included in Appendices 2 to 9.

Details of methodology and audit criteria are included in Appendix 1.

## **1.6 Acknowledgements**

The Audit Office gratefully acknowledges the cooperation and assistance provided by representatives of each of the eight agencies and the contribution of representatives of Premier's Department and NSW Treasury to the final report.



## **2. Performance Reporting by Agencies**

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## 2.1 Introduction

This chapter presents a summary of the results from the review of the annual reports of eight NSW agencies.

The review considered agency compliance with annual reporting legislation and assessed the reports against standards of best practice in public performance reporting namely that:

- reports are accessible and timely
- reports provide useful and relevant information
- reports include performance information that focuses on results and achievements (and links costs to results)
- reports provide an explanation of changes (in results or performance measures) over time.

## 2.2 Accessible and timely reports

### 2.2.1 Access to annual reports

The annual report of an agency constitutes the major vehicle for discharging accountability obligations to citizens Parliament and Government. Good practice suggests this information be accessible to all stakeholders.

#### **Audit finding**

**Six of the agencies have improved access to their annual report by providing a copy of the report on the agency's internet site. For some agencies this practice has yielded savings in printing, production and delivery costs.**

### 2.2.2 Timeliness of reporting

The annual reporting legislation requires an agency to submit copies of its annual report to both the Treasurer and the responsible Minister within four months of the end of the financial year. The annual report then is required to be tabled in Parliament within one month of receipt by the Minister.

#### **Audit finding**

**The annual reports of four agencies were tabled in Parliament within the prescribed time limits Two agencies' annual reports were tabled late. The two area health services are not required to table reports in Parliament.**

In this audit, area health services were included although they are not required to produce an annual report to Parliament (area health services are controlled entities of the Department of Health and included in the Department's consolidated report on activities).<sup>10</sup>

**Audit finding**      **An anomaly exists in the legislation in that controlled entities that have important roles and functions are not required to produce an annual report to Parliament.**

## 2.3 Providing relevant information

### 2.3.1 Publishing aims and objectives

**Legislative requirements**

Under the 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 i.e. information on what the agency sets out to do, the range of services provided and the clients or community groups served.<sup>11</sup>

**Audit finding**      **Seven agencies complied with the requirements by providing information on agency aims and objectives, and an overview of activities and functions.**

The Department of Transport did not summarise its corporate objectives in the 1998-99 annual report. Readers of the annual report would find it difficult to determine what the Department expects to achieve and to judge whether the strategic direction of the Department is consistent with government intentions.

### 2.3.2 Linking objectives and core functions

For information to be useful to readers there should be a direct relationship between agency objectives, core functions and the primary purpose of the agency (as defined by statute). Objectives and strategies should represent key functions and present a clear picture of what the agency is attempting to achieve.

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<sup>10</sup> The Minister is only required to table in Parliament an annual report on the Department of Health. The Minister might, however, table area health services' annual reports in Parliament if he/she so wishes.

<sup>11</sup> Annual Reports (Departments) Regulation 2000.

**Audit finding**            **In all cases, the charter (and mission and vision statements) and objectives reflected accurately the legislative purpose of the agency. Seven of the annual reports included objectives that would be judged by readers to relate to the commonly known roles and functions of the agency.**

### **2.3.3 Identifying measurable objectives**

If an agency identifies objectives then it is reasonable for readers to expect the agency to measure and report on achievements against those objectives.

Some examples of clear, measurable objectives are:

- reduce crime, concentrating on the five categories of assault, break and enter, motor vehicle theft, robbery and other stealing (NSW Police Service Annual Report 1998-99)
- improve the effectiveness of cardiac rehabilitation and secondary prevention interventions (Central Sydney Area Health Service Annual Report 1998-99).

However, in some reports, objectives were stated in very broad terms such as:

- boards or committees operate successfully
- strong relationships with other organisations are developed and maintained (State Library of NSW Annual Report 1998-99).

Such activities might be important for the agency to pursue but when stated in such general terms, are difficult to measure.

**Audit finding**            **The manner in which some agencies describe objectives renders them very difficult, if not impossible, to measure.**

### 2.3.4 Discussing external factors and risks

Best practice in performance reporting suggests that annual reports include comment on:

- significant internal and external factors that might impact on success
- the agency's response to issues of significant public interest
- the future operating environment and developments.<sup>12</sup>

#### Audit finding

**All of the annual reports 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.**

## 2.4 Reporting performance information

### 2.4.1 Focussing on results and achievements and linking costs to results

#### Measuring effectiveness

Performance reporting is essential for monitoring progress towards achieving aims and objectives. Readers need to be able to identify what has been achieved and judge whether achievements represent value for money.

Two examples of better practice were the annual reports of the Department of Education and Training and the Illawarra Area Health Service, both provide detailed information on achievements and outcomes of interest (see next page).

In contrast, the Department of Transport (DoT) identifies no key performance information in its 1998-99 annual report. Performance information generally relates to activities and outputs, rather than outcomes directly attributable to the Department.

For example, DoT reports the number of licences issued (for taxis) and capital works projects but does not report on the Department's contribution to a more efficient, reliable, safe and cost effective transport system (which is its primary purpose).

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<sup>12</sup> Working Paper - Fundamental Review of NSW Financial and Annual Reporting Legislation, NSW Treasury, July 1998.



### **Case Study 1**

#### **Reporting the outcomes of activities**

For the Department of Education and Training, the introduction of the English Language and Literacy Assessment (ELLA) test is a key part of the State's literacy strategy and is an aid for secondary teachers to improve student outcomes in literacy.

Also, the Basic Skills Test (for students in Year 3 and 5) is an important tool used to check children's literacy and numeracy standards.

The Department's 1998 Annual Report provides data on changes in the scores achieved by school pupils in both the ELLA test and the BST. It also reports results for the School Certificate and Higher School Certificate exams, which would be of interest to the majority of stakeholders.

#### **Illawarra Area Health Service**

The Illawarra Area Health Service provides a comprehensive view of its achievements in the 1998-99 annual report. One example is the information provided on its Falls Prevention Project.

...After three years in operation, the Illawarra Falls Prevention Project is making a significant impact. A study of fall related hospital admission rates for Illawarra residents 65 years and over has shown a decline of 13% from 1995 to 1998. With 400 fewer people falling and needing hospitalisation, there is an estimated saving of \$1 million over three years.

Similarly, the Department of Community Services summarises major activities for each of its key result areas and includes future strategies but performance information relates to activities undertaken (*what we did*) and not always the results achieved.

**Case Study 2**  
**Reporting activities not outcomes**

The main role of the Department of Community Services is to help, protect and care for children and young people and people with intellectual disabilities.

Performance related information is spread throughout the 1998-99 annual report and much of the information relates to activities and projects that the Department has undertaken rather than results and achievements.

For example, in response to the commitment to unblock respite beds, the Department reports:

.... the DoCS Respite Services Plan 2000 is a comprehensive strategy to 'unblock' respite places and improve respite services across NSW.

This does not provide any information on whether or not respite beds have been unblocked. More appropriate indicators would be changes in availability of respite beds such as waiting times for respite beds or the number of respite beds days available.

The Department has identified performance indicators in its latest corporate plan but results against these indicators have not yet been published.

**Audit finding**

**In most cases it was not possible to judge the efficiency and effectiveness of the agency from the information provided in the annual report. Most agencies continue to report activities and outputs, not results and achievements.**

**Linking costs to results**

Although agencies sometimes provide information that enables readers to judge achievements, the costs of those achievements are generally not published. It is difficult for readers to judge whether or not the program represents value for money.

For example, the NSW Police Service provides comprehensive information on effectiveness of police services such as crime reduction but provides only limited information on service costs. The unit cost of the main police activities (such as investigating crimes, processing and charging offenders or attending road accidents) are not reported.

**Audit finding**

**There is very limited information in annual reports to show the operational efficiency of agencies. Almost all of the agencies reviewed failed to link costs to results.**

**2.4.2 Presenting sufficient performance information to allow judgements without overloading readers**

Agencies face a challenge to deliver annual reports that provide sufficient information on their key activities, meet statutory reporting requirements yet avoid overwhelming the reader with too much information that goes beyond their needs.

One of the attributes of good annual reports is the format used to present performance information such as bringing key performance information to the front of the report.

The NSW Police Service Annual Report provides a good example of this. A table of key policing priorities, performance measures, results over three years and comments on performance can be found at the front of the report (see extract next page). Readers are referred to the body of the report for more detailed information on performance.

**Audit finding**

**Most annual reports provided a performance summary at the front that included an overview of objectives, plans and activities. Higher quality reports also provided data on achievements, performance targets and trends.**

## RESULTS: KEY PRIORITIES



### CRIME REDUCTION

PERFORMANCE MEASURE	TARGET	RESULTS			COMMENT
		1998	1997	1996	
Crime rates for:	Reduce to below 1995-96 levels				The level of victimisation remained unchanged between 1996 and 1998 according to the ABS Crime and Safety Surveys. (Results of the 1999 NSW Crime and Safety Survey will become available in December 1999.)
• Households victimised					
- Break and enter		5%	6%	5%	
- Motor vehicle theft		2%	2%	2%	
• Persons victimised					<i>Source: ABS Crime and Safety Survey</i>
- Robbery		1%	0.3%	0.4%	
- Assault		4%	3%	3%	



### RATIONALISED AND IMPROVED WORK PRACTICES

PERFORMANCE MEASURE	TARGET	RESULTS			COMMENT
		1998	1997	1996	
Guided self assessments	Increase number of self assessments	2	3	1	Two business units conducted guided self assessments in 1998-99 and are implementing improvements based on the data. No corporate guided self assessment was conducted.
Register of Best Practice - number of practices listed	Increase number	177	76	0	Achieved.
Proportion of police at front line	Increase number	85%	83%	74%	Achieved. 'Front line' refers to community based police at local area commands and Police and Community Youth Clubs.
Random alcohol tests of police	Maintain level	5,473	6,967	Not introduced	Number of tests was higher in first year of operation. The aim is to sustain level of testing to maintain awareness within the Service. Only 13 alcohol tests exceeded the prescribed limit.

Source: 1998-99 Annual Report, NSW Police Service

### 2.4.3 Reporting complete and unbiased information

**Performance information should cover all main functions**

To provide readers with a complete picture of an agency's achievements it is important that performance information is comprehensive (and all main functions are reported on). It should be clearly evident to readers what the main functions of an agency are and how they contribute to the achievement of objectives.

**Audit finding**

**In some cases, although core functions appeared to have been reported it was difficult to link the achievements reported by individual work units to the achievement of agency objectives.**

Also, the type and quality of performance information reported by work units/facilities could be seen to vary throughout individual reports. For example, in the Illawarra Area Health Service annual report, some facilities reported on outcomes while others reported activities and outputs. And facilities such as hospitals will report on different indicators limiting comparisons.

Similarly, the type and quality of performance information varied between the Department of Community Services four business streams and across groups and major facilities included in the Central Sydney Area Health Service annual report.

**Audit finding**

**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.**

**Publishing results**

It also helps if an agency provides data on a performance indicator rather than just a description of the indicator being used.

### **Case Study 3**

#### **Publishing indicators but not results**

The 1998-99 Annual Report of the Department of Land and Water Conservation (DLWC) lists each of its key result areas and key performance indicators but does not provide readers with results for these indicators. For example, the report on sustainable ecosystems lists the key performance indicator as:

Evidence of the protection, maintenance and restoration of ecosystems

And lists other performance indicators as:

Non-sustainable uses identified and phased out

High value ecosystems identified and protected

Rehabilitation of degraded ecosystems

Sustainable ecosystem management practices adopted

However, readers can not form any opinions regarding the Department's performance in regard to protecting, maintaining and restoring ecosystems as no results are provided for any of the indicators listed.

#### **Audit finding**

**Some agencies do not always report the results for all published indicators.**

#### **Reporting setbacks and successes**

Commentators have noted the absence of reporting of failures or "bad news" as a major problem in public sector annual reporting.<sup>13</sup>

The absence of agency commentary on adverse matters raises doubts about the transparency of reporting and whether information contained in the annual report is unbiased and can be relied on.

#### **Audit finding**

**Agencies reported few failures or "bad news" stories in the annual report. Where failures were identified, generally there was limited discussion of the reasons for failure or how the agency planned to resolve the issue.**

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<sup>13</sup> *Annual Reporting in the NSW Public Sector*, Report No 95, Public Accounts Committee, March 1996.

#### 2.4.4 Providing comparisons and benchmarks

Agencies which compare or benchmark their results (to previous years or to similar organisations in other jurisdictions or the private sector) provide a context for readers to more effectively judge achievements.

Proposed changes to the annual reporting legislation recognise the importance of this and if enacted, will require agencies to provide:

....a comparison of actual performance with past and planned performance as well as the performance of equivalent agencies in other jurisdictions, both locally and overseas (where practicable).<sup>14</sup>

In some cases, agencies report that they benchmark services as a means of improving quality but no data is reported. For example, the Illawarra Area Health Service reports that it benchmarks its services however, in all but one instance, it does not specify what services are benchmarked (or what they are benchmarked against) and no results are reported.

#### Audit finding

**None of the agencies compared their 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.<sup>15</sup>**

For example, Area Health Services could report emergency department waiting times or same day surgery in public acute hospitals against State averages (or results from other jurisdictions).

Or, the Police Service which already reports data on victims of robbery and assault, could compare results to other States or the Australian average.

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<sup>14</sup> NSW Treasury *Fundamental Review of NSW Financial and Annual Reporting Legislation* July 1998.

<sup>15</sup> Data on activities in other jurisdictions is available from the Report on Government Services prepared by the Steering Committee for the Review of Commonwealth/State Service Provision.

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997	892.7	371.1	519.5	767.4	927.8	418.4	548.3	1376.6
1998	933.9	377.0	529.9	905.0	1000.8	472.8	540.5	1317.4

Source: ABS (*Recorded Crime Australia 1998*) and reported by the Steering Committee for the Review of State Commonwealth Service Provision, 2000.

Note: Data are based on crimes reported to police.

### Reporting against performance targets

There is also limited use of targets. Or, where targets are reported, they tend to be vague descriptions such as “reduce” or “improve” rather than a meaningful (numerical) goal.

Indicator	Target
Responsiveness to call for service	Improve responses
Ensure community participation in decision making	Demonstrated participation
Increase sun protection measures	Approach organisations to implement sun protection measures

Examples of more meaningful targets are:

- time taken to respond reduced by 2 minutes
- 5% increase in the rate of community participation
- 100% of organisations that have a sun protection policy.

### Audit finding

**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).**



## 2.5 Explaining changes over time

Performance information should be reported consistently from one year to the next to allow readers to judge trends in performance such as whether services are improving or declining.

### Changing indicators

Agencies that change performance indicators from one reporting period to the next can be often criticised for dropping indicators when results are poor.<sup>16</sup> However, there is often a need to change indicators in response to changes in priorities, policy or delegated powers.

Removing redundant indicators or changing indicators does not diminish accountability or confidence where significant variances are explained.

Best practice suggests that an agency reports:

- any significant variances in results
- changes to the basis of the calculation of the performance information
- reasons for discontinuing the reporting of established performance indicators.<sup>17</sup>

### Audit finding

**Agencies tended to publish the same or similar set of performance indicators across reporting periods.**

**However, where variations to performance indicators did occur, agencies did not always provide an explanation for the change. Without an adequate explanation there is a risk that accountability is diminished and agencies are being selective about what they report.**

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<sup>16</sup> *Arts and Culture - Service, Efforts and Accomplishments Report*, Council on the Cost of Government, 1997.

<sup>17</sup> *Report on the Inquiry into Annual Reporting in the Victorian Public Sector*, Victorian Public Accounts and Estimates Committee, May 1999.

## **2.6 Opportunities for improvement**

The audit has identified a number of opportunities for agencies to improve further the quality of their annual reports.

Some of the most common suggestions are:

- making links between mission, objectives and indicators more explicit
- reporting on outcomes that are directly influenced by the agency
- reporting performance in terms of efficiency and effectiveness
- reporting a consistent set of performance indicators
- providing more meaningful commentary on changes in performance or changes to performance measures
- setting meaningful (numerical) internal targets and reporting achievements against those targets
- using benchmarks where possible to compare performance to similar organisations in other jurisdictions (public and private)
- reporting community and customer satisfaction.

Findings for each of the sample agencies and opportunities for improvement are discussed in more detail in appendices 2 to 9.



## Appendices

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## **Appendix 1: About the audit**

The aim of the audit was to determine if the annual reports of agencies provide sufficient information to allow readers to judge if the organisation is operating efficiently and effectively. Audit criteria based on the principles of good performance reporting were used to assess the quality of reports.

### **Audit objectives**

- Determine the extent to which the effectiveness and efficiency of an agency's operations and management can be judged from information published in its annual report
- Compare the annual report to mission statements and corporate plans to determine the extent to which identified goals and strategies are reported
- Determine the extent to which an agency reports performance using comparisons and benchmarks to similar operations in other jurisdictions or private sector organisations.

### **Audit scope**

The scope of the audit was to review the 1997-98 and 1998-99 Annual Reports for a sample of eight (8) agencies. The sample comprised:

- Department of Community Services
- Department of Education and Training (School Education)
- Department of Land and Water Conservation
- Department of Transport
- NSW Police Service
- State Library of NSW
- Central Sydney Area Health Service
- Illawarra Area Health Service.

The audit reviewed published material from the sample agencies against the audit criteria. Each agency was provided a Management Letter Report detailing findings against criteria and identifying opportunities to improve the quality of performance information. The Management Letter Reports have been summarised and included in this report.

- Audit criteria**
- Agencies' key objectives, outcomes and results are readily available to the Parliament, citizens, lobby groups and the media
  - In reporting achievements, agencies have identified performance indicators that are appropriate and relevant to their purpose
  - Performance reporting focuses on high level indicators relating to the core functions and the agency's objectives
  - Performance reporting is consistent over time.

**Cost of the audit** The total cost of the audit to the date of tabling was \$168,884. The cost includes an estimate of \$8,000 for printing. Also included in the total cost is time spent by staff of the Audit Office for which no compensation was made, which has been valued at \$9,844.

## Appendix 2: Department of Community Services

### **Audit Opinion**

**The Department of Community Services' 1998-99 Annual Report shows evidence of the progress the Department has made since 1997 in reporting relevant and appropriate performance information.**

**However, there is room for further improvement. Although the annual report includes many of the attributes of best practice in performance reporting, more information on actual results is needed to assess performance.**

**The Department has identified a suite of efficiency and effectiveness indicators to be published in the next annual report. The inclusion of these indicators will represent a further significant improvement in accountability.**

### **Reporting aims and objectives**

The role of the Department of Community Service is to help, protect and care for children and young people and people with intellectual disabilities and administer related welfare services.

The Department reports performance and plans in its annual report against seven key result areas:

- Empowering our clients
- Improving our services
- Improving our accountability
- Improving our financial and business systems
- Improving our people management
- Working in partnership
- Strengthening communities.

Readers would be able to relate these areas to the objectives of the Department and its core functions.

## Reporting key performance information

A summary of the main activities and plans appears against each key result area in the front of the report. However, most of the information provided in the summary relates to activities, not results and achievements.

In addition the Department reports performance under its four business streams of:

- Child and Family Services
- Disability Services
- Community Partners
- Business Services.

Performance-related information is spread through the report's narrative. There are some instances where the information provided is sufficient to allow readers to gauge outcomes influenced by the Department, such as reporting the outcomes of cases where the Department concluded that abuse or neglect had occurred.<sup>18</sup>

However, much of the information relates to activities and projects that the Department has, or is planning to undertake. There is only limited data on performance.

For example, the report provides data on the number of clients and the number of children receiving services. This data provides a client demographic but does not assist readers to determine the effectiveness of the Department's operations.<sup>19</sup>

Similarly, the Department does not provide information relating costs to results (operational efficiency).<sup>20</sup>

The Department has identified performance indicators for each key result area in its latest corporate plan but results using these indicators have not yet been published. The publication of these indicators in future reports will represent a significant improvement in performance accountability.

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<sup>18</sup> 1998-99 Annual Report, Department of Community Services, p20.

<sup>19</sup> Demographic data could be made more meaningful if trends (data over a 5-year period) were reported or if used to illustrate how the Department tailored its services to meet shifts in demand. Data presented by the Department compares two years without providing any comment on changes.

<sup>20</sup> Possible indicators of efficiency could be (depending on activity) cost per output unit, average cost per Government and non-government service and average cost per head of target population.



### **Comparing performance across periods**

The current format which presents information on commitments, strategies and plans under each of the seven key result areas, allows for consistent reporting over time (i.e. plans become commitments in the following period).

A comparison of the 1997-98 and 1998-99 annual reports indicates there has been a high degree of consistency in the type of performance information published by the Department.

Where the Department has been unable to continue reporting on a specific indicator it has explained the reasons for the change:

We have not provided child protection trend data. Comparisons based on trend data would be invalid because of the changes over the last few years to definitions, practices and to our Client Information System (CIS).<sup>21</sup>



**The Department has 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.**

### **Comparing performance to other community services authorities**

The Department's annual report does not compare performance to similar organisations (public or private) locally, in other States or overseas. It also does not report performance against benchmarks or to targets set internally by the Department.

### **Opportunities to improve**

Accountability will be further enhanced by the Department reporting performance outcomes using the indicators in the corporate plan. Similarly, reporting results against internal targets (and in comparison to similar activities in the private sector or other jurisdictions) would assist readers to interpret and understand results.

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<sup>21</sup> Department of Community Services *1997-98 Annual Report*, p29.

## **Response from the Department of Community Services**

The Department of Community Services (DoCS) -

- acknowledges the validity of comments contained in the Audit Office report 'Judging Performance from Annual reports'
- appreciates the recognition given to efforts made in the 1998/99 Annual Report to improve reporting, especially of relevant and appropriate performance information, and
- continues to strive to incrementally improve the provision of information about DoCS' performance through the Annual reporting process.

### **Comments on specific areas of the Audit Office report**

#### 1. Reporting aims and objectives

DoCS appreciates the positive comments concerning the relevance of the seven reporting areas to general readers, and their appropriateness to the functions of the Department.

#### 2. Reporting key performance information

DoCS accepts that the 1998/99 Report did not comment on all the Department's performance and the outcomes of activities.

In the Department's 1999/2000 Annual Report, more specific statements about outcomes and specific indicators of performance in the seven key result areas will be provided.

It is important to acknowledge Department-wide efforts to include Key Performance Indicators and outcomes in all Strategic Policy Planning documentation and work planning as part of the incremental move by DoCS to a regular, rigorous process of reviewing its performance.

#### 3. Comparing performance across periods and Comparing performance to other community services authorities

The 1998/99 Annual Report commented on the problem with the provision of trend data. These problems have been addressed during 1999/2000 as DoCS phases in a new Client System. However, given the newness of the system, there may still be some unavoidable gaps in this data.

DoCS contracted the Australian Bureau of Statistics (ABS) to review Child Protection and Children in Care data this year. A summary of their report will appear in the 1999/2000 Annual Report.

The new Client Information System will limit the ability of the Department to report trends across time periods. However major developments in information management will improve the comparability of our data with that collected from other jurisdictions.

#### 4. Opportunities to improve

The Department appreciates the positive view taken of DoCS' intention to constantly improve its Annual reporting.

The committee established to prepare the 1999/2000 report embraced the recommendations made by the Audit Office in its report on the 1998/99 report and the narrative and data provided reflect many of the suggested improvements. Over the next two reporting periods the Department will implement the recommendations, using the new information management system and the new Client Information System which is a vastly improved system for collecting information and data on our work.

(signed)

Kerryn Boland  
Acting Deputy Director-General

Dated: 20 November 2000

### Appendix 3: Department of Education and Training - School Education<sup>22</sup>

#### Audit Opinion

**The 1998 Annual Report of the Department of Education and Training focuses on reporting results and achievements and assists readers to judge the efficiency and effectiveness of the Department.**

**However, in regard to school education, the presentation of information could be improved to better link performance information to program objectives. Similarly, reporting on performance trends and comparing results to internal targets (and to other jurisdictions where reliable data is available) would place results in context and assist readers to interpret performance.**

#### Reporting aims and objectives

The 1998 Annual Report of the Department of Education and Training represented the first report of the entity formed from the amalgamation of the Department of School Education, the NSW TAFE Commission and the Department of Training and Education Coordination. For this audit, only the sections of the report relating to school education were reviewed.

*Agenda 98* outlined the objectives and priorities for school education for 1998 and as such was relevant and appropriate to the Department.<sup>23</sup> However, the Department did not publish performance specifically against these objectives in its annual report. Instead results and achievements were grouped against seven key priorities that reflected the activities of the new amalgamated Department:

- Lifelong learning
- Access and equity
- Co-ordination of education and training services
- Quality teachers and leadership
- Effective learning environments
- High standards of service delivery

<sup>22</sup> The reporting period for the Department of Education and Training covers calendar years not financial years.

<sup>23</sup> *Agenda 98* strategic plans are available from the Department of Education and Training's internet site at [www.dse.nsw.edu.au](http://www.dse.nsw.edu.au).

- Alliances and partnerships.

The seven priorities are relevant to the Department and would be seen by readers to relate generally to the education function.

### **Reporting key performance information**

Notwithstanding the above comments, there is much information provided in the annual report to enable readers to judge the performance of the Department. Performance information is focussed on providing evidence of the outcomes for students. Examples are:

- the results of the Basic Skills Tests (BST) and English Language and Literacy Assessment (ELLA)
- the results of the School Certificate and Higher School Certificate examinations
- achievements of equity for disadvantaged students.



**Key performance related information is spread throughout the annual report. To assist readers, the Department lists some of the indicators in a summary table as well as providing comments on what the indicators measure and their location in the body of the report.**

However, the immense quantity of performance information provided in the annual report can swamp the reader and make it difficult to determine if the results for all core functions are reported. A summary of performance information linked specifically to the Department's objectives would further assist readers of the report.

### **Comparing performance across periods**

The amalgamation of agencies to form the Department affected the presentation of information in the 1998 Annual Report.

The 1997 Annual Report of the (then) Department of School Education linked performance directly to the objectives in *Agenda 97*. This format allowed readers to assess readily the Department's results against what it intended to achieve.

### **Comparing performance to other education authorities**

The Department does not include any comparisons of performance to similar agencies in other jurisdictions (or internal targets).

The Ministerial Council on Education, Employment, Training and Youth Affairs is addressing this issue through the development of national literacy and numeracy benchmarks. Once developed and implemented, results against these benchmarks should appear in the Department's annual report.

### **Opportunities to improve**

The presentation of information could be improved to better link results in terms of school education to the Department's objectives. Similarly, reporting performance trends and results against internal targets (and benchmarking with similar agencies in other jurisdictions) would assist readers to interpret results and judge performance.

## **Response from the Department of Education and Training**

I refer to your letter of 23 October 2000 concerning the performance audit report, *Judging Performance from Annual Reports: Review of Eight Annual Reports*, which was prepared by the Audit Office of New South Wales.

I am grateful for the opportunity to provide a formal response on the report. Attachment A outlines comments on issues raised in the report that relate to the NSW Department of Education and Training.

The NSW Department of Education and Training is responsible for approximately one quarter of the State's total budget and delivers a wide range of education and training services for children and adults. The Department welcomes the advice provided by the Audit Office as the basis for continual improvement. The Department has already taken action to implement the following improvements:

- the presentation of information in the 1999 and subsequent DET Annual Reports has been improved by more clearly linking performance information to program objectives, (see *1999 NSW Department of Education and Training Annual Report*, pp 22-31).
- a key performance measurement framework is being developed to enable the Department to compare its performance to internal targets.
- national benchmark data on literacy in the 1999 DET Annual Report was published immediately it became available, (see *1999 NSW Department of Education and Training Annual Report*, p. 43). The Department intends to continue to incorporate national benchmark data in future annual reports, as further data becomes available.

The Department has strongly supported the development of nationally comparable performance measures and anticipates that these will be more widely available for the school sector and the vocational education sector for future reporting years. In past years, interstate comparisons in both sectors have proven to be questionable due to inconsistent treatment of data. As a result the Department has not been able to satisfactorily benchmark its performance against the achievements of similar organisations. The Audit Report suggests that data from the Productivity Commission's *Report on Government Services* should have

been used in the 1998 Annual Report. However, that report containing data for 1998, was not published until February 2000 which means that interstate comparative data was not available.

The Audit Report recommends that Government progress the introduction of legislation requiring the independent validation of performance information reported by agencies. The Department's national reporting responsibilities include contributions to *the Annual National Report on Schooling in Australia*, *the Productivity Commission Report on Government Services* and *the Annual National Report of the Australian Vocational Education and Training System*. Much of the national performance information in the VET sector is already validated independently and similar treatment is anticipated of national schools benchmark data. Proposals for independent validation of all agency data may not prove to be cost effective. Any legislative changes should therefore be sufficiently broad in context to allow individual agencies to determine the most appropriate and meaningful methods of validation. They should also take into account the Department's other state level reporting responsibilities including reports to the Council on the Cost and Quality of Government and the legislative requirement for the preparation of an annual *Minister's Report to Parliament on the Effectiveness of Schooling in NSW*.

The development of performance measures for education and training is a difficult task. Not all outcomes sought for education and training are measurable or directly attributable to interventions by schools or colleges. In many cases the contribution towards student outcomes is an amalgam of school, family and societal influences. As a result it is often not possible to establish a direct correlation between the inputs provided by government and the outcomes achieved by students. Within these constraints the Department of Education and Training is committed to using a range of methods of comparison to seek to assess its performance against other appropriate organisations.

(signed)

Ken Boston  
Managing Director of TAFE NSW  
Director-General of Education and Training

Dated: 15 November 2000



## Appendix 4: Department of Land and Water Conservation

### **Audit Opinion**

**The Department of Land and Water Conservation's 1998-99 Annual Report provides very limited performance information, reporting instead on activities and projects undertaken by the Department.**

**Using only this information, it is not possible to judge the performance of the Department in terms of whether or not intended outcomes (results) have been achieved in an efficient and effective manner.**

### **Reporting aims and objectives**

The Department of Land and Water Conservation has responsibility for managing the land, water, vegetation and coastal resources of New South Wales.

The Department reports performance against six key result areas:

- Sustainable ecosystems
- Better informed natural resource management decisions
- Equitable sharing of resources
- Customer and community satisfaction
- Committed, capable and responsive staff
- Continual improvement of organisational performance.

Readers would identify these key result areas as being consistent with generally known functions undertaken by the Department.

### **Reporting key performance information**

At the front of the annual report, the Department provides a summary of achievements against each key result area and plans for the next year. The body of the report provides additional narrative on each key result area, additional performance indicators and strategies for the future.

Although many indicators are identified in the annual report, the Department did not report performance against those indicators and there is little data to assist readers to judge what the outcomes have been.

For example, under the key result area, sustainable ecosystems, the key performance indicator is:

- evidence of the protection, maintenance and restoration of ecosystems.

Performance in regard to this indicator is measured by:

- non-sustainable uses identified and phased out
- high value ecosystems identified and protected
- rehabilitation of degraded ecosystems.

Although the Department lists (in detail) the activities undertaken, there is no information that quantifies outcomes, such as:

- the number of non-sustainable uses identified, phased out or in the process of being phased out
- the extent of degraded ecosystems in NSW in terms of total hectares, the proportion of the State affected and the severity/level of degradation, and how successful the Department's programs have been in reducing further degradation
- the impact of rehabilitation activities on degraded ecosystems, for example the percentage of at risk ecosystems being rehabilitated and the percentage of hectares rehabilitated.

Neither the efficiency nor the effectiveness of the Department's programs can be assessed from the information provided in the annual report. Data is not provided on whether activities undertaken were completed on time and within budget, or to what extent they contributed to results in key areas.

### **Comparing performance across periods**

Generally, stakeholders cannot compare the Department's performance over time. Although the Department consistently reports activities against six key result areas, this information does not assist users to judge performance trends (as there is no data to allow comparisons to be made).

### **Comparing performance to other land or water conservation authorities**

The Department's annual report does not compare performance to organisations in other jurisdictions undertaking similar functions.

### **Opportunities to improve**

The quality of performance information in the annual report would be improved if the Department:

- reported the results of the Department's efforts (reporting data on the indicators that are already published) in addition to activities
- reported performance in terms of efficiency and effectiveness
- set internal targets for key indicators (where possible) and reported achievements against those targets
- used benchmarks where available to compare performance to other organisations undertaking similar functions
- reported community and customer satisfaction in regard to the Department's main activities.

## **Response from the Department of Land and Water Conservation**

Thank you for your letter dated 23.10.00 concerning the findings of the audit conducted of our annual reports for 1997/98 and 1998/99.

The suggested opportunities for improvement are appreciated and in general DLWC accepts the audit opinion. However, it is pointed out that reporting on outcomes in an environmental agency is not a straightforward process due to the lag time between action and measurable, reliable results, and unless used judiciously could be misleading. In an effort to improve this, DLWC has been working closely with central agencies to improve the link between performance measures and outcomes. One such initiative is the Service and Resource Allocation Agreement between NSW Treasury and agencies where funding is tied to improved outcomes.

Some specific comments relating to your findings are:

- Recent discussions and negotiations between DLWC and NSW Treasury have drawn the conclusion that it would be impractical to report on environmental outcomes on an annual basis. However it is possible to report on actions that strategically lead towards Government Environmental Policy and sustainability. These outcomes have been termed interim outcomes and are the basis from which DLWC will receive Treasury funding for its programmes. DLWC will report more of these interim outcomes in our annual report. Whilst it is recognised that these measures are not final outcomes it is pointed out that environmental outcomes cannot be measured over a one-year cycle. To do so would present misleading information that may or may not be replicated in the following year. Therefore it is important to recognise this and strategically work towards sustainability in a staged process.
- The issue of benchmarking performance with natural resource management agencies in other jurisdictions is being explored. Such benchmarking is not, however, straightforward with significant variances in legislative requirements, structural frameworks and the environmental conditions that prevail across jurisdictions. These variances can lead to misleading comparisons of performance for what are seemingly similar activities.

- DLWC is constantly working towards improving client and customer satisfaction and these initiatives are reported in the annual report. It is an accepted fact that measurement of customer satisfaction is a useful indicator for any organisation. However DLWC is in the process of administering a number of simultaneous changes to legislation affecting water and land users as well as important National issues such as salinity. With all of these changes taking place it is considered that it would be an inappropriate time to conduct surveys relating to customer satisfaction. The Department does involve the community in decision making to a high degree and this type of activity is reported in our annual report.

Thank you for the valuable input into improving the standard of our Annual Report.

(signed)

Bob Smith  
Director General

Dated: 7 November 2000

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## Appendix 5: Department of Transport

### Audit Opinion

**Performance information provided in the Department of Transport's 1998-99 Annual Report focuses primarily on activities and projects undertaken rather than outcomes directly attributable to the Department. As a result, readers would have difficulty drawing conclusions regarding the performance of the Department and its contribution to more efficient, reliable, safe and cost effective transport solutions.**

### Reporting aims and objectives

The primary role of the Department of Transport is to increase the use of public transport and improve the efficiency and effectiveness of the transport system.

The Department does not publish its corporate objectives in its annual report. Readers of the annual report would find it difficult to determine what the Department expects to achieve and judge whether the strategic direction of the Department is consistent with Government intentions.

### Reporting key performance information

There are no key performance indicators published in the 1998-99 Annual Report. Performance information generally relates to activities undertaken and outputs such as the number of taxi licences issued.

For example, the Department does not report performance in terms of outcomes from its capital works projects, such as:

- whether the project resulted in improved efficiency, safety or customer satisfaction
- whether the project was completed on time and within budget.

Mainly the costs of the project are reported. From this information it is not possible to judge whether project objectives have been achieved, or whether the project has been well managed by the Department.

Similarly, the efficiency and effectiveness of the Department's regulatory functions cannot be assessed from the information provided in the annual report. Data on the numbers of tests undertaken and licences and infringements issued are only partial indicators of the Department's contribution to a more efficient, reliable, safe and cost effective transport system.

Examples of more appropriate indicators would include changes in the use of private motor vehicles and the use of public transport as measures of continuous improvement in transport systems.

Data obtained from sources external to the Department are relevant for measuring achievements in these areas. For example, data on passenger movements and trends might be used to measure the impact of the Department's policy of encouraging increased utilisation of public transport.

It is also recognised that there are difficulties in developing indicators for agencies that are primarily involved in policy and planning functions, such as:

- problems linking outputs to outcomes
- difficulties in obtaining reliable data
- the time lag between event and effect
- limited benchmarking data available.<sup>24</sup>

### **Comparing performance across periods**

Although there is a high degree of consistency in the type of activities reported annually, this information does not assist users to identify and judge trends in the Department's performance.

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<sup>24</sup> *Service Efforts and Accomplishments - Transportation*, Council on the Cost of Government, 1998.

### **Comparing performance to other transport authorities**

The Department's annual report does not compare performance to organisations in other jurisdictions undertaking similar functions.

### **Opportunities to improve**

There are opportunities to improve the quality of information in the Department's annual report by:

- making the links between objectives, strategies and results more explicit
- identifying outcomes that are directly influenced by the Department
- reporting performance in terms of efficiency and effectiveness
- setting and reporting results against internal targets
- using benchmarks where available and including data from other transport providers or from similar agencies operating in other jurisdictions to compare trends and achievements
- reporting client (stakeholder) satisfaction.



### **Response from the Department of Transport**

Thank you for the opportunity to respond to the Performance Audit on *Judging Performance from Annual Reports*. The Department of Transport generally accepts the comments and thrust of the Audit's findings in relation to the Department's 1998-99 Annual Report.

Your Audit indicates that the Department did not summarise its corporate objectives in the Annual Report. In this regard we did provide information which outlines the charter, mission, vision, values and stakeholders of the Department but would agree that this information could be improved in terms of statements of key outcomes and critical success factors.

We believe that it is now possible to commence publication of some more useful time series data about transport outcomes. However, in the case of policy and planning work, the Department believes that a qualitative narrative of performance should be viewed as a satisfactory approach where quantitative numeric data on outcomes is insufficient or perhaps even potentially misleading.

The Department will be implementing a number of improvements, consistent with the draft Audit, in our 1999-2000 Annual Report.

(signed)

Ian Robinson  
Acting Director General

Dated: 14 November 2000

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## Appendix 6: NSW Police Service

### **Audit Opinion**

**The 1998-99 Annual Report shows clear evidence of the progress that the NSW Police Service has made in developing relevant and appropriate performance indicators.**

**The NSW Police Service annual report is comprehensive and includes much performance information to assist readers in judging the effectiveness of the NSW Police Service. However, judging efficiency is more difficult as the cost of main police activities is not published.**

### **Reporting aims and objectives**

The role of the NSW Police Service is to establish a safer environment by reducing violence, crime and fear.

The annual report presents performance information against the following key priority areas:

- Crime reduction
- Rationalisation and improved work practices
- Employee job satisfaction and motivation
- Public satisfaction and police responsiveness.

These key priorities are consistent with expectations of the primary role of the NSW Police Service and its objectives.

### **Reporting key performance information**

The annual report shows an explicit link between objectives and strategies. The NSW Police Service reports performance both in summary against its four key priority areas and in more detail in the body of the report.



**The performance summary at the front of the annual report provides readers with an overview of the NSW Police Service's achievements and performance over time and is linked to the four key priority areas.**

The focus of the information is also on measuring outcomes. For example, against Crime Reduction, the NSW Police Service reports crime rates in terms of the percentage of households/persons victimised. Similarly, performance in the key priority areas of public satisfaction and police responsiveness, is measured by the police response time to urgent and non-urgent calls, and the results of client satisfaction surveys.

For each key priority area, readers are referred to more detailed information in other sections of the report. These sections provide more operational performance information as well as strategies to address particular issues.



**In providing a summary of performance information in the front of the annual report, the NSW Police Service helps readers to access quickly their information requirements. If they choose, readers can refer to segments within the report for more detailed coverage of each of the priority areas.**

Another positive feature of the annual report is the extensive use of external (and independent) sources of data, for example data sourced from the Australian Bureau of Statistics and the NSW Bureau of Crime Statistics, to report changes in client satisfaction levels and crime rates.

However, current performance indicators concentrate primarily on effectiveness with only limited information provided on operational efficiency. For example, the cost of main police activities (i.e., investigating crimes, processing and charging offenders, attending road accidents) is not reported.

Although it is recognised that difficulties exist in developing efficiency indicators for police, the NSW Police Service needs to expand its suite of indicators to include service costs.

### **Comparing performance across periods**

The NSW Police Service has been generally consistent in its reporting of performance across periods and has made improvements in the manner in which data is presented. Such consistency assists readers to compare performance and monitor performance trends over time.

However, where changes in indicators have occurred between reporting periods, the NSW Police Service does not explain adequately the reasons for those changes.

Best practice would indicate that in the first year of reporting a replacement indicator, results for both indicators are presented with an explanation of the reasons for the change.

### **Comparing performance to other police services**

Although the NSW Police Service compares performance with previous years, it does not include any comparisons of performance to similar organisations in other jurisdictions.

By comparing NSW results to those of police services in other jurisdictions the NSW Police Service would provide a context for readers to more effectively judge its achievements. Data on various aspects of policing contained in the *Report on Government Services* (prepared annually by the Steering Committee for the Review of Commonwealth/State Service Provisions) could provide the basis for reporting such comparisons.

The Audit Office acknowledges some issues need to be considered before NSW Police Service included such comparisons. For example, there are time lags between the collections of policing data and its publication, and the validity and usefulness of comparing NSW data to that of some jurisdictions needs to be considered.

Nevertheless, data does exist that is validly comparable, and even reporting data from past years would assist the reader to judge better the results of the NSW Police Service.

### **Opportunities to improve**

Opportunities to improve further the quality and presentation of performance information include:

- providing more meaningful commentary on changes in performance. For example, the decline in performance against the customer satisfaction index is explained as reflecting a national downward trend. This does not explain the extent of the trend in other states, how NSW compares and how initiatives will improve the rating.
- setting more meaningful (quantified) targets for performance, rather than descriptive targets such as reducing complaints, increasing numbers, or improving services
- reporting on service costs and operational efficiency.

## **Response from NSW Police Service**

Thank you for the opportunity to comment on the draft Performance Audit report. My response to the issues raised in the Report is as follows.

I note the key priority areas and objectives used for the purpose of the review are the reform priorities. In the 1999-2000 Annual Report, I will be reporting against the primary objective of 'ethical cost-effective crime reduction' and performance indicators will be shown for each of the customer service programs.

I accept, in principle, the opportunities identified in the report and the suggestion for independent validation of performance indicators in particular. The Police Service uses independently sourced information wherever possible as key performance indicators. This has enabled the Service to concentrate discussion on outcomes rather than inputs and intermediate outputs. Further, the Service has actively participated in a recent audit by the NSW Bureau of Crime Statistics and Research of information derived from the Computerised Operational Policing System (COPS) in order to ensure the reliability of data and prevent any unwarranted criticism of selectivity.

Implementation of other recommendations of the report, however, will require some negotiation.

The suggested commentary on performance indicators, may be viewed as simply excuse making. Similarly, discussion of setbacks and failures would most likely lead to the same, as it is often not possible to identify the true causes of apparent trends in performance indicators. This is particularly true when you are reliant on information from surveys, which are subject to sample error. Most readers are either unaware or disinterested in such fine points as statistical significance and I do not consider it part of my job to educate them by way of the Annual Report.

I accept the need to quantify targets for performance. Field Operations Commands have identified potentially realisable targets for crime reduction as part of the development of 2000-2001 business plans. As these 'targets' will be used internally for accountability within the Operations and Crime Review process, I will consider inclusion of such information in next year's Annual Report.

I believe the inclusion of efficiency indicators is premature at this time. I do not accept the suggestion that efficiency can be assessed in terms of activities such as processing and charging offenders and attending road accidents. More global measures of efficiency need to be developed and consideration is being given to the development of such indicators for the customer service programs, as part of the Review of Commonwealth State Service Provision.

The report recommends the provision of comparisons to equivalent agencies, both locally and overseas. The primary benchmark for the assessment of performance is the past and the inclusion of trend information is considered adequate for this purpose.

Given the different legislative bases and operating environments (including government policies and priorities), and the time delay in reporting, comparison to other State police services would involve considerable discussion and qualifications to the data and ultimately result in little meaningful information. Further, inclusion of such information in Annual Reports would remove the need for the Report on Government Services produced some months after Annual Reports. Again, commentary of apparent differences between States in the Annual Report would lead to further accusations of excuse making rather than meaningful debate on the root causes of problems and possible solutions to improve performance.

(signed)

J T Jarratt  
Acting Commissioner

Dated: 20 November 2000

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**Appendix 7: State Library of NSW****Audit Opinion**

**The 1998-99 Annual Report of the Library Council of NSW provides a wealth of information on activities and projects undertaken by the Council and the State Library of NSW.**

**Although this information is of interest to some stakeholders, it would be difficult for the reader, using this information alone, to judge the performance of the State Library and whether or not objectives had been achieved in an efficient and effective manner.**

**Reporting aims and objectives**

The role of the State Library is to promote, provide and maintain library and information services for the people of NSW.

The State Library reports activities against each of its objectives in the annual report. The objectives relate to the functions normally undertaken and expected from a State library.

However, some difficulty arises from the objectives being stated in very general terms such as the Council operates successfully or strong relationships with local government and other organisations are developed and maintained. Such generalisations make it difficult to measure achievement.

Although the objectives and key outcomes are published at the front of each segment of the report, it would be useful to demonstrate the relationship and linkage between objectives, key outcomes and achievements by providing a summary at the front of the report.

**Reporting key performance information**

Performance information provided in the annual report relates mainly to services provided or activities undertaken by the State Library or its various committees. Although the report lists key outcomes under each objective, these are a mixture of intended or planned outcomes, not always results.



For example, the annual report refers to key outcomes as 4 million services provided, 3.4 million users of collections and 400,000 visits to State Library exhibitions. However, it is difficult to judge whether these results indicate success or failure in the absence of trend data or comparisons (targets).

It is not easy, and in some cases not possible, to judge whether the objectives of the State Library have been achieved. Although the report mentions numerous activities undertaken by the State Library, readers might ask what the particular activity was meant to achieve and what was the result; for example, whether services improved, existing services were expanded or new services were introduced.

Although recognising that there are difficulties in developing appropriate indicators for library services, the Council on the Cost of Government proposed the following indicators for the State Library:<sup>25</sup>

- the number of visits and repeat visitors
- the origin of visitors and users and the proportion of visitors and users from Sydney and regional NSW, other states and overseas
- the size and value of the Library's heritage collections and collections in other States and the Commonwealth to provide contextual and comparative information.

The State Library currently does not report performance against these indicators. Also, the State Library does not relate costs to results in reporting achievements. Relevant indicators to measure the efficiency of the State Library's services could include:

- cost per enquiry
- cost of maintaining collections
- cost per support staff activity.

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<sup>25</sup> *Service Efforts and Accomplishments - Arts and Culture*, Council on the Cost of Government, 1997.

### **Comparing performance across periods**

Generally, stakeholders cannot compare the performance of the State Library in terms of its core functions and services over time. Although there is a high degree of consistency in the type of activities reported this information does not assist users to judge performance.

### **Comparing performance with other libraries**

The Library's annual report does not compare results to similar service providers in other jurisdictions (either other states or overseas)

### **Opportunities to improve**

Although the objectives and key outcomes are published at the front of each segment of the annual report, it would be useful to more clearly demonstrate the relationship between objectives, key outcomes and results by providing a summary at the front of the report.

The quality of information in the annual report could be improved further by:

- reporting performance in terms of efficiency and effectiveness
- setting standards or targets against which to measure performance
- using benchmarks to compare performance to similar service providers in other jurisdictions
- reporting performance in terms of client (stakeholder) satisfaction for example satisfaction with reader information and enquiry services, retrieval services and the extent to which clients' information requirements are met.

## **Response from State Library of NSW**

I refer to your letter of 23 October 2000 enclosing a copy of your performance audit report on annual reports. The following response is submitted for inclusion in the final report that is to be tabled.

### **State Library of New South Wales**

The Annual Report of the Library Council of New South Wales reports on the corporate objectives and strategic direction of the Library Council and the State Library of New South Wales. The report is currently presented in a format consistent with the corporate plan, *Future Directions to 2001*. Library services and products are integrated and accessible to all clients regardless of their profile, interests and abilities. Government policy and requirements are reported within each relevant accountability. Performance outcomes and statistical measures are also reported.

The Library established a Research and Evaluation Program in 1997. The Program's objectives are to:

- Ensure the focus of Library research and evaluation is on quality of service, and efficiency and effectiveness of operations.
- Develop comprehensive profiles on the Library's diverse client segments to inform the development of current and future services, products and programs.
- Inform the State Library's corporate priorities.
- Create links throughout the organisation which promote cohesion of service and extension of client reach.
- Ensure that the State Library is recognised as a professional organisation with high client satisfaction.

The program is unique amongst the major research and reference libraries in Australia. To date the program has completed over 50 research and evaluation projects focusing on State Library clients. Qualitative (in-depth interviews, focus groups) and quantitative (questionnaires) research methods are used in gathering client feedback. Projects conducted fall into three main categories:

- Client profiling and segmentation – collecting and analysing data on the number and type of clients using the Library.
- Evaluation – reviewing a current service, product or program from a client perspective.
- Market testing – gathering client feedback on a potential or new service, product or program.

The audit recommendation to improve the quality of information in the annual report by "reporting performance in terms of client (stakeholder) satisfaction..." is met through the research program. Profiles of Library clients, measurement of client satisfaction with current services and information to guide future service delivery strategies have been identified. The focus has therefore been on measuring outcomes- the quality and value of the client experience, rather than numerical outputs alone.

A comprehensive review of the Library's key performance indicators and statistics was completed to identify Library-wide measures that report performance outcomes against objectives. These measures are reported in the 1999/2000 Annual Report. Further work is underway to ensure verifiable and meaningful indicators are collected and reported over time.

The Library is an active participant in Arts portfolio performance measurement, evaluation and reporting, and participates in the Council on the Cost of Government's Service Efforts and Accomplishments *Arts & Culture* review. (1997, 2001). Quarterly statistical reports are provided to the Ministry for the Arts, performance targets are reported in the *Budget Papers*, the Strategic Asset Management Plan, and specific outcomes are provided to relevant agencies in compliance with legislative and policy requirements (such as Disability Action Plan, EAPS Plan, etc.) All of these reports are accessible to the public. This current review of Annual Reports did not take into account this range of other reporting mechanisms and activities in which the Library participates.

The review also states that "the Library's annual report does not compare results to similar service providers in other jurisdictions (either other states or overseas)". The State Library of New South Wales is a member of the Council of Australian State Libraries (CASL), the peak body representing all State and Territory libraries and the National Library. CASL undertakes targeted benchmarking studies of members' service strategies, publishes comparative statistics on public libraries, promotes the role of member libraries in meeting Australians'

information needs, and is investigating options for common performance measures and client profile data. CASL's achievements and the State Library of New South Wales' contribution to these are reported by means other than the Annual Report.

The State Library has collected statistical and other performance information over many years which has been increasingly analysed and interpreted to provide meaningful measures of the Library's effectiveness and the outcomes of service delivery strategies that meet client needs. In the short term, this comprehensive review has until now resulted in less information being reported in the Annual Report. A priority for the future is to ensure that trend data and effectiveness measures are appropriate and relevant, ensuring that the people of New South Wales have access to quality library and information services that provide value for money and promote learning and culture.

(signed)

Dagmar Schmidmaier

State Librarian & Chief Executive

Dated: 17 November 2000

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## Appendix 8: Central Sydney Area Health Service

### **Audit Opinion**

**The Central Sydney Area Health Service's (CSAHS) 1998-99 Annual Report contains useful performance information. The information is presented in a logical framework with targets, outcomes and future goals reported against each corporate objective.**

**The report's main weakness is that in some cases it reports activities rather than the outcomes achieved. Improved reporting of outcomes and the inclusion of trends and data comparing performance to other health providers, would enhance further the quality of performance information.**

### **Reporting aims and objectives**

The role of the Central Sydney Area Health Service is to protect, promote and maintain the health of residents in the Area and the wider community.

The CSAHS reports strategies, targets, outcomes and plans under three main goals:

- Improve health
- Improve access and equity
- Improve resource management and quality.

The annual report shows an explicit link between the aims, objectives and strategies of CSAHS. The performance information presented is relevant and appropriate to the Service's role and functions.

### **Reporting key performance information**

The CSAHS annual report provides detailed performance information against the three main goals. Performance information is presented in a framework that links the activities of major facilities and clinical units to objectives and provides targets, plans and results.



**The summary of performance information provided in the front of the CSAHS annual report provides readers with a snapshot of performance over the last year and plans for the future.**

For example, under Improve Health, Cancer Services report:

Objectives	Targets 1998-99	Outcomes
Improve compliance with Section 59 of the Public Health Act 1991 and Tobacco Advertising Prohibition Act (TAPA) 1991	Ensure 70 % of retailers comply with Section 59 of the Public Health Act 1991 and TAPA	In 1998, 76 % of retailers complied with the legislation
Increase sun protection measures with organisations, including schools and sports groups	Approach organisations and schools to implement guidelines for sun protection	3 primary schools developed policies and 3 revised policies for sun protection  Policy development workshops held for CSAHS primary schools.

Source: *Annual Report 1998-99*, Central Sydney Area Health Service, p 13.

However, some of the information reported as outcomes (both in the performance summary and in the body of the report) is a mixture of activities and outputs that makes it difficult to judge if objectives have been met.

In the first example, the reader can assess the achievement of the objective and the target. In the second example, however, information on the total population (number of schools in the Area and the percentage of schools with a written policy on sun protection) would provide a context to judge whether CSAHS has (or has not) made a difference.

In the body of the report, the performance information reported for major facilities and the clinical, research and corporate groups also varies but consists in the main of a narrative of the activities undertaken with little focus on outcomes.

Key indicators for major facilities could be improved by identifying whether the indicators are measuring efficiency or effectiveness, for example the significance of bed occupancy rates and average length of stay to hospital management. Similarly, admissions, same-day admissions and occasions of service reported for clinical groups do not clearly demonstrate either the effectiveness or efficiency of the groups.

The CSAHS reports performance against internal targets for each corporate objective. Whilst some of these targets are specific and have been quantified (and therefore are measurable) others are purely descriptive.

Examples of specific targets are:

- 41% of elective surgery performed on same-day basis
- average waiting time for aged care assessment to be eight working days.

Examples of descriptive targets are:

- maintain appropriate access to services through provision of after-hours clinics
- establish inter-agency collaboration through joint projects.

The annual report also provides limited information on operational efficiency. For example, other Area Health Services report on the cost of activities and services such as pathology, catering, linen services and cleaning which are not reported on by CSAHS.

### **Comparing performance across periods**

There is a high degree of consistency in the type and presentation of performance information published by the CSAHS over time.

### **Comparing performance to other health providers**

The annual report does not compare performance to other providers (especially in the areas of quality of service, clinical governance and clinical indicators) and/or NSW health benchmarks or data from identified best practice providers in other jurisdictions (or the private sector).



Data on other Area Health Services is available from the *NSW Public Hospitals Comparison Data Book* (prepared annually by the NSW Department of Health). However, this publication is generally not available until after the annual report is due.

This may limit benchmarking between hospitals for the current year but does not prevent data being presented from past years that would still assist the reader to compare results between Areas.

### **Opportunities to improve**

The quality of performance information could be enhanced further by the Service:

- reporting a suite of efficiency and effectiveness performance indicators against each objective
- reviewing current performance targets (expectations) and developing targets for all major functions and activities (or at least reporting against NSW Department of Health targets)
- reporting results in comparison to similar activities in other Area Health Services, other jurisdictions or best practice models.

## **Response from Central Sydney Area Health Service**

Thank you for providing Central Sydney Area Health Service with a copy of the second draft performance audit report for comment.

CSAHS has been able to include many of the recommendations of the performance audit into its 1999/2000 annual report and will continue to improve its reporting into 2000/2001.

May I suggest that the Audit Office's recommendations be forwarded to NSW Health and NSW Treasury for incorporation into the criteria set by those agencies.

(signed)

Dr Diana Horvath AO  
Chief Executive Officer

Dated: 20 November 2000

## **Appendix 9: Illawarra Area Health Service**

### **Audit Opinion**

**The Illawarra Area Health Service's (IAHS) 1998-99 Annual Report meets most of the requirements of best practice in performance reporting. Readers would particularly find valuable the reporting of achievements and outcomes in relation to the various health strategies undertaken in the Illawarra area.**

**However, the quality of performance reporting varies within the report. Ensuring that hospitals use a consistent suite of indicators would enhance accountability and the usefulness of the report to readers.**

### **Reporting aims and objectives**

The role of the Illawarra Area Health Service is to protect, promote and maintain the health of residents in the Area and the wider community.

The IAHS reports performance against three main goals:

- access and equity
- community health
- health improvements.

These areas align closely with the objectives of the IAHS (and similar to goals reported by other Area Health Services). Strategies, major achievements and outcomes are summarised under each of these goals and are relevant and appropriate to the Service's role and functions.

### **Reporting key performance information**

Much performance information appears throughout the IAHS 1998-99 Annual Report. A summary of achievements (How we performed) is presented at the front of the report under the three main goals.

Performance is reported in the body of the report by each major facility (hospital) clinical and corporate units.

A summary of performance information identifying outcomes and achievements for the year (and linking those outcomes to specific objectives and targets) is provided at the front of the annual report. Providing this key information in the front of the annual report assists readers to quickly form an opinion on the role and performance of the IAHS.

However, the relationship between the IAHS's objectives, the three main goals and the performance being reported is not quite clear. The quality of IAHS's performance reporting could be improved if performance information was presented in a logical framework which linked activities, targets and outcomes to each IAHS objective.



**IAHS, in reporting significant health programs, highlights achievements against targets and savings realised. The presentation of information in such a manner enables the reader to assess easily whether or not the objective has been achieved.**

Particularly, there is a strong focus (within some sections of the annual report) on reporting achievements in terms of health issues in the Illawarra area.

Examples of this are:

- 64% of schools now have a sun protection policy, 94% have increased shade and 79% have restructured activities
- After three years in operation, the Illawarra Falls Prevention Project is making a significant impact. A study of fall related hospital admission rates for Illawarra residents 65 years and over has shown a decline of 13% from 1995 to 1998. . . . With 400 fewer people falling and needing hospitalisation, there is an estimated saving of \$1 million over three years.<sup>26</sup>

<sup>26</sup> *Annual Report 1998-99*, Illawarra Area Health Service, pp17, 23.

However, the quality of performance information varied in regard to major facilities, and clinical and corporate groups. Whilst some facilities and groups reported at least some outcomes, others provided a description of activities undertaken with little evidence of the outcomes achieved.

Similarly, not all facilities report the same performance indicators for similar functions. This makes it difficult for readers to compare results for different facilities in the IAHS.

For example, six hospitals in the Area report on emergency services but only one reports performance against emergency department benchmarks. If comparison data is not available for the other five hospitals, this should be explained in the annual report.

It would also assist readers if better explanations were provided regarding achievements, for example:

- six out of seven acute hospitals achieved benchmark costs (but the report does not indicate what the benchmark costs were)
- the Area has consistently improved its OH&S record and in the past year, it has outperformed NSW Treasury Managed Fund results in 4 out of 5 indicators (but which indicators?)
- the Area out-performed the NSW average and continues to improve its performance (in relation to Day Surgery). (What was the average and what were the results?)

Similarly, reporting of results as "targets were achieved" does not convey to the reader information on what the target was. Quantifying targets and reporting actual results against targets would improve the value of the information provided.

There is limited information provided on operational efficiency. Expanding the number of efficiency indicators (or results in terms of costs and savings) would further assist readers to judge IAHS's achievements.

### **Comparing performance across periods**

There is a high degree of consistency in the content and presentation of performance information published by the IAHS.

### **Comparing performance to other health providers**

The annual report does not compare performance to other providers (especially in the areas of quality of service, clinical governance and clinical indicators) and/or NSW health benchmarks or data from identified best practice providers in other jurisdictions (or the private sector).

Data on other Area Health Services is available from the *NSW Public Hospitals Comparison Data Book* (prepared annually by the NSW Department of Health). However, this publication is generally not available until after the annual report is due.

This may limit benchmarking between hospitals for the current year but does not prevent data being presented from past years that would still assist the reader to compare results between Areas.

### **Opportunities to improve**

Accountability could be further enhanced by:

- linking efficiency and effectiveness performance indicators to Area objectives
- reporting a consistent set of indicators for similar facilities and services
- developing and reporting targets for all major functions and activities (or at least reporting performance against NSW Department of Health targets)
- reporting results in comparison to similar activities in other Area Health Services or other jurisdictions or best practice models.

### **Response from Illawarra Area Health Service**

Thank you for the opportunity to respond to the report identified above.

The IAHS acknowledges the Audit Office of NSW's systematic and constructive approach to the performance audit, "Judging Performance from Annual Reports".

Findings of the report will provide guidance in improving accountability and performance reporting mechanisms. Publication of the Audit Office's Better Practice Guide will provide further support for developing annual reports. On receipt of the guide, it is anticipated that the IAHS will run information sessions for all facilities required to submit information for the production of the annual report.

With reference to specific issues identified in the report please be advised of the following:-

#### **Reporting key performance information**

It is accepted that the current format for reporting key performance information could be improved by presenting efficiency and effectiveness indicators in a logical framework to link activities, targets and outcomes to each IAHS objective. It is further accepted that the quality and value of performance information could be improved by ensuring outcomes are clearly identified, performance indicators are consistent for facilities with similar functions, comments are included to explain achievements, targets and results are quantified and reported for all major functions and activities, and the number of efficiency indicators is expanded.

The format of the IAHS annual report has been revised for 1999/2000 to show performance against targets and to obtain a more consistent set of indicators for facilities with similar functions. Consideration is now being given to ensuring all IAHS facilities apply a consistent format in future that links IAHS performance information with objectives and addresses the report's other observations.

### **Comparing performance to other health providers**

The merit of reporting performance comparisons to similar activities in other Area Health Services or other jurisdictions or best practice is acknowledged. Implementing this opportunity for improvement would help to address the matter of expanding the number of efficiency indicators. Challenges to achieving such comparisons include measurement issues, e.g. tax and profit effects in private sector organisations. Consideration is being given to including comparisons with other Area Health Services.

(signed)

Dr Tony Sherbon  
Chief Executive Officer

Dated: 17 November 2000



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The Audit Office of NSW, *Key Performance Indicators* August 1999



# **Performance Audits by the Audit Office of New South Wales**

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## Performance Auditing

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Performance audits seek to serve the interests of the Parliament, the people of New South Wales and public sector managers.

The legislative basis for performance audits is contained within the *Public Finance and Audit Act 1983, Division 2A*, which differentiates such work from the Office's financial statements audit function. Performance audits examine whether an authority is carrying out its activities effectively and doing so economically and efficiently and in compliance with all relevant laws. These audits also evaluate whether members of Parliament and the public are provided with appropriate accountability information in respect of those activities.

Performance audits are not entitled to question the merits of policy objectives of the Government.

When undertaking performance audits, auditors can look either at results, to determine whether value for money is actually achieved, or at management processes, to determine whether those

processes should ensure that value is received and that required standards of probity and accountability have been met. A mixture of such approaches is common.

Where appropriate, performance audits provide recommendations for improvements in public administration.

Performance audits are conducted by specialist performance auditors who are drawn from a wide range of professional disciplines.

The procedures followed in the conduct of performance audits comply with the Audit Office's Performance Audit Manual which incorporates the requirements of Australian Audit Standards *AUS 806 and 808*.

Our performance audit services are certified under international quality standard *ISO 9001*, and accordingly our quality management system is subject to regular independent verification. The Audit Office of NSW was the first public audit office in the world to achieve formal certification to this standard.

## **Performance Audit Reports**

<b>No.</b>	<b>Agency or Issue Examined</b>	<b>Title of Performance Audit Report or Publication</b>	<b>Date Tabled in Parliament or Published</b>
1	Department of Housing	<i>Public Housing Construction: Selected Management Matters</i>	5 December 1991
2	Police Service, Department of Corrective Services, Ambulance Service, Fire Brigades and Others	<i>Training and Development for the State's Disciplined Services: Stream 1 - Training Facilities</i>	24 September 1992
3	Public Servant Housing	<i>Rental and Management Aspects of Public Servant Housing</i>	28 September 1992
4	Police Service	<i>Air Travel Arrangements</i>	8 December 1992
5	Fraud Control	<i>Fraud Control Strategies</i>	15 June 1993
6	HomeFund Program	<i>The Special Audit of the HomeFund Program</i>	17 September 1993
7	State Rail Authority	<i>Countrylink: A Review of Costs, Fare Levels, Concession Fares and CSO Arrangements</i>	10 December 1993
8	Ambulance Service, Fire Brigades	<i>Training and Development for the State's Disciplined Services: Stream 2 - Skills Maintenance Training</i>	13 December 1993
9*	Fraud Control	<i>Fraud Control: Developing an Effective Strategy (Better Practice Guide jointly published with the Office of Public Management, Premier's Department)</i>	30 March 1994
10	Aboriginal Land Council	<i>Statutory Investments and Business Enterprises</i>	31 August 1994
11	Aboriginal Land Claims	<i>Aboriginal Land Claims</i>	31 August 1994
12	Children's Services	<i>Preschool and Long Day Care</i>	10 October 1994
13	Roads and Traffic Authority	<i>Private Participation in the Provision of Public Infrastructure (Accounting Treatments; Sydney Harbour Tunnel; M4 Tollway; M5 Tollway)</i>	17 October 1994
14	Sydney Olympics 2000	<i>Review of Estimates</i>	18 November 1994
15	State Bank	<i>Special Audit Report: Proposed Sale of the State Bank of New South Wales</i>	13 January 1995
16	Roads and Traffic Authority	<i>The M2 Motorway</i>	31 January 1995
17	Department of Courts Administration	<i>Management of the Courts: A Preliminary Report</i>	5 April 1995
18*	Joint Operations in the Education Sector	<i>A Review of Establishment, Management and Effectiveness Issues (including a Guide to Better Practice)</i>	13 September 1995
19	Department of School Education	<i>Effective Utilisation of School Facilities</i>	29 September 1995

*Performance Audit Reports and Related Publications*

No.	Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
20	Luna Park	<i>Luna Park</i>	12 October 1995
21	Government Advertising	<i>Government Advertising</i>	23 November 1995
22	Performance Auditing In NSW	<i>Implementation of Recommendations; and Improving Follow-Up Mechanisms</i>	6 December 1995
23*	Ethnic Affairs Commission	<i>Administration of Grants (including a Guide To Better Practice)</i>	7 December 1995
24	Department of Health	<i>Same Day Admissions</i>	12 December 1995
25	Environment Protection Authority	<i>Management and Regulation of Contaminated Sites: A Preliminary Report</i>	18 December 1995
26	State Rail Authority of NSW	<i>Internal Control</i>	14 May 1996
27	Building Services Corporation	<i>Inquiry into Outstanding Grievances</i>	9 August 1996
28	Newcastle Port Corporation	<i>Protected Disclosure</i>	19 September 1996
29*	Ambulance Service of New South Wales	<i>Charging and Revenue Collection (including a Guide to Better Practice in Debtors Administration)</i>	26 September 1996
30	Department of Public Works and Services	<i>Sale of the State Office Block</i>	17 October 1996
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