

AUDITOR-GENERAL'S REPORT

PERFORMANCE AUDIT

Judging Performance from Annual Reports

Review of Eight Agencies' Annual Reports

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Foreword

Taxpayers have the right to expect governments to spend their tax dollars efficiently and effectively. They have the right to expect governments to be accountable.

Good performance reporting allows readers to judge achievements and value for money. When performance reporting is poor, accountability, transparency and openness are diminished. By reading an agency's annual report, ordinary citizens should gain some appreciation of whether their tax dollars are being spent efficiently and effectively.

Annual reports are a key mechanism for government agencies to account to Parliament and the public for their performance and use of public funds.

In our 2000 review of this topic, *Judging Performance from Annual Reports*, we identified a number of weaknesses. Since then, some improvements have been made in the quality of annual reports.

For instance, most of the agencies we reviewed now report key outcomes and results; provide performance data and trends; and employ both qualitative and quantitative measures of performance.

However, there is considerable variation in the quality of performance information published in annual reports. Some of the reviewed agencies still focus on reporting activities and projects rather than outcomes and results. Furthermore, few of them use performance targets, declare or discuss setbacks, or link costs to results.

Most importantly, none of the agencies in our review provided any benchmark comparisons – either cost or performance - with similar agencies in other States or other areas of New South Wales. Without such information, it is impossible to know how close an agency's performance comes to 'best practice'.

Finally, most other State governments have set up a framework to ensure some consistency in the way their agencies report performance. Without such a framework in New South Wales, the value of the information reported by our agencies will continue to be limited.

R J Sendt
Auditor-General

October 2003

Overview

Overview

- Annual reports** Annual reports are a key mechanism by which Government agencies account for their performance to Parliament and the public.
- Good performance reporting enables readers to judge achievements and value for money. If performance reporting is poor, the result is diminished accountability, transparency and openness.
- Legislation** The *Annual Reports (Departments) Act 1985*, *Annual Reports (Statutory Bodies) Act 1985* and associated Regulations set out requirements for agencies preparing annual reports.
- The role of NSW Treasury** NSW Treasury reviews a sample of annual reports each year for compliance with the annual reporting legislation and to promote best practice in public sector reporting. In addition, NSW Treasury maintains a website of guidelines and support material to help agencies prepare their annual reports.
- More recently, NSW Treasury has been examining opportunities to better link agency planning and performance management. As agencies develop more sophisticated performance measurement systems and integrate performance indicators from various sources, results should feed into:
- annual reports
 - Service Effort and Accomplishment reports from the Council on the Cost and Quality of Government and the Premier's Department
 - Service and Resource Allocation Agreements with NSW Treasury
 - parliamentary Budget Papers.¹
- Public Bodies Review Committee** The Public Bodies Review Committee has conducted four reviews on the quality of annual reports.²

¹ NSW Treasury Annual Reporting update 01/19, 17 July 2001.

² NSW Public Bodies Review Committee, Results of the Committee's Review of Five Annual Reports, Report No. 2, June 1997; Results of the Committee's Review of Ten Annual Reports, Report No. 4, June 1998; Towards Better Performance Reporting - Findings of an Annual Workshop Pilot Project, November 2000; and Report on Accountability for Unforeseen Performance Outcomes and Use of Budget Supplementations, November 2002.

The latest review of 15 annual reports found that overall, agencies had made some improvement in reporting performance in recent years, but there is a continuing reluctance to report bad news. The review also indicated that, despite earlier recommendations, the annual reporting legislation remains unchanged and does not reflect contemporary requirements in accountability or best practice standards in public reporting.

Public Accounts Committee

The Public Accounts Committee conducted its last review of public sector annual reports in 1996.³ The Committee recommended a number of legislative reforms in relation to performance reporting; these have not been progressed.

This audit report

This report follows on from our earlier performance audit reports, Key Performance Indicators and Judging Performance from Annual Reports, tabled in Parliament in 1999 and 2000 respectively.^{4,5}

In the 2000 audit, we recommended that independent validation of performance information be made a legislative requirement.⁶ We noted that in Western Australia the Auditor-General has a mandate not only to audit the accuracy of indicators, but also to attest to their relevance and that they reflect an agency's primary legislation.

In NSW there is no guarantee that the performance information reported by agencies is valid or reliable, unlike financial information, which is subject to independent review.

³ Public Accounts Committee, Annual Reporting in the Public Sector, Report No. 95, March 1996.

⁴ The Audit Office of NSW, Key Performance Indicators, August 1999.

⁵ The Audit Office of NSW, Judging Performance from Annual Reports, November 2000.

⁶ See also the Audit Office of NSW, Key Performance Indicators, August 1999 and the Public Accounts Committee, Annual Reporting in the Public Sector, Report No. 95, March 1996.

In this audit we reviewed the 2001-02 annual reports of eight agencies against our Better Practice Guide on reporting performance.⁷ The sample comprised:

- Department of Corrective Services
- Department of Mineral Resources
- Department of Sport and Recreation
- NSW Fire Brigades
- NSW Police
- State Electoral Office
- Central Sydney Area Health Service
- South Western Sydney Area Health Service.

Audit opinion

Overall, we found there have been some improvements in the quality of annual reports since 2000.

Most agencies now report key outcomes and results, provide performance data and trends and employ both qualitative and quantitative measures of performance.

However, there was considerable variation in the quality of performance information in annual reports. Some agencies still focus on reporting activities and projects rather than outcomes and results.

And agencies still face major challenges in producing a balanced report. Few agencies used performance targets, declared or discussed setbacks, linked costs to results or provided benchmark comparisons.

Three factors seem to contribute to the current state of annual reports:

- **the reluctance to report any setbacks or problems in performance**
- **that performance reporting takes place in a political environment**
- **there are few incentives for good reporting and few sanctions for poor reporting.⁸**

⁷ The Audit Office of NSW, Better Practice Guide Reporting Performance - A guide to preparing performance information for annual reports, November 2000.

⁸ CCAF Reporting Principles: Taking Public Performance Reporting to a New Level, 2002.

Opportunities for improvement

Based on our findings, we believe that agencies could improve the transparency and accountability of their annual reports by:

- publishing a comprehensive suite of performance measures in the annual report that are consistent with those used in corporate plans and which meet the needs of external stakeholders
- integrating financial and non-financial information to show how resources and strategies influence results
- providing benchmark comparisons
- setting targets
- declaring and discussing setbacks or failures
- publishing trend data for key indicators covering the last three to five years and discussing results.

Recommendations

We recommend that the Government:

- progress amendments to the annual reporting legislation and regulations in line with the proposals outlined by NSW Treasury in its 1998 document, 'Fundamental Review of NSW Financial and Annual Reporting Legislation'
- progress the introduction of legislative requirements for independent validation of performance information reported by agencies, as recommended in our 2000 performance audit.

The overall results against each of the audit criteria are presented in the following chapter. The findings for each agency's annual report are contained in chapter two.

Response from NSW Treasury

Thank you for the opportunity to comment on the Performance Audit – Review of Agency Annual Reports. We are pleased that you have found that there are some notable improvements in the quality of annual reports since 2000.

Treasury generally concurs with the Audit Office's views on the qualitative aspects of the information to be included in an annual report. In our view, performance information needs to be developed as part of an integrated performance management system within agencies (e.g. the same performance information is used for agency planning, monitoring and reporting). Various elements of Treasury's Financial Management Framework aim to achieve this. For example, Treasury is working intensively with some agencies to further develop their Service and Resource Allocation Agreements. The aim is to have a consistent set of performance information that can be used for planning, monitoring and reporting.

(signed)

*Alastair Hunter
Acting Executive Director*

Dated: 19 September 2003

1. Comments against audit criteria

1.1 Objectives are clear and measurable

Aims and objectives

The annual report should be part of an agency's governance, management and accountability framework. There should be clear links between the report, the corporate plan and the information used to judge budget allocations.

Aims and objectives reflect the enabling legislation and government policy. Under annual reporting legislation, each agency is required to publish:

- its charter and the principal legislation it administers
- its aims and objectives.

Annual reports were checked to see if objectives and strategies were consistent with those in the corporate plan.

Finding

Most of the annual reports provided information on agency aims and objectives, and all agencies provided an overview of activities and functions. But not all annual reports reflected the contents of the corporate plan.

Case study 1: Reporting objectives

The 2001-02 annual report for the Department of Corrective Services presents results for the year under each of its major programs.

The Department's corporate plan links its objectives and strategies to key performance measures that focus on critical aspects of performance.

The Department does not, however, report its objectives in the annual report; therefore, the reader cannot match the Department's achievements to its goals.

Better alignment between the annual report and the corporate plan will ensure that objectives and key performance measures are consistent, and that the same information is used to judge performance.

Reporting clear, measurable objectives

Objectives need to be relevant, specific and, where possible, define impacts on the community, environment and the economy.

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

Finding

The quality of objectives in annual reports was mixed. Some objectives were stated in such general terms as to render them impossible to use in measuring and reporting results.

Examples include:

- Support the NSW Government’s approach of combining resources and expertise to deliver better results (Department of Sport and Recreation)
- Implement best management practice systems so as to create an efficient, productive, satisfying and equitable work environment (State Electoral Office).

1.2 Focussing on results and outcomes

The annual report should provide a clear discussion on what the agency planned to achieve, did achieve and plans to achieve in the future. This includes reporting on outputs delivered and outcomes to be achieved.

Finding

All of the annual reports included some discussion of plans and achievements.

Although the quantity of performance information has increased since our 2000 audit, it was not sufficient in most cases to judge both the efficiency and effectiveness of the agency.

Agencies frequently report activities and outputs. Reporting outcomes presents a greater challenge and few agencies met best practice.

Case study 2: Reporting on outcomes

The Department of Sport and Recreation’s annual report presents key performance information under the headings of Communicating With Customers, Sport and Recreation Development and Quality Management from the 1999-2003 Corporate Plan.

The Department meets best practice in that relevant and appropriate indicators of effectiveness are reported in the performance summary. These indicators include customer satisfaction, participation rates, involvement of targeted groups in programs and total participant days.

However, there are no indicators of efficiency in the report or linking of financial information to results. An example of an efficiency indicator for the Department would be the total number of grants managed and their cost.

Both efficiency and effectiveness indicators are needed to judge value for money and the overall performance of an agency.

Integrating financial and non-financial information

Discussing results without reference to the resources used to achieve them can lead to unrealistic expectations on the part of stakeholders. It is also difficult to judge whether or not a program or activity represents value for money.

Finding

Although there is a large amount of financial information in agency annual reports, few demonstrate the relationship between costs and results.

For example, NSW Police provides comprehensive information on the effectiveness of police activities in relation to crime reduction. However, the unit cost of the main police activities such as investigating crimes, processing and charging offenders or attending road accidents are not reported.

Likewise, the State Electoral Office does not report the cost per election or the resources spent maintaining the enrolment register.

1.3 Discussing results against expectations

Reporting against targets

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

Finding

Most of the agencies did not have targets for key performance indicators in their annual reports. In these cases it was not possible to judge if results represented success or failure.

Where targets were used, some were vague and not quantified, rendering them meaningless.

For example:

- Enhance pre-release planning to better prepare inmates for release (Department of Corrective Services)
- Implement area tobacco control strategy (Central Sydney Area Health Service)
- Continue to work with Aboriginal communities and schools to achieve positive sporting outcomes (Department of Sport and Recreation).

Examples of targets that met best practice were:

- Provide help within 10 minutes from the time of the call on 90 per cent of occasions (NSW Fire Brigades)
- 100 per cent of Emergency category 1 patients seen by a doctor within the benchmark of two minutes (Central Sydney Area Health Service)
- All mines employing more than 20 employees have risk-management-based safety management plans by 30 June 2002 (Department of Mineral Resources).

1.4 Reporting is complete and informative

Performance reporting is complete and informative when it:

- covers key functions and programs of the agency
- reports on performance against targets identified in the previous annual report
- includes honest coverage of both successes and setbacks
- includes comparative (multi-year trend) data and a discussion and analysis of changes over time.

Finding

Not all information in reports was complete, leaving readers to question what the agency actually achieved.

Case study 3: Reporting health outcomes

The 2001-02 annual report for the South Western Sydney Area Health Service states that it achieved 96 per cent of its Health Department performance targets either partially or fully during the year.

However, the report does not describe what the targets were or publish the actual results.

Five annual reports provided key results over a five-year period to allow performance to be compared over time. A summary of performance information and graphics were generally provided in the front of the report.

However, not all agencies discussed these trends or provided any analysis of the results, making it difficult to judge whether the trend was good or bad.

Case study 4: Analysing and discussing performance trends

The Department of Mineral Resources includes a graph in the performance highlights section of its annual report showing the NSW share of private expenditure on mineral exploration for the years 1988-89 through 2001-02. Since 1991-92 the trend has been downward; yet this is not explained by the Department and there is no comment on how this impacts upon or contributes to the Department's achievements for the year.

Reporting setbacks and successes

Annual reports should include honest coverage of both successes and setbacks. Robust performance reporting presents information that is fair and unbiased and raises the confidence of the reader in its content.

The Public Bodies Review Committee in its 2002 review of agency annual reports found that agencies tend not to include in their annual reports explanations of:

- the reasons for major variances from performance plans and targets
- actions taken to address performance shortfalls or improve service standards.⁹

Finding

Some agencies declared and discussed setbacks. For example, the Department of Sport and Recreation reported a budget overspend in the annual report and discussed the implications of this.

1.5 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

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

⁹ NSW Public Bodies Review Committee, Report on Accountability for Unforeseen Performance Outcomes and Use of Budget Supplementations, November 2002.

Best practice suggests that an agency report:

- 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.

Finding

Most agencies published the same, or at least a similar, set of performance measures in 2000-01 and 2001-02. Such consistency helps readers to compare performance over time.

However, where variations to indicators did occur, agencies did not always explain the reasons for the changes. Without adequate explanations, there is a risk that agencies are being selective about what results they report.

1.6 Value for money and benchmarking

In reporting value for money, agencies should:

- define their target population or client base
- identify main outputs and outcomes provided to clients
- disclose costs involved in providing the main outputs and, where possible, outcomes
- benchmark their operations against similar organisations either in the same or other jurisdictions or the private sector.

The Audit Office acknowledges some issues need to be considered before agencies can publish benchmark data. For example, there can be time lags between the collection of data and its publication, and the validity and usefulness of comparing NSW results to that achieved in other jurisdictions needs to be considered.

Nevertheless, where data from previous years that is validly comparable does exist, including such data in the report would assist the reader to judge the results.

Finding

None of the agencies compared results to similar organisations in other jurisdictions or to state or national averages.

This was even the case where comparable data from other jurisdictions was easily accessible, such as for health services, corrective services, fire brigades and police.¹⁰

1.7 Access and information

The annual report of an agency should be easily accessible, as it is the primary means for Parliament and the public to judge the performance of an agency and how well it spends public money.

In 2000, two of the eight agencies included in our review had not provided copies of their reports on their internet site.

Finding

All but one of the agencies reviewed in 2003 provided a copy of the annual report on their internet site. Where the annual report was available on the internet, most agencies also provided copies of their last five reports.

¹⁰ Data is available from the Report on Government Services Steering Committee for the Review of Commonwealth/State Service Provision, 2003.

2. Performance reporting by agencies

2.1 Department of Corrective Services

Audit opinion

The NSW Department of Corrective Services' annual report contains performance measures for the main activities of the Department. Trend data is also provided, enabling performance to be judged over time.

Clearly stating objectives and linking them with strategies and key performance indicators would improve the quality of the report. Targets that are both challenging and achievable should also be included.

Reporting would be further enhanced if results were compared to similar organisations operating in other jurisdictions.

Reporting aims and objectives

The role of the Department is to provide a safe, secure and humane adult correctional system that incorporates the elements of protection, rehabilitation and reparation to the community.

The Department does not report against objectives in its annual report. Rather, it reports on activities under its major programs. Readers would find it difficult to align these activities with the strategic direction of the Department.

Reporting key performance information

The report includes performance information on some key outcomes. For example, data is provided on both deaths in custody and indigenous deaths in custody. Data is provided over the last five years, showing trends.

Numerous indicators of effectiveness are used in the report, such as the number of escapes, assaults and proportion of eligible prisoners employed. Trends over time are reported for some of these indicators.

There are no quantitative targets or benchmarks in the report that could be used to judge performance. For example, the report provides data on the percentage of inmates by category receiving psychological services. In order to judge the effectiveness of this service, the reader needs to know how many inmates have been assessed as needing psychological intervention and the extent to which this need has been addressed.



Similar concerns were raised by the Public Bodies Review Committee in its report on the Department's 2000-01 annual report.¹¹

Results for national correctional indicators are presented in an appendix to the report. Indicators of efficiency such as the cost per prisoner, prisoner to staff ratio and prison utilisation should be presented in the front of the report.

Where appropriate, performance should be reported against a target. For example, the acceptable range (target) for prison utilisation is 85 to 95 per cent, which appears in the corporate plan but not in the annual report.

The Department should consider publishing a summary of achievements against key result areas (objectives) as well as plans and targets for the following year at the front of the report.

Some setbacks are discussed, such as the disturbance at Goulburn gaol in 2001. Management's responses to setbacks and challenges are also provided.

Comparing performance across periods



Generally, readers can compare the Department's performance over a five-year period as trend data is provided for a number of key indicators.

Comparing performance to others

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

Data on various aspects of corrective services is contained in the Report on Government Services 2003, which could provide a basis for reporting comparisons.

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

¹¹ NSW Public Bodies Review Committee, Report on Accountability for Unforeseen Performance Outcomes and Use of Budget Supplementations, 2002.

Nevertheless, data does exist that is validly comparable, and even reporting data from past years would assist readers to better judge the Department's results.

Other comments

The report does not discuss the Department's response to our performance audit report on NSW Correctional Industries released in June 2001 or progress regarding the implementation of those recommendations.



**GOOD
PRACTICE**

The annual report is accessible from the website and can be easily downloaded and printed. The 2001-02 report and reports for the previous four years are available.

Opportunities for improvement

Performance reporting could be improved by:

- adopting the Department's corporate plan as the framework for reporting performance in the annual report
- making links between indicators and objectives more explicit
- setting meaningful, quantifiable targets and reporting performance against these
- using benchmarks where possible to compare performance to similar organisations in other jurisdictions
- publishing key performance information at the front of the annual report
- including action taken in regard to recommendations raised by the Auditor-General.

Agency comments

**Department of
Corrective
Services**

I refer to your letter of 22 August 2003 and the accompanying draft Overview and Corrective Services Annual Report audit report. It is noted the Department's 2001/2002 report generally meets good practice standards.

The proposed use of the Department's Corporate Plan as the basis of a more strategic approach to reporting is accepted and is being adopted for the 2002/2003 report. This structure will also enable a clearer linkage of published performance indicators and objectives.

Audit's suggestion of comparing the Department's current performance with previous year data from other jurisdictions is accepted. This will overcome the difficulty of data unavailability while providing useful comparative information. This data, with associated commentary, can be featured early in the report.

There are issues relating to the comparability of some aspects of service demands and the environmental, social and political context in which services are delivered that present practical difficulties in establishing quantified targets based upon national benchmarks.

The Department did respond positively to the audit of Corrective Services Industries. Considerable resources and effort were engaged in developing an 'Employability Skills Framework' to provide a holistic and effective response to the difficulties faced by former inmates in gaining and retaining employment. This issue will be addressed in the 2002/2003 Annual Report.

(signed)

*Ron Woodham
Commissioner*

Dated: 11 September 2003

2.2 Department of Mineral Resources

Audit opinion

The Department of Mineral Resources' annual report comprehensively discusses the Department's objectives, activities, and performance. The report is thorough and balanced.

There are, however, a few gaps. The Department would do well to benchmark performance against similar agencies in other jurisdictions and/or national data. The Department should also expand its suite of indicators to include measures of efficiency and cost effectiveness.

Agency aims and objectives

The Department of Mineral Resources is responsible for administering mineral exploration and mining in NSW. The Department provides geoscientific information, strategically assesses and allocates resources, and regulates mining operations.

The annual report reflects key elements of, and is based on, the Department's corporate plan. The report also defines desired program benefits as they impact the environment, community, and the economy.

For example, one outcome is increased petroleum exploration leading to the supply of competitively priced clean energy. Similar outcomes are listed for each key performance area.



Objectives are followed by specific, measurable targets and goals, which are listed in a performance table at the end of each section of the annual report.

Reporting key performance information

The Department of Mineral Resources' annual report focuses on reporting outcomes and outputs and uses a suite of performance indicators. Most graphs in the report contain five to ten years' data, but there is no discussion of trends.

Outcomes and outputs are discussed under each key performance area, followed by a chart listing performance indicators. The annual report provides a clear link between the Department's objectives and performance information.

Best practice suggests data should be shown for the past three to five years. Although most graphs in the annual report show five to ten years' data, the target or goal for many of these graphs is not clear, and there is no discussion or analysis of trends. This makes it difficult for the reader to assess whether a trend is good or bad.

Information should be presented in a manner that facilitates understanding and does not overwhelm the reader. While the Department's report is comprehensive and detailed, some improvements can be made.

Key performance information should be brought together in one part of the annual report. Highlights found at the front of the report do not clearly relate to the key performance areas discussed later. This is confusing. Highlights should provide a quick overview of the Department's key achievements for the year and should link to activities of the Department.

Comparing performance across periods

The Department reports specific and measurable outcomes for its key performance areas. These areas are generally in line with its corporate plan and consistent with information published in previous years.

There were several instances in which the current annual report either added or deleted a performance indicator used in the 2000-01 report without explanation. Some targets are different from the corporate plan or the previous year's annual report; and the report makes very little mention of any unfavourable variances between targets and actual results.

The Department includes a graph in the performance highlights section of the annual report showing the NSW share of private expenditure on mineral exploration for the years 1998-99 through to 2001-02. Since 1991-92 the trend has been downward. This is not explained by the Department and there is no comment on how this impacts upon or contributes to the Department's achievements for the year.

Comparing performance to others

The annual report does compare private mineral exploration expenditure with other states. However, the Department could provide more data and discussion on benchmarking with similar organisations in other jurisdictions.

Other comments

The relocation of the Department from Sydney to Maitland, including efforts to manage the process and keep staff informed, is discussed in the report. However, any impacts this may have on services and functions are not discussed.

The current annual report is available on the website, as is the corporate plan.

Opportunities for improvement

Performance reporting could be further enhanced by:

- providing a discussion and analysis of changes to trend data over time
- using benchmarks where possible to compare performance to similar organisations in other jurisdictions
- explaining the reasons why a change in indicators has occurred.

Agency comments

I refer to your letter of 22 August 2003 concerning the audit report, Performance Audit – Review of Agency Annual Reports, which was prepared by the Audit Office of New South Wales.

Department of Mineral Resources

I appreciate the opportunity to provide a formal response to the report.

It is pleasing to note that the report found the Department of Mineral Resources 2001-02 Annual Report to be thorough and well balanced. I am also pleased that the review found the Department had good practices in providing meaningful targets by which its performance can be assessed.

The Department welcomes the suggestions mentioned in the review, as the basis for continual improvement for future Annual Reports. Some are already being incorporated in the preparation of the 2002-03 Annual Report.

The Audit Report recommends that the Department benchmark aspects of its performance against similar agencies in other jurisdictions and/or national data. This issue has been discussed with your officers. There are significant differences in the nature and scope of operations of each agency, which to a large extent reflect natural differences in the geology and mineral resources, and the differing needs of industry clients in each State and Territory. These differences make the use of benchmarking as a performance measurement tool difficult and in some cases meaningless. Where direct comparisons can be made, eg share of total Australian export coal tonnage, relevant performance measures have been developed.

Furthermore, the Department routinely compares some of its products and services with sister agencies in other jurisdictions, eg geological mapping programs, and participates in the development of national performance measures, eg for mine safety.

The Department also participates in a range of benchmarking studies such as those related to corporate services from time to time and publishes the results in the relevant Annual Report. However, more information about such benchmarking activities can and will be provided in future Annual Reports.

The Department uses national data provided by the Australian Bureau of Statistics to monitor industry activity in NSW, eg mineral exploration expenditure. These are published in the Annual Report. The Department does not have the resources to collect the information itself and then benchmark them against national data as a measure of its performance.

The Department strives to continually improve the outcomes of its activities for the people of NSW and enhance the usefulness and effectiveness of its public reports. The audit review's findings about the Department's Annual Report have been reassuring that we are on the right track and I appreciate the advice and suggestions that your independent assessment has provided.

(signed)

*Alan Coutts
Director-General*

Dated: 10 September 2003

2.3 Department of Sport and Recreation

Audit opinion

The NSW Department of Sport and Recreation's annual report provides an adequate performance summary of the Department's outcomes, outputs and inputs. The report discusses achievements and challenges faced throughout the year in line with the Department's corporate plan.

It is also well structured, allowing readers to access key information easily.

However, the report lacks targets and some performance indicators, and it is not clear what the Department's objectives are. In addition, only limited discussion is provided on trends or declines in performance.

The Department's new corporate plan for 2003-2007 provides a suitable framework for reporting the Department's performance in future annual reports.

Agency aims and objectives

The annual report clearly explains the Department's purpose and role as a provider of sport and recreation programs, as well as its purpose in assisting local communities to use their resources to provide opportunities for physical activity.

The report aligns with the Department's three corporate aims of communicating with customers, sport and recreation development, and quality management from the corporate plan; it also lists the strategies for each aim.

Reporting key performance information



A performance summary is published at the front of the report and includes data on key inputs, outputs and outcomes.

Additional performance information is provided in the achievements summary and within each of the three sections of the report.

A standard format is used to report achievements, benefits, challenges and future goals for each strategy. The report provides a clear link between outcomes and the activities undertaken by the Department to achieve these.

Relevant and appropriate indicators of effectiveness are reported in the performance summary. These indicators include customer satisfaction; participation in sport by demographic group; participant days; and number of participants per annum.

There are no indicators of efficiency, although some results are included in the performance summary. An example of an efficiency indicator would be the total number of grants managed and their average cost.

There are no targets for indicators in the annual report, and it is unclear whether projected results are expectations or performance goals.

The Department should comment on significant trends in the performance summary, as without targets it is not possible to judge if results represent success or failure. For example, the decline in the number of participant days for school holiday programs is not explained.



Almost all performance summary tables include data covering four years.

However, no explanation is provided as to why some results, such as customer feedback data, cover only two years.

Comparing performance across periods

Most indicators reported in the performance and financial summary sections are consistent between the 2000-01 and 2001-02 annual reports.

Consistent data on participant numbers for each of the eight regions over four years is provided, allowing regional results to be compared.

Where a change in the methodology used to collect data has occurred, a clear explanation is provided for readers. However, the removal of the Swimsafe indicator from the 2001-02 annual report is not explained.¹²

Comparing performance to others

There is no benchmarking of activities or costs against other organisations delivering similar services in other jurisdictions.

¹² Percentage of pupils learning to swim in nine lessons

Other comments



The annual report discusses challenges that will impact on the Department's operations. It also explains why the net cost of services was higher than the Department's budget allocation.

However, the report does not always discuss declines in performance in areas such as participation rates.

Copies of the annual report for all years since 1998-99 are available through the Department's website.

Opportunities for improvement

The annual report could be improved by:

- including reasons for significant variations in results over time
- expanding the range of performance measures to include efficiency indicators
- establishing and reporting on specific, measurable targets
- reporting performance in comparison to established targets from the previous annual report
- explaining reasons for discontinuing the reporting of established performance indicators, and where possible providing transition data on indicators that are no longer used
- examining opportunities to benchmark performance with similar organisations in other jurisdictions
- considering using the corporate plan 2003-2007, which includes key result areas, outcomes, strategies, performance measures and targets, as the framework for reporting performance in the next annual report.

Agency comments

Department of Sport and Recreation

I refer to your letter of 22 August 2003 seeking comments on the final draft report, Review of Agency Annual Reports, Department of Sport and Recreation.

I appreciate this further opportunity to add any final comments. However, as stated in my last response of 15 August, the Department is happy with your suggested changes and will be incorporating them into the Department's Annual Report for 2002/03.

(signed)

*Lisbet Dean
Acting Director-General*

Dated: 29 August 2003

2.4 NSW Fire Brigades

Audit opinion

NSW Fire Brigades' annual report is easy to read and provides an explicit link between what the agency wishes to achieve and its objectives and strategies.

A summary of results for the year is presented in the beginning of the report and includes priorities, achievements and future directions. The results for key performance indicators are also published at the front of the report along with five-year trend data.

However, judging operational efficiency is not possible as the cost of services is not provided. There are also no benchmarks and few targets or goals that could be used by readers to assess performance from one year to the next.

Agency aims and objectives

The role of the NSW Fire Brigades is to enhance community safety, quality of life and confidence by minimising the impact of hazards and emergency incidents.



A summary of results for the year is presented in the beginning of the report and includes priorities, achievements and future directions. The results for key performance indicators are also published at the front of the report along with five-year trend data.

Reporting key performance information

The report provides a clear description of what the agency achieved and plans to achieve in the future. The report also includes a number of key performance indicators that are primarily indicators of effectiveness. No indicators of efficiency are included that could be used to benchmark costs or judge value for money.

To measure outputs, NSW Fire Brigades reports on the outcome of its smoke alarm campaign in terms of the percentage of owned and rental properties with smoke detectors installed.

Other output measures such as response times are reported against a target of 90 per cent of calls receiving help within ten minutes (greater Sydney area only).



Trend data for effectiveness indicators is provided over a five-year period. The same set of indicators was reported in 2000-01. Summary data is provided in the front and in more detail in the body of the report.

Performance information covers most of the activities important to clients.

However, few indicators have numerical targets against which readers can compare progress. For example, there is no target for the smoke detector campaign in terms of increases in the number of households with detectors installed.

Comparing performance across periods



GOOD PRACTICE

Comparing performance to others

The same set of six key performance indicators appears in both the 2000-01 and the 2001-02 annual reports. Data is also presented on these indicators showing results over the last five years.

Such consistency assists readers to compare and monitor performance trends over time.

NSW Fire Brigades does not include any comparisons of performance to similar organisations in other jurisdictions.

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

Other comments

The annual report was readily accessible on the website and in a format that facilitated printing. Prior years were also available.

NSW Fire Brigades also produced an interactive CD-ROM version of the 2001-02 annual report for distribution to stakeholders.

Opportunities for improvement

Performance reporting could be further enhanced by:

- including indicators of efficiency that could be used to benchmark costs and judge value for money
- including analysis of trend data and discussion of results
- commenting on setbacks as well as successes
- examining opportunities to report benchmark data obtained from similar organisations in other jurisdictions.

Agency comments *Thank you for the opportunity to participate in the Auditor-General's Review of Agency Annual Reports. I am pleased to note that many aspects of the NSW Fire Brigades (NSWFB) 2001/02 annual report are recognised as "good practice".*

NSW Fire Brigades

The NSWFB uses the annual report to document performance against the 10 critical capabilities for success identified within its corporate plan, and consistently reviews efficiency and effectiveness measures to ensure that they remain transparent and improve performance reporting.

The NSWFB benchmarks its annual report through participation in the Australasian Reporting Awards (ARA) and in 2003 was recognised with its third silver award. The NSWFB has also gained a special award for excellence in OH&S reporting and two bronze awards.

Some comments on the draft Audit Office report on the NSWFB 2001/02 annual report follow.

Comparability with other jurisdictions

The NSWFB recognises the value of comparative performance information and through the Australasian Fire Authorities Council is leading and sponsoring a number of projects to develop:

- *common data dictionaries and standards, and*
- *a more useful way for fire services to exchange comparative performance information.*

Comparative performance data is readily available in the Report on Government Services (Productivity Commission January 2003) unfortunately this information is not collated until after the annual report is produced. Including this information in the annual report will mean a lag of one year in performance reporting and will involve some effort to disaggregate data as the Report on Government Services presents its results by jurisdiction rather than agency.

Efficiency indicators

Efficiency indicators reporting on the unit cost of outputs and outcomes are difficult for fire services to identify given the diversity and nature of services delivered.

Efficiency per fire has not been selected as a performance indicator for the Report on Government Services on the fire industry in Australia. This is because this measure, as demonstrated overseas, can show fire services that attend more fires as most efficient when clearly in social, environmental and economic terms, a higher rate of fires is not an appropriate measure of efficiency to the community.

Similarly the level of inputs per person in the population overlooks an increase in emergency activity arising from for example natural disasters such as the:

- *Christmas bushfires across the State in 2001 and 2002*
- *large scale flooding on the North Coast in 2001 and Illawarra in 1998, and*
- *severe hailstorm that decimated the eastern suburbs of Sydney in 1999.*

The NSWFB 2001/02 annual report also provides a transparent overview of the cost of services including variations on the previous year at pp 51-53.

The NSWFB is continually improving its annual reporting and will take on board the views of the Audit Office. Enhancements in the 2002/03 annual report will include community activity by firefighters promoting safe practice, improving reporting on prevention/mitigation activities.

(signed)

*Greg Mullins AFSM
Commissioner*

Dated: 16 September 2003

2.5 NSW Police

Audit opinion

NSW Police's annual report includes comprehensive information on activities, projects and results.

Trend data is provided for most indicators for five years. However, there is no discussion of trends or comparison of performance with police services in other jurisdictions.

In addition, judging the efficiency of NSW Police is difficult as the cost of police services are not provided.

Agency aims and objectives

The role of NSW Police is outlined in the annual report as:

- to reduce crime and violence and maximise the community's sense of safety and security
- to reform the police service to attain a high level of public trust and confidence in police integrity
- to deliver effective, appropriate, quality policing services.

Reporting key performance information



**GOOD
PRACTICE**

The 2001-02 annual report provides trend data for five years for key result areas such as number of police at the front line, response times and levels of public satisfaction with police activities.

The annual report includes data from public satisfaction surveys covering community confidence and trust in the police. The report also provides comprehensive information on the effectiveness of police activities in relation to crime reduction and the results of criminal investigations.

However, the report does not include performance targets for any of these key result areas.

Where targets are reported they tend to be descriptive rather than quantified, such as reducing complaints, increasing numbers, or improving services.

Although the report covers significant regional events, it does not discuss any setbacks that may have occurred during the reporting period.

There is also no analysis or discussion of performance trends. NSW Police should comment on significant trends in the results section, as without targets it is not possible to judge whether results represent success or failure.

Accountability would be further enhanced if the report included cost efficiency or cost effectiveness indicators or data on the cost of services.

Comparing performance across periods

Most indicators reported in the performance and financial summary sections are consistent between the 2000-01 and the 2001-02 annual reports.



Where changes have occurred in the methodology used to collect data, these changes are reported. For example, changes in the way the customer satisfaction survey was conducted, including changes to wording and potential impacts on results, are discussed.

However, in some cases where data was not available, no explanation was provided.

Comparing performance to others

There is no benchmarking of activities or costs with organisations delivering similar services in other jurisdictions.

Other comments

NSW Police's annual reports for the current as well as previous two years are accessible on the NSW Police website.



Progress since the last audit

Opportunities for improvement identified in our 2000 performance audit report were:

- provide more meaningful commentary on changes in performance
- set more meaningful targets for performance
- report on service costs and efficiency.¹³

The 2001-02 annual report contains more performance information than the 1998-99 report. The suite of indicators has been expanded and the report provides explanations for changes in indicators between periods.

¹³ The Audit Office of NSW, Judging Performance from Annual Reports, 2000.

Setting performance targets is still an issue as well as providing commentary on performance trends and results.

Opportunities for improvement

The annual report could be improved by:

- providing analysis and discussion of changes in performance over time
- setting meaningful, quantifiable targets and reporting performance against these
- commenting on setbacks as well as successes
- using benchmarks where possible to compare performance to similar organisations in other jurisdictions.

Agency comments

NSW Police

I refer to your correspondence, dated 22 August 2003, addressed to the Commissioner of Police. The Commissioner has requested that I respond directly to your correspondence.

It is pleasing to note the recognition given to the NSW Police regarding the work it has done to improve its Annual Reports. In particular it is pleasing to see that the New South Wales Police Annual Report has been identified as displaying and adopting, "Good Practice" in a number of key areas.

The report, in relation to the NSW Police, identifies four specific areas where it is suggested that opportunities exist for the improvement of our Annual Report. Specifically these are:

- *providing an analysis and discussion of changes in performance over time*
- *setting meaningful, quantifiable targets and reporting performance against these*
- *commenting on setbacks as well as successes*
- *using benchmarks where possible to compare performance to similar organisations in other jurisdictions.*

In principle there is general agreement that further opportunities exist for the development of the Annual Report in the areas identified. However the identification and measurement of performance measures for policing is problematic. Performance at a local level does not necessarily equate to performance at an organisational level. Further, the effectiveness of pro-active and re-active operational activities can be difficult to measure and difficult to interpret. Additionally, there are a number of external factors that impact on performance measures over which the NSW Police has no control. These include, but are not limited to, changing demographics, changing economic environment and a changing political environment.

Benchmarking against similar organisations in other jurisdictions,

while initially sounding attractive, is also often of limited value. Access to the data of these agencies is often not available in a timely manner. It is usually not available until produced in their own Annual Report, resulting in the comparison being at least 12 months old. Furthermore, the relevant data is generally not directly comparable which results in comparing performance somewhat meaningless.

The problem of identifying and measuring appropriate performance measures for policing is not one that is unique to New South Wales. It is an internationally recognised one. The British Home Office together with the Metropolitan Police London are hosting an international conference to discuss benchmarking and performance measures. A representative of the NSW Police will be attending this conference.

In recognising there are difficulties in identifying and measuring appropriate performance measures the NSW Police will, however, continue to work towards improving its Annual Reports. In this regard New South Wales Police has entered into discussions with the Treasury to seek to develop a Strategic Resource Allocation Agreement. These discussions are in their preliminary stages. However, such an agreement would focus on outcomes and outputs and the cost of achieving them. Accordingly, this would focus on the assessment of activities necessary to achieve identified goals. It is envisaged that this information would feed in to the Annual Report thereby addressing some of the opportunities for improvement that have been identified.

Thank you for the opportunity to respond to your report.

(signed)

*R J Redfern
Commander
Audit Group*

Dated: 22 September 2003

2.6 State Electoral Office

Audit opinion

The State Electoral Office's annual report includes performance information that focuses on activities and projects rather than outcomes and results.

Performance information would be improved if the agency adopted a set of indicators that align with its corporate plan and reported performance against these. Comparison of results with similar organisations in other jurisdictions would also be useful in assessing performance.

Agency aims and objectives

The role of the State Electoral Office (SEO) is to register and enrol electors, prepare lists and electoral rolls, and conduct elections on behalf of the Legislative Assembly, Legislative Council, Local Government, industrial organisations, statutory boards and authorities, and registered clubs.

The annual report outlines four major objectives that reflect the expected functions of the agency.



A summary of SEO's operations for the year is presented in the front of the report, which lists objectives, strategies, performance measures and directions for 2002-03.

Although outcomes relating to each objective are included in the SEO's corporate plan, they are not reported in its annual report.

Reporting key performance information

The SEO annual report lacks sufficient performance information with which to judge the efficiency and effectiveness of the agency.

Details of SEO's activities in relation to each of its objectives are outlined in a table. Although the report comments on a number of activities that commenced during the year, there is no indication of progress towards their completion.

For example, the SEO reports it commenced enquiries into sources of available data to assist with roll management activities but does not indicate what progress was made.

Furthermore, target completion dates are not published. This makes it impossible to determine whether the agency has performed above or below its goals.

The report does contain a few agency-specific performance indicators. These include the percentage of persons enrolled who voted at State and Local Government elections and by-elections during the past year.

However, this information would be greatly enhanced if results were reported for several years (best practice suggests three to five years) to illustrate trends in SEO's performance.

In addition, these indicators could be expanded to include a more comprehensive set of performance measures. Such information should be presented near the front of the report.

There are no indicators of efficiency in the report such as cost per election, cost per electorate, cost per enrolment, or resources spent on updating the enrolment register.

**Comparing
performance
across periods**

Objectives and strategies are consistent between the 2000-01 and 2001-02 annual reports.

However, the report does not contain meaningful quantified targets or comparative data that would facilitate analysis of SEO's performance over time.

In contrast, the Victorian Electoral Commission (VEC) provides comparative statistics relating to the number of elections it held and voter participation over a three-year period.¹⁴ Such information assists readers to compare performance and monitor performance trends over time.

The SEO's annual report would benefit from the provision of comparative performance data relating to elections, registrations, and voter turnout.

**Comparing
performance to
others**

The SEO's annual report does not include any comparisons of performance to similar organisations in other jurisdictions.

Other comments

Environmental issues affecting the SEO, such as enhancement of its computer system, are adequately documented in the annual report. However, the target and actual completion dates and costs for the project are not provided.

¹⁴ Victorian Electoral Commission, Annual Report 2001-02.

The SEO's 2001-02 annual report is not available on its website. Only the 2000-01 annual report is available electronically.

Opportunities for improvement

Accountability and transparency would be improved by:

- reformatting the report and bringing performance information together in the front of the report
- providing trend data on results over a three to five year period
- presenting financial results in a summary table rather than in the narrative section of the report
- setting meaningful measurable targets and reporting performance against these
- selecting a suite of indicators that meet the requirements of management and various stakeholders, and align with the corporate plan
- using benchmarks where possible to compare performance to similar organisations in other jurisdictions
- publishing the annual report on the website as soon as it is tabled.

Agency comments

State Electoral Office

I refer to your letter dated 22 August 2003 offering the opportunity to comment on your report to Parliament in respect of the above-mentioned audit and specifically those matters which relate to this Office.

Whilst I appreciated the opportunity to discuss with Audit Office personnel matters identified during the audit, I am concerned that my responses to particular aspects have not been adequately reflected in the final report.

I consider this Office's corporate plan to be more than adequate in identifying the Office's directions and objectives and the avenues by which those objectives will be achieved.

It is recognised that limited use has been made of performance indicators in previous annual reports as a means to measure efficiency and effectiveness and where such measures have been used they primarily relate to internal corporate service type activities.

It is acknowledged that clearer, more concise and measurable objectives (where possible) would provide a basis to gauge and report on achievements or progress and this will be addressed in the preparation of the next plan due in mid 2004.

The use of performance indicators and benchmarks as a measure of electoral activity was an area of particular interest to the Audit Office with emphasis on comparison with previous elections and with other electoral jurisdictions.

My concerns with this type of reporting were expressed in detail to the Audit Office but which I feel have not been detailed in the report.

Many factors impact on the intricacies of a NSW State General Election quite apart from any influences brought about by the introduction of new legislation. These factors can have significant bearing on the cost, procedures and measures which need to be taken to ensure the efficient and effective conduct of any such election. Consequently, a direct comparison from one election to the next through the use of performance measures alone can in fact provide a distorted representation, and consequently interpretation, of trends and/or performance. Similarly, there are significant differences between electoral jurisdictions throughout Australia and any comparison of results or performance can be distorted if those differences are not clearly defined and understood.

It is relevant to note, in fact, that through the Electoral Council of Australia efforts to benchmark electoral activity were attempted by electoral jurisdictions throughout Australia a short time ago but was aborted due to the difficulties encountered in finding common ground.

I understand the principles underpinning the Audit Office's perceived benefits through the use of performance indicators and the like and am presently reviewing the use of appropriate performance measures in future annual reports although the use of any such measures may need to be accompanied by clear qualifications.

Please feel free to contact me at this Office on telephone 9200 5910 if you have any enquiries regarding this matter.

(signed)

*J Wasson
Electoral Commissioner*

Dated: 11 September 2003

2.7 Central Sydney Area Health Service

Audit opinion

The annual report for Central Sydney Area Health Service contains more performance information than the 1998-99 report, which was reviewed in our last performance audit of agency annual reports.

While indicators are reported for each goal, the current audit identified the need for more performance indicators and targets to cover the main objectives.

Without these indicators and targets, it is difficult to gauge whether the objectives and goals of the Service are being achieved.

Agency aims and objectives

Central Sydney Area Health Service is one of 17 Area Health Services in NSW and has responsibility for the provision of public healthcare to over half a million residents in ten local government areas.

The basic purposes for the Service's existence are outlined in its vision statement, mission and service commitment. Goals, objectives and focus areas are contained in its annual report. Focus areas include services and client groups.

The main objectives identified in the annual report are consistent with objectives in the corporate plan. The activities and achievements of each facility and clinical group are also provided. However, no clear link is established between these achievements and achievement of the Service's objectives. For example, no performance measures are provided to monitor achievements in mental health, Aboriginal health or community involvement.

Reporting key performance information

The annual report includes a well-structured table containing the goals of the organisation, some targets, outcomes and future goals.

However, while a number of outputs are provided within the table, very few performance indicators are provided.



Performance indicators are also found throughout the report. However, a more comprehensive suite of indicators is needed to provide sufficient information to enable the reader to judge performance. For example, in reporting emergency department access, the result for only one of the five triage categories is provided and no results are provided for access block (time taken to be transferred to a hospital bed from the emergency department) or waiting times for elective surgery.

In addition, there are few effectiveness indicators used in the report. Some examples that could be used are patient satisfaction, unplanned re-admission rates or the rate of potentially avoidable hospital admissions - e.g. hospitalisation for diabetes.^{15,16}



Efficiency indicators, such as bed occupancy rate and average length of stay, are used to report on each major facility. Four years of data are provided. Consolidated data is provided for the Service as a whole covering two years.

The results for a number of indicators that were included in the 2000-01 annual report, such as the rate of inpatient falls per 1,000 bed days, are not reported in the 2001-02 annual report. Better practice is for agencies to report results against targets notified to readers in the previous annual report.

**Comparing
performance
across periods**

Indicators have not been reported consistently between periods. Of the seven performance indicators highlighted in the 2000-01 annual report, only one was reported on in the performance highlights section of the 2001-02 report. No explanation is provided as to why the indicators changed.

**Comparing
performance to
others**

No comparisons are made with similar organisations regarding efficiency and effectiveness. The Department of Health has results for performance indicators for other metropolitan health services. The Service could use this data to compare performance and include a discussion of factors that may impact on results, such as variations in case mix.

¹⁵ Steering Committee for the Review of Commonwealth/State Service Provision, Report on Government Services, 2003.

¹⁶ Health System Performance Indicator Committee, NSW Health System Performance Indicators, A Discussion Paper, May 2003.

Other comments



The Service produces a more concise version of the annual report which has an improved layout and provides a summary of financial information for staff and clients. This document is also available on the Service's website.

Progress since the last audit

Opportunities for improvement identified in our 2000 performance audit report were:

- report a suite of efficiency and effectiveness performance indicators against each objective
- review current performance targets (expectations) and develop targets for all major functions and activities (or at least report against NSW Department of Health targets)
- report results in comparison to similar activities in other Area Health Services, other jurisdictions or best practice models.¹⁷

The 2001-02 annual report contains more performance information than the 1998-99 report. Indicators are reported for each goal; however, this audit identified the need to include more access and effectiveness indicators relevant to the Service's objectives.

Opportunities for improvement

Accountability and transparency would be improved by:

- providing an explanation as to the contribution of facilities and clinical groups towards achieving strategic goals
- including the same performance indicators (efficiency and access indicators) as are used to report the Service's performance in the NSW Department of Health's annual report
- providing, where possible, a target for each performance indicator that is both challenging and realistic
- including a summary of performance information linked to goals, objectives and strategies in the front of the report
- commenting on setbacks as well as successes
- providing an explanation where indicators change
- benchmarking performance against state averages or the performance of hospitals in other jurisdictions.

¹⁷ The Audit Office of NSW, Judging Performance from Annual Reports, 2000.

Agency comments *Thank you for sending us the second draft of the Review of Agency Annual Reports for comment.*

Central Sydney Area Health Service *We are pleased to note that comments in our meeting of July 21 and our letter of August 15 have been incorporated in the second draft and have no further comments to make on the draft.*

We have found the process extremely useful and have incorporated many of the suggestions into our 2002/2003 report.

In particular we have included a new section on clinical indicators for a number of clinical areas including transplant, cancer, obstetrics, orthopaedics, respiratory medicine, mental health and allied health. We have specifically selected areas where we are able to compare our results against national and international data sets. The subsequent report will not only be illuminating for the public but will hopefully encourage more national collection of data sets as there are still many clinical areas nationally which lack robust comparable collection of data.

In preparing our annual report we follow guidelines set by NSW Health and we would recommend that the final copy is forwarded to that agency for incorporation in next year's guidelines.

Once again thank you for inviting us to participate in a very illuminating process.

(signed)

*Dr Diana Horvath AO
Chief Executive Officer*

Dated: 18 September 2003

2.8 South Western Sydney Area Health Service

Audit opinion

The annual report for the South Western Sydney Area Health Service contains information on activities rather than outcomes. Very limited performance information is provided and there is no data on service access or effectiveness.

There is also very limited trend data and no standards, targets or benchmarks against which performance of the Service can be compared.

Using only the information in the annual report, it is difficult to judge the performance of the Service and whether or not services are provided in an efficient and effective manner.

Agency aims and objectives

The Service provides hospital and community-based health services for more than 731,000 residents of the local government areas of Bankstown, Camden, Campbelltown, Fairfield, Liverpool, Wingecarribee and Wollondilly.

The annual report discusses the achievements of various organisational divisions (mainly activities rather than outcomes) but does not provide objectives for these functions, making it difficult to judge performance.

Reporting key performance information



The same indicators are reported for each health region within the area covered by the Service. Indicators of efficiency such as bed occupancy rate, average cost per bed day, admissions per hospital staff member and average length of stay are reported for all major facilities. Consolidated data is also provided for the Service as a whole covering two years.

In the section of the annual report focusing on the health regions, there are no comparisons with results from previous years. Best practice suggests that comparison data be provided for three to five years. There is also no commentary on the results, or comparison of results to targets, making it difficult to effectively judge achievements.

Additional performance information is scattered throughout the report. For example, the immunisation coverage for children between 12 and 15 months was reported as 90 per cent. However, no targets or commentary is provided, so it is difficult to judge whether this result is good or bad.

There are also no indicators of access such as waiting times for elective surgery, emergency department waiting times or access block (time taken to be transferred to a hospital bed from the emergency department).

In addition, there are few effectiveness indicators used in the report. Some examples that could be used are patient satisfaction, unplanned re-admission rates or clinical outcomes.¹⁸

There is some discussion on progress in relation to medium term goals. However, there is no discussion of setbacks or adverse variances in performance.

Comparing performance across periods

The report does not contain meaningful targets or comparative data that would permit analysis of performance over time.

Comparing performance to others

The annual report does not provide any comparisons of results to the performance of similar organisations.

Data on the performance of other metropolitan area health services is available from the NSW Department of Health. The Service could use this data or state averages to compare its performance.

Other comments

The annual report is easily accessible on the website. It is provided in electronic format and can be downloaded and printed. The 2001-02 report is the only annual report currently available.

Opportunities for improvement

Accountability and transparency would be improved by:

- including the same performance indicators (efficiency and access indicators) as are used to report the Service's performance in the NSW Department of Health's annual report
- providing consolidated data for the Service as a whole and results for each major facility
- reporting five year trend data and comparing results to targets established by the NSW Department of Health
- benchmarking performance against state averages or the performance of hospitals in other jurisdictions

¹⁸ Steering Committee for the Review of Commonwealth/State Service Provision, Report on Government Services, 2003.

- including a summary of performance information linked to goals, objectives and strategies in the front of the report
- ensuring that objectives are measurable
- commenting on setbacks as well as successes
- ensuring that preceding annual reports are available on the website
- providing a short form report for distribution to clients.

Agency comments

I refer to your letter of 22 August 2003 concerning the above.

**South Western
Sydney Area
Health Service**

As previously advised to The Audit Office, the Area Health Service accepts that the Annual Report for 2001/2002 was produced in accordance with the guidelines that existed as provided by Government and NSW Health and that improvement can be made with the publication of information which enables the community to assess the stewardship of the Area Health Service in a more informed manner. Accordingly, the Area Health Service accepts the comments and recommendations made by the Audit Office and is planning for the 2002/2003 Annual Report to meet the Best Practice Guidelines as indicated in your recommendation.

Thank you for the assistance of your officers in drawing this matter to our attention and helping the Area Health Service to facilitate greater levels of community participation.

(signed)

*Ian Southwell
Chief Executive Officer*

Dated: 19 September 2003

Appendix

Appendix 1: About the audit

The aim of the performance audit is to determine if information published in annual reports is sufficient to allow Parliamentarians and citizens to judge whether an agency is operating efficiently and effectively.

This audit is the third in a series of reports on the quality of performance information used by the public sector to monitor and report on performance.^{19, 20}

The 2000 audit reviewed eight agency annual reports and highlighted both good practice and opportunities for agencies to improve the quality of published performance information. In 2000 we also released a Better Practice Guide to assist agencies in preparing performance information for their annual reports.²¹

Audit scope

The scope of the audit was to review the 2001-02 annual report and at least one previous annual report for a sample of eight agencies. The sample comprised:

- Department of Corrective Services
- Department of Mineral Resources
- Department of Sport and Recreation
- NSW Fire Brigades
- NSW Police
- State Electoral Office
- Central Sydney Area Health Service
- South Western Sydney Area Health Service.

Audit criteria

Annual reports were assessed against criteria from the Better Practice Guide which included:

- establishing objectives that are clear and measurable
- focusing on results and outcomes
- discussing results against expectations
- providing complete and informative reporting
- explaining changes over time
- providing evidence of value for money and benchmarking
- discussing strategies, risks and external factors
- providing access to annual reports.

¹⁹ The Audit Office of NSW, Key Performance Indicators, August 1999.

²⁰ The Audit Office of NSW, Judging Performance from Annual Reports, November 2000.

²¹ The Audit Office of NSW, Better Practice Guide: A guide to preparing performance information for annual reports, November 2000.

Each agency was provided a findings paper detailing results and identifying opportunities to improve the quality of their performance information. The findings papers have been summarised and included in this report.

Cost of the audit The audit cost \$241,470 which includes printing costs of around \$6,000.

Audit team Jane Tebbatt, Neil Avery, Rachel Hibbard, Sandra Tomasi, Mark Abood, Peter Boulous, David Jones, and Sam Kalagurjevic.

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

Performance Auditing

What are performance audits?

Performance audits are reviews designed to determine how efficiently and effectively an agency is carrying out its functions.

Performance audits may review a government program, all or part of a government agency or consider particular issues which affect the whole public sector.

Where appropriate, performance audits make recommendations for improvements relating to those functions.

Why do we conduct performance audits?

Performance audits provide independent assurance to Parliament and the public that government funds are being spent efficiently and effectively, and in accordance with the law.

They seek to improve the efficiency and effectiveness of government agencies and ensure that the community receives value for money from government services.

Performance audits also assist the accountability process by holding agencies accountable for their performance.

What is the legislative basis for Performance Audits?

The legislative basis for performance audits is contained within the *Public Finance and Audit Act 1983, Part 3 Division 2A*, (the Act) which differentiates such work from the Office's financial statements audit function.

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

Who conducts performance audits?

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

How do we choose our topics?

Topics for a performance audits are chosen from a variety of sources including:

- our own research on emerging issues
- suggestions from Parliamentarians, agency Chief Executive Officers (CEO) and members of the public
- complaints about waste of public money
- referrals from Parliament.

Each potential audit topic is considered and evaluated in terms of possible benefits including cost savings, impact and improvements in public administration.

The Audit Office has no jurisdiction over local government and cannot review issues relating to council activities.

If you wish to find out what performance audits are currently in progress just visit our website at www.audit@nsw.gov.au.

How do we conduct performance audits?

Performance audits are conducted in compliance with relevant Australian standards for performance auditing and operate under a quality management system certified under international quality standard ISO 9001.

Our policy is to conduct these audits on a "no surprise" basis.

Operational managers, and where necessary executive officers, are informed of the progress with the audit on a continuous basis.

What are the phases in performance auditing?

Performance audits have three key phases: planning, fieldwork and report writing. During the planning phase, the audit team will develop audit criteria and define the audit field work.

At the completion of field work an exit interview is held with agency management to discuss all

significant matters arising out of the audit. The basis for the exit interview is generally a draft performance audit report.

The exit interview serves to ensure that facts presented in the report are accurate and that recommendations are appropriate. Following the exit interview, a formal draft report is provided to the CEO for comment. The relevant Minister is also provided with a copy of the draft report. The final report, which is tabled in Parliament, includes any comment made by the CEO on the conclusion and the recommendations of the audit.

Depending on the scope of an audit, performance audits can take from several months to a year to complete.

Copies of our performance audit reports can be obtained from our website or by contacting our publications unit.

How do we measure an agency's performance?

During the planning stage of an audit the team develops the audit criteria. These are standards of performance against which an agency is assessed. Criteria may be based on government targets or benchmarks, comparative data, published guidelines, agencies corporate objectives or examples of best practice.

Performance audits look at:

- processes
- results
- costs
- due process and accountability.

Do we check to see if recommendations have been implemented?

Every few years we conduct a follow-up audit of past performance audit reports. These follow-up audits look at the extent to which recommendations have been implemented and whether problems have been addressed.

The Public Accounts Committee (PAC) may also conduct reviews or hold inquiries into matters raised in performance audit reports.

Agencies are also required to report actions taken against each recommendation in their annual report.

To assist agencies to monitor and report on the implementation of recommendations, the Audit Office has prepared a Guide for that purpose. The Guide, *Monitoring and Reporting on Performance Audits Recommendations*, is on the Internet at www.audit.nsw.gov.au/guides-bp/bpplist.htm

Who audits the auditors?

Our performance audits are subject to internal and external quality reviews against relevant Australian and international standards. This includes ongoing independent certification of our ISO 9001 quality management system.

The PAC is also responsible for overseeing the activities of the Audit Office and conducts reviews of our operations every three years.

Who pays for performance audits?

No fee is charged for performance audits. Our performance audit services are funded by the NSW Parliament and from internal sources.

For further information relating to performance auditing contact:

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Performance Audit Reports

No.	Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
64*	Key Performance Indicators	<i>Government-wide Framework Defining and Measuring Performance (Better practice Principles) Legal Aid Commission Case Study</i>	31 August 1999
65	Attorney General's Department	<i>Management of Court Waiting Times</i>	3 September 1999
66	Office of the Protective Commissioner Office of the Public Guardian	<i>Complaints and Review Processes</i>	28 September 1999
67	University of Western Sydney	<i>Administrative Arrangements</i>	17 November 1999
68	NSW Police Service	<i>Enforcement of Street Parking</i>	24 November 1999
69	Roads and Traffic Authority of NSW	<i>Planning for Road Maintenance</i>	1 December 1999
70	NSW Police Service	<i>Staff Rostering, Tasking and Allocation</i>	31 January 2000
71*	Academics' Paid Outside Work	<i>Administrative Procedures Protection of Intellectual Property Minimum Standard Checklists Better Practice Examples</i>	7 February 2000
72	Hospital Emergency Departments	<i>Delivering Services to Patients</i>	15 March 2000
73	Department of Education and Training	<i>Using Computers in Schools for Teaching and Learning</i>	7 June 2000
74	Ageing and Disability Department	<i>Group Homes for people with disabilities in NSW</i>	27 June 2000
75	NSW Department of Transport	<i>Management of Road Passenger Transport Regulation</i>	6 September 2000
76	Judging Performance from Annual Reports	<i>Review of Eight Agencies' Annual Reports</i>	29 November 2000
77*	Reporting Performance	<i>Better Practice Guide A guide to preparing performance information for annual reports</i>	29 November 2000
78	State Rail Authority (CityRail) State Transit Authority	<i>Fare Evasion on Public Transport</i>	6 December 2000

No.	Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
79	TAFE NSW	<i>Review of Administration</i>	6 February 2001
80	Ambulance Service of New South Wales	<i>Readiness to Respond</i>	7 March 2001
81	Department of Housing	<i>Maintenance of Public Housing</i>	11 April 2001
82	Environment Protection Authority	<i>Controlling and Reducing Pollution from Industry</i>	18 April 2001
83	Department of Corrective Services	<i>NSW Correctional Industries</i>	13 June 2001
84	Follow-up of Performance Audits	<i>Police Response to Calls for Assistance (March 1998)</i> <i>The Levying and Collection of Land Tax (August 1998)</i> <i>Coordination of Bushfire Fighting Activities (December 1998)</i>	20 June 2001
85*	Internal Financial Reporting	<i>Internal Financial Reporting including a Better Practice Guide</i>	27 June 2001
86	Follow-up of Performance Audits	<i>The School Accountability and Improvement Model (May 1999)</i> <i>The Management of Court Waiting Times (September 1999)</i>	14 September 2001
87	E-government	<i>Use of the Internet and Related Technologies to Improve Public Sector Performance</i>	19 September 2001
88*	E-government	<i>e-ready, e-steady, e-government: e-government readiness assessment guide</i>	19 September 2001
89	Intellectual Property	<i>Management of Intellectual Property</i>	17 October 2001
90*	Intellectual Property	<i>Better Practice Guide Management of Intellectual Property</i>	17 October 2001
91	University of New South Wales	<i>Educational Testing Centre</i>	21 November 2001
92	Department of Urban Affairs and Planning	<i>Environmental Impact Assessment of Major Projects</i>	28 November 2001
93	Department of Information Technology and Management	<i>Government Property Register</i>	31 January 2002
94	State Debt Recovery Office	<i>Collecting Outstanding Fines and Penalties</i>	17 April 2002

No.	Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
95	Roads and Traffic Authority	<i>Managing Environmental Issues</i>	29 April 2002
96	NSW Agriculture	<i>Managing Animal Disease Emergencies</i>	8 May 2002
97	State Transit Authority Department of Transport	<i>Bus Maintenance and Bus Contracts</i>	29 May 2002
98	Risk Management	<i>Managing Risk in the NSW Public Sector</i>	19 June 2002
99	E-government	<i>User-friendliness of Websites</i>	26 June 2002
100	NSW Police Department of Corrective Services	<i>Managing Sick Leave</i>	23 July 2002
101	Department of Land and Water Conservation	<i>Regulating the Clearing of Native Vegetation</i>	20 August 2002
102	E-government	<i>Electronic Procurement of Hospital Supplies</i>	25 September 2002
103	NSW Public Sector	<i>Outsourcing Information Technology</i>	23 October 2002
104	Ministry for the Arts Department of Community Services Department of Sport and Recreation	<i>Managing Grants</i>	4 December 2002
105	Department of Health Including Area Health Services and Hospitals	<i>Managing Hospital Waste</i>	10 December 2002
106	State Rail Authority	<i>CityRail Passenger Security</i>	12 February 2003
107	NSW Agriculture	<i>Implementing the Ovine Johne's Disease Program</i>	26 February 2003
108	Department of Sustainable Natural Resources Environment Protection Authority	<i>Protecting Our Rivers</i>	7 May 2003
109	Department of Education and Training	<i>Managing Teacher Performance</i>	14 May 2003
110	NSW Police	<i>The Police Assistance Line</i>	5 June 2003
111	E-Government	<i>Roads and Traffic Authority Delivering Services Online</i>	11 June 2003
112	State Rail Authority	<i>The Millennium Train Project</i>	17 June 2003

No.	Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
113	Sydney Water Corporation	<i>Northside Storage Tunnel Project</i>	24 July 2003
114	Ministry of Transport Premier's Department Department of Education and Training	<i>Freedom of Information</i>	28 August 2003
115	NSW Police NSW Roads and Traffic Authority	<i>Dealing with Unlicensed and Unregistered Driving</i>	4 September 2003
116	NSW Department of Health	<i>Waiting Times for Elective Surgery in Public Hospitals</i>	18 September 2003
117	Follow-up of Performance Audits	<i>Complaints and Review Processes (September 1999)</i> <i>Provision of Industry Assistance (December 1998)</i>	24 September 2003
118	Judging Performance from Annual Reports	<i>Review of Eight Agencies' Annual Reports</i>	October 2003

* Better Practice Guides

Performance Audits on our website

A list of performance audits tabled or published since March 1997, as well as those currently in progress, can be found on our website www.audit.nsw.gov.au

If you have any problems accessing these Reports, or are seeking older Reports, please contact our Governance and Communications Section on 9285 0155.



THE AUDIT OFFICE
OF NEW SOUTH WALES

THE AUDIT OFFICE MISSION

Assisting Parliament improve the
accountability and performance of
the State

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