

Speech for the Institute of Public Administration Australia:

Annual Report Awards Opening Address

Canberra – Thursday 19 May 2016

**“Annual Reports and the new Performance Management
Framework”**

Introduction

Good evening.

[Recognise traditional owners].

In his speech to the APS on 20 April, another valuable event sponsored by IPAA, the Prime Minister posited that there has never before been a more exciting time to be a member of the Australian Public Service.

I think that we all felt that during the three weeks that followed his speech.

We had an early Budget, the first supply bills in over twenty years, and the first double dissolution election announced for thirty years.

Certainly, there has never been a more exhausting time to be a member of the Australian Public Service.

I haven't had people looking this relaxed for months - I think we have all earned tonight's glass of wine!

IPAA's annual report awards are about recognising annual report teams and encouraging better practice.

The assessment process behind these awards seeks to highlight innovation, good practice, and ideas that will help all entities across the Commonwealth improve the standard of annual reports.

As someone who stands before you representing proud bronze medallists from last year,¹ I know the value that we got from seeing the approach taken by those entities who were ranked more highly than us.

I also know that no performance enhancing drugs could possibly have been involved, and we were beaten fair and square.

I would like to take this opportunity to thank IPAA.

It has always sought to play a role that supports innovation and improvement in public sector practice - so I am particularly pleased that this year's annual report awards are about recognising online versions of annual reports, and that in the future, IPAA will continue to align these awards with the new framework.

These are important steps that ensure these awards fit within the changing landscape for performance planning and reporting, and I welcome IPAA using its influence to promote excellence under the new performance framework.

¹ IPAA, *IPAA Annual Report Awards 2013-14 Judges' Report* (unknown) Institute of Public Administration Australia <<https://vs286790.blob.core.windows.net/docs/AR-Awards-13-14JudgesReport.pdf>> p 10, 16.

This evening I wanted to reflect on the Commonwealth performance framework, lessons learned from last year's corporate plans, and the role that annual reports have to play in this framework.

I apologise to our ACT Government colleagues for this Commonwealth focus, but I am confident that many of the issues I will touch on are relevant to the performance reporting challenges faced by the ACT as well.

Enhanced Commonwealth Performance Framework

While all eyes were focussed on the 2016 Budget, the final piece of the Commonwealth performance framework puzzle was put into place by the Joint Committee of Public Accounts and Audit.

It approved, on Budget Day, new annual report rules for the Commonwealth.

These were developed by my Department in consultation with all Commonwealth entities and companies and the Australian National Audit Office.

These rules form part of the new legislative scheme of the PGPA Act - their finalisation means that this scheme for governance, financial management and accountability in the Commonwealth is now complete.

It has been a six year journey for the APS, and for many of you in this room who contributed your technical expertise and policy ideas to help build a better framework, I would like to thank you all for working with us on this project.

Despite the important role that annual reports play in reporting on the performance of entities to Parliament and the public, they still have a reputation for being dense and difficult to read.

I am the first to admit the challenge of reading Finance's 273 page annual report cover-to-cover, although I do know of one person here who did it to prepare for Finance's graduate recruitment process last year.

Speaking of this graduate, I am told that when asked by his Branch Head what he thought could be done to make annual reports more clear and succinct, he replied that we would never get there unless Finance guidance supported the use of emojis and text lingo.

The problem of volume in annual reports is driven largely by the Parliament, ministers and various regulators.

We have managed to reduce the length of annual financial statements, by streamlining the number of disclosure notes and allowing more flexible presentation options, but given other requirements, annual reports are still too long.

I think it is fair to say that, like many people, the current annual report requirements are still consuming too many calories and need to go on a better diet.

If pages are carbs, then cutting down on those is a good place to start.

For our part in Finance, we reduced the length of our last annual report by 13% over the previous year: a promising start.

My Department is working with the JCPAA to do what it can to simplify these other requirements, and the JCPAA has signalled support for modernising requirements where this improves transparency, accountability and efficiency.

In a letter to me at the end of March this year, the JCPAA said that annual report modernisation could include a discussion of:

- streamlining or removing Annual Reporting Rules;
- consideration of continuous reporting mechanisms;
- electronic tabling; and
- dedicated web portals.

However, the JCPAA has indicated that annual report requirements will have to retain the same level of authority and obligation as current arrangements.

So this discussion will have to be a considered process.

But when it comes to annual reports being difficult to read, then that is something we in this room can fix.

There is still a tendency on the part of some to approach performance planning and reporting documents with a compliance mentality.

Like the Terms and Conditions waiver at the back of an Apple product, this can lead to a well meaning document becoming overweight and disconnected with those who are looking forward to using the product.

Users are looking for straight forward and clear text to understand what they are getting, and instead are met with a string of caveats and exclusions.

As public entities that use public resources to achieve public policy outcomes, the stakes for meaningful reporting could not be higher.

Parliament, and indeed every Australian, has the right to understand what we do, how we do it, what it costs and what we achieve.

We have a professional obligation to do this clearly and comprehensively.

This is where the new performance framework steps in.

Framework in the context of Finance and the Commonwealth

Now let me assure you that I am not about to launch into an “I have a dream” speech.

Rather than offering a visionary statement, I want to talk about the environment and tools that we have at our disposal to get to a better place.

So let’s talk about the public policy environment.

In our system, different levels and interests need different types of performance information.

When that information is produced to a high level and properly integrated in to decision making, it can help improve the efficiency and effectiveness of government programs and services, and the quality of use of public resources.

Reporting on this information is one of the tools used to maximise on performance.

I don’t think an argument needs to be made on why performance reporting is important and should be improved.

The simple truth is that when good performance information is reported, it leads to better quality decision making, stronger accountability, and improves the way things are done.

This is accepted by all key stakeholders, including the Auditor-General Grant Hehir who, in a recent speech to the IPAA, supported the implementation of the new framework.²

In terms of what we can improve in our current performance reporting practice, let me make a couple of observations based on the work that Finance has done on the first set of corporate plans that were completed under the PGPA Act for the current reporting year.

The first observation is that many entities struggled with defining their purpose and strategic goals clearly and at the community outcome and impact-level.

Professor Cuganesan, an academic working with the Department from the University of Sydney who specialises in public governance, noted in his analysis of corporate plans that:

“strategic planning requires anchoring in an overarching sense of purpose - only then will coherent resource management, operational planning and goal-directed employee behaviour occur”.³

An entity’s corporate plan can be an effective driver of cultural change when it expresses clear purposes promoted by strong leadership.

We need to work towards drawing a better picture of our purpose and being conscious of those purposes when we work.

² Grant Hehir, ‘Role of Auditor General in the ANAO’ (Speech delivered at the IPAA, Canberra, 27 April 2016).

³ Department of Finance, submission to the Joint Committee of Public Accounts and Audit, *Inquiry into the Commonwealth Performance Framework*, unknown, at p 17.

The second set of observations that I want to make is around the overall quality of the performance measures identified in corporate plans.

Some entities have embraced the flexibility to transform their performance measures from the input and output level to a broader focus on outcomes and impacts.

However, there is room for entities to shift away from the input and output level performance information, and we expect these steps to occur as entities build on the first set of corporate plans.

Another way entities can improve performance measures is to incorporate a mix of quantitative and qualitative information.

By using qualitative information such as benchmarking, peer reviews, surveys and evaluations, entities have better quality information to tell a story.

Moving forward

So how can we improve on performance reporting? Well, the first thing we can do is broaden the conversation about what good performance reporting looks like.

I would like to encourage all of you to join the communities of practice and workshops that are being run by Finance, and to talk to your stakeholders.

Look at how public sector organisations similar to your own report in other jurisdictions, including overseas.

Think about the value that you are trying to bring to the public policy areas that you work in.

Think about your delivery channels and the sort of data that you need to produce to benchmark the efficiency of what you do.

We all need to work together to ensure that best practice gets captured and is broadcast through the public sector.

The second thing is to broaden the performance conversation from KPIs and cyclical reporting, to one that includes comparative benchmark data and an evaluation of impacts.

We are looking for better and more relevant performance information across the Commonwealth.

If you are a small entity that has one long-term purpose that needs to be measured qualitatively, do this.

If you're an entity that can use a clear quantitative measure like the "how much carp killed by herpes" KPI identified by the Department Agriculture – then do this!

Conclusion

Going back to the focus of this year's annual reporting awards, I welcome the fact that with the Belcher Review and discussions with the JCPAA, we have opened up a discussion on electronic tabling.

This gives us an opportunity to consider annual reports from first principles.

Annual reports are first and foremost an accountability document for Parliament and a record of an entity's performance.

Despite this, evidence has shown that annual reports in their hardcopy form no longer serve these purposes.

Barbara Belcher, in conducting an analysis of the state of annual reports, commented that:

“the majority of [the submissions made] in relation to annual reports [suggested that they] are not read or used by Parliament and the public”.⁴

In light of this environment, the Chair of the JCPAA Ian McFarlane in writing to me has made clear a desire to open the discussion for electronic tabling.⁵

This accords with the Prime Minister's aspiration for a more web-enabled government with stronger citizen engagement.

The Commonwealth public sector needs to move with the times.

I for one can't help but see the uncomfortable irony of destroying scores of trees to bring you the Department of Environment's 416 page annual report.

⁴ Barbara Belcher, submission volume 2 to Commonwealth Government, *Independent Review of Whole-of-Government Internal Regulation "Belcher Review"*, at p 78.

⁵ Hon Ian McFarlane, *Joint Committee of Public Accounts and Audit Inquiry into the Commonwealth Performance Framework – Annual Reporting Rule Development* (letter dated 31 March 2016) p 2.

Will an annual report “SIRI” app be coming to an iPhone near you? I certainly hope so! It would make the life of today’s graduates, tomorrow’s leaders, easier.

Thank you.