

The Auditor-General  
Auditor-General Report No. 16 2023–24  
Annual Performance Statements Audit

# **Audits of the Annual Performance Statements of Australian Government Entities — 2022–23**

[Across Entities](#)

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Canberra ACT  
12 February 2024

Dear President  
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken audits of the annual performance statements across ten Australian Government entities requested by the Minister for Finance in January 2023. The report is titled *Audits of the Annual Performance Statements of Australian Government Entities — 2022–23*. I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website — <http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, reading 'Grant Hehir'.

Grant Hehir  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

## **AUDITING FOR AUSTRALIA**

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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# Executive summary

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## The context for performance reporting

1. Governments make investment decisions to support the achievement of their policy objectives and allocate funding to Commonwealth entities to deliver these objectives through the annual budget process.

2. Financial statements of Commonwealth entities provide useful information on expenditure and financial position, but do not contain all the information needed to measure and assess how well entities have used their allocated funding and public resources in the delivery of government policies and programs and the provision of goods and services. Consequently, Commonwealth entities need to supplement financial information with non-financial performance information<sup>1</sup> to:

- enable the government to assess if it is achieving its policy objectives;
- be accountable for, and transparent about, how they use public resources;
- monitor and benchmark their performance over time and identify opportunities to improve the programs and services they deliver; and
- support government decision-making.

3. The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) establishes an entity's corporate plan as its primary planning document<sup>2</sup> and imposes specific obligations and requirements for entity performance reporting. Providing meaningful information to the Parliament and the public and meeting high standards of governance, performance and accountability are key objects of the PGPA Act.<sup>3</sup>

4. The development and use of performance information should be integral to an entity's strategic planning, budgeting, monitoring and evaluation processes. The right amount of understandable performance information, on the right activities, can be used to promote the achievement of the entity's purposes<sup>4</sup>, identify what is working and what areas need improvement and promote accountability to the Parliament, the government and the public for the effective delivery of government policies, programs and services.

5. Our audits indicate that entities are using their corporate plans and annual performance statements in different ways and giving them different levels of prominence within the entity. For example, where there is regular monitoring and reporting to senior leadership throughout the year it elevates the level of importance, improving the quality of performance information and reporting. Alternatively, if information is only reported as part of the annual performance statements preparation process it can be seen as a compliance exercise and not as an integral part of good management and stewardship of public resources.

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1 The absence of a profit motive for most government entities (apart from government business enterprises) means that a variety of financial and non-financial performance indicators may be required in order to assess performance.

2 *Public Governance, Performance and Accountability Act 2013*, section 35.

3 *Public Governance, Performance and Accountability Act 2013*, section 5.

4 *Public Governance, Performance and Accountability Act 2013*, paragraph 15(1)(b).

## Entities' need for meaningful performance information

6. The measurement and reporting of performance is not something that is done for its own sake. It is a process undertaken to ensure that appropriate and trustworthy information is available, when required, to enable well-informed and evidence-based decisions to be made about how to improve performance and to promote accountability.

7. Annual performance statements should tell the story of whether the entity is doing its job well. For a Commonwealth entity to report high quality information that tells this story, there are fundamental questions to consider.

- Why does the entity exist, and what is it expected to deliver?
- What does good performance and success look like, and how will the entity know it is doing a good job?
- How can the entity's performance be measured reliably over time?
- What performance information would provide a complete picture of an entity's performance and enable the entity's performance in achieving its purposes to be effectively measured and assessed?
- Will the entity's annual performance statements provide a user, including the Parliament, meaningful information about how well the entity has performed?

8. The answers to these questions are key to an entity's understanding of its business and whether it is using and managing public resources properly to deliver on what is expected. A focus on good governance practices and accountability is likely to produce annual performance statements that meet the needs of entities and users, including the Parliament, and the requirements of the Commonwealth Performance Framework (the framework).

## The role of leadership in developing a performance culture

9. Effective performance reporting is more than an entity producing a set of annual performance statements that meet the minimum requirements of the PGPA Act and the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule). Performance information should be integral to how an entity plans and operates to achieve its purposes. Strategic and concerted leadership is required to embrace meaningful performance reporting as essential to good management and the effective stewardship of public resources.

## The 2022–23 performance statements audit program

10. In 2022–23, the ANAO conducted audits of 10 entities' annual performance statements. This is an increase from the six entities in 2021–22.

11. There has been some improvement in entities' processes and capability to develop high quality performance information, noting the requirement for entities to prepare annual performance statements under the PGPA Act took effect from 1 July 2015. The audit program has demonstrated that mandatory annual performance statements audits encourage entities to invest in the capabilities needed to plan, monitor and report high quality performance information on an ongoing basis.

12. Further improvement is required for performance statements to provide meaningful information on an entity's performance in line with the spirit and intent of the framework. Ensuring annual performance statements comply with the minimum requirements of the PGPA Act and Rule is a necessary but not sufficient standard for Commonwealth entities to meet when reporting on their performance.

## Audit conclusions and additional matters

13. Overall, the results from the auditor's reports of the 2022–23 performance statements audits are mixed. Six of the 10 auditees received an audit conclusion without modification<sup>5</sup>: the Attorney-General's Department (AGD), the Department of Education (Education), the Department of Industry, Science and Resources (DISR), the Department of Social Services (DSS), the Department of the Treasury (the Treasury) and Services Australia. Four entities received an auditor's report with a qualified audit conclusion identifying areas where users could not rely on the performance statements: the Department of Agriculture, Fisheries and Forestry (DAFF), the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA), the Department of Veterans' Affairs (DVA) and the Department of Health and Aged Care (DoHAC).

14. The 2022–23 audits indicate improvement in entity performance reporting. Compared to the 2021–22 audits, in 2022–23 the proportion of audited entities that received a qualified audit conclusion decreased. The proportion of entities' measures that were included in the basis for qualified conclusion also decreased from 2021–22 to 2022–23.

15. Where appropriate, an auditor's report may separately include an 'Emphasis of Matter' paragraph. An emphasis of matter paragraph is a tool available to auditors to draw the reader's attention to an important matter presented in the performance statements that, in the auditor's judgement, is fundamental to the users' understanding of the information in the performance statements.

16. Six of the 10 auditees received an auditor's report containing an emphasis of matter paragraph: DAFF, Education, DoHAC, DSS, DVA and Services Australia. In 2021–22, one of the six auditor's reports contained an emphasis of matter paragraph. An auditor's report may also refer to 'other matters' to draw a reader's attention to an issue without modifying the audit conclusion. DoHAC's auditor's report contained an other matter paragraph.

## Audit findings

17. A total of 48 findings were reported to entities at the end of the final phase of the 2022–23 performance statements audits. These comprised 16 significant, 13 moderate and 19

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5 A modified conclusion may be expressed as:

- (a) a qualified conclusion or a disclaimer of conclusion where sufficient appropriate evidence is unable to be obtained and a scope limitation exists; or
- (b) a qualified or adverse conclusion where the information is materially misstated.

See Australian Standard ASAE 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, paragraphs 66 and 74, available from [https://www.auasb.gov.au/admin/file/content102/c3/ASAE\\_3000\\_revised\\_2017.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ASAE_3000_revised_2017.pdf) (accessed 2 January 2024).

minor findings. The resolution of 48 per cent of interim 2022–23 audit findings reflects that entities made effort to resolve findings during the final phase of the audit.

18. The significant (A) and moderate (B) 2022–23 audit findings fall under five themes:
- improved governance and accountability by implementing an enterprise-wide performance framework (issued to four entities);
  - complete and meaningful performance information (issued to five entities);
  - accuracy and reliability of reported information (issued to five entities);
  - usefulness of performance information (issued to two entities); and
  - preparation and record keeping processes (issued to three entities).

### **Observations of entities' performance information**

19. The main observations of the 10 entities' performance information include the following:
- on average, entities used 2.7 measures to assess a key activity;
  - entities predominantly used 'output' (41 per cent) and 'effectiveness' (40 per cent) measures to assess their performance;
  - a large majority of most entities' performance measures are quantitative performance measures; and
  - for six of the 10 entities, a majority of their 2022–23 performance measures were identical or comparable to the measures in their 2020–21 corporate plan.

## **The maturity of entities' performance reporting processes**

### **Leadership**

20. An entity's leadership is key to valuing performance information and setting expectations for its quality and use. The ANAO assessed that six of the 2022–23 auditees had either a mature or maturing performance culture with demonstrated buy-in from the accountable authority and senior executives. Ongoing leadership is essential to elevate the importance of performance monitoring and reporting to promote accountability and to demonstrate the performance of entities and the impact of government policies, programs and services.

### **Governance**

21. Governance refers to the processes through which an entity's performance information is planned, monitored, reported and used to guide decision-making. The Explanatory Memorandum to the PGPA Bill states that the third object of the Act is to require Commonwealth entities, among other things, to:

meet high standards of governance—good governance provides the foundation for high performance and community confidence in the public sector. Good governance is grounded in accountability, transparency, leadership, integrity and stewardship and in responsiveness to the needs and aspirations of citizens. The governance arrangements for entities should clearly spell out the roles, responsibilities and accountabilities of leaders and officials.<sup>6</sup>

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6 Explanatory Memorandum, Public Governance, Performance and Accountability Bill 2013, 13 [87].

22. The ANAO assessed that AGD, DISR, DVA and Treasury had mature governance processes to monitor and report performance. Entities' governance can be improved through a properly implemented enterprise-wide performance framework. Most entities in the 2022–23 audit program have not fully implemented such a framework.

### **Data and systems**

23. The ANAO did not assess any of the 2022–23 auditees as 'mature' in terms of their ability to use data and IT systems to produce complete and accurate performance results, including the use and validation of third-party data to generate and report performance information. There is also a need for better coordination and understanding between specialised data teams and those responsible for policy, service delivery and governance.

### **Capability**

24. Capability relates to the knowledge and skills within an entity that contributes — both directly and indirectly — to designing, measuring and reporting high quality performance information on an ongoing basis. The 2022–23 audits indicate that the performance statements audit program is influencing change to improve entities' capability for performance reporting. The ANAO assessed that AGD, DISR, DVA and Treasury have a 'mature' or 'maturing' capability.

### **Resourcing**

25. Resourcing relates to an entity's investment in, and coordination and management of, staff and other resources that are required to undertake performance reporting. Just like for financial management, entities should consider their resourcing profile for performance monitoring, evaluation and reporting, including the adequacy of resources to design and implement effective performance frameworks, undertake quality assurance and liaise with divisional areas in devolved structures.

## **The development and future direction of annual performance statements audits**

26. Despite improvement in the quality of entity performance statements, performance information needs to be prepared and reported more robustly if it is to properly serve external user needs and be used by internal users, such as leaders and senior managers of Commonwealth entities, to improve public service effectiveness.

### **Areas of audit focus**

27. The ANAO's 2022–23 performance statements audits are designed to assess whether entity annual performance statements present fairly the entity's performance in the reporting period and that the statements were prepared in accordance with the requirements of the PGPA Act and PGPA Rule.

28. The ANAO audits seek to incentivise entities to report appropriate and trustworthy information that will enable a user to assess if the entity has done a good job and not to merely report a minimum set of information to satisfy legal requirements.

## Timeliness of reporting to Parliament

29. For the ANAO to provide timely assurance to the Parliament on entities' annual performance statements, it is important that key audit and reporting milestones are met. Eight of the 10 auditor's reports were signed before the end of September 2023. The ANAO's aim is to align the timing of signing the auditor's report with an entity's financial statements and performance statements.

## Ongoing engagement

30. The ANAO's communication and engagement with the sector continues to be important to improving the sector's capability to report meaningful performance information. In 2023, this has included the publication of an Audit Insights product — *Reporting Meaningful Performance Information* — and the ANAO's Performance Statements Audit Manual, as well as the ongoing work of the Performance Statements Expert Advisory Panel.

## Future direction

31. In 2023–24 and beyond, the ANAO will focus on:

- continuing to support sector capability including through provision of further guidance for the sector, noting that this can support Australian Public Service reform initiatives in evaluation, stewardship and Impact Analysis;
- consulting with the Department of Finance (Finance) on how the PGPA Rule is operating and the performance statements audit schedule;
- a response to the Joint Committee of Public Accounts and Audit on the sector's feedback on the ANAO's Audit Manual and Audit Strategy documents<sup>7</sup>;
- assessing Commonwealth entities with regulatory functions against the performance reporting expectations of Finance; and
- continuing to mature the performance statements audit methodology, including through feedback from the sector.

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7 Joint Committee of Public Accounts and Audit (JCPAA), *Report 499: Inquiry into the Annual Performance Statements 2021–22*, September 2023, p. 27, [Internet], available from [https://parlinfo.aph.gov.au/parlInfo/download/committees/reportjnt/RB000198/toc\\_pdf/Report499InquiryintotheAnnualPerformanceStatements2021%e2%80%9322.pdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportjnt/RB000198/toc_pdf/Report499InquiryintotheAnnualPerformanceStatements2021%e2%80%9322.pdf) [accessed 4 December 2023].

## **Audit findings**

# 1. Introduction

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## **Chapter coverage**

This chapter explains why a Commonwealth entity needs high quality performance information. It then presents the context and progress of the Australian National Audit Office's (ANAO's) performance statements audit program.

## **The context for performance reporting**

The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) establishes an entity's corporate plan as its primary planning document and imposes specific obligations and requirements for entity performance reporting. An accountable authority of a Commonwealth entity must prepare annual performance statements that provide information about the entity's performance in achieving its purposes. Providing meaningful information to the Parliament and the public and meeting high standards of governance, performance and accountability are key objects of the PGPA Act.

## **Entities' need for meaningful performance information**

Annual performance statements should tell the story of whether the entity is doing its job well. This story should provide entities with an understanding of their business and be meaningful to a reader of the statements. Whether the information presented in an entity's performance statements is meaningful to users will depend on what users and readers of the statements find useful and valuable.

## **The role of leadership in developing a performance culture**

Effective performance reporting is more than an entity producing a set of annual performance statements that meet the minimum requirements of the PGPA Act and the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule). Performance information should be integral to how an entity plans and operates to achieve its purposes. Strategic and concerted leadership is required to embrace meaningful performance reporting as essential to good management and the effective stewardship of public resources.

## **The 2022–23 performance statements audit program**

There has been some improvement in entities' processes and capability to develop high quality performance information. The audit program has demonstrated that mandatory annual performance statements audits encourage a culture within entities of long-term investment in the capabilities needed to plan, monitor and report high quality performance information on an ongoing basis.

## **The context for performance reporting**

1.1 Governments make investment decisions to support the achievement of their policy objectives and allocate funding to Commonwealth entities to deliver these objectives through the annual budget process.

1.2 Financial statements of Commonwealth entities report expenditure and financial position, but do not contain all the information needed to measure and assess how well entities have used their allocated funding and public resources in the delivery of government policies and programs

and the provision of goods and services. Consequently, Commonwealth entities need to supplement financial information with non-financial performance information<sup>8</sup> to:

- enable the government to assess if it is achieving its policy objectives;
- be accountable for, and transparent about, how they use public money;
- monitor and benchmark their performance over time and identify opportunities to improve the programs and services they deliver; and
- support government decision-making.

1.3 The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) establishes an entity's corporate plan as its primary planning document<sup>9</sup> and imposes specific obligations and requirements for entity performance reporting. Providing meaningful information to the Parliament and the public and meeting high standards of governance, performance and accountability are key objects of the PGPA Act.<sup>10</sup>

1.4 The development and use of performance information should be integral to an entity's strategic planning, budgeting, monitoring and evaluation processes. The right amount of understandable performance information, on the right activities, can be used to promote the achievement of the entity's purposes<sup>11</sup>, identify what is working and what areas need improvement and promote accountability to the Parliament, the government and the public for the effective delivery of government policies, programs and services.

1.5 Our audits indicate that entities are using their corporate plans and annual performance statements in different ways and giving them different levels of prominence within the entity. For example, where there is regular monitoring and reporting to senior leadership throughout the year it elevates the level of importance, improving the quality of performance information and reporting.

1.6 Alternatively, if information is only reported as part of the annual performance statements preparation process it can be seen as a compliance exercise and not as an integral part of good management and stewardship of public resources. By way of comparison, it is unlikely that there would be confidence in an entity that did not use its financial information for management and business improvement purposes.

### **Entities' need for meaningful performance information**

1.7 The measurement and reporting of performance is not something that is done for its own sake. It is a process undertaken to ensure that appropriate and trustworthy information is available, when required, to enable well-informed and evidence-based decisions to be made about how to improve performance and to promote accountability. Understanding gained through good performance information enables entities to continually improve the design and delivery of government policies, programs and services and allocate resources accordingly.

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8 The absence of a profit motive for most government entities (apart from government business enterprises) means that a variety of financial and non-financial performance indicators may be required in order to assess performance.

9 *Public Governance, Performance and Accountability Act 2013*, section 35.

10 *Public Governance, Performance and Accountability Act 2013*, section 5.

11 *Public Governance, Performance and Accountability Act 2013*, paragraph 15(1)(b).

1.8 An Accountable Authority must measure and assess their entity's performance in achieving its purposes and prepare and present annual performance statements within their annual reports.<sup>12</sup> The Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) requires the accountable authority of a Commonwealth entity to include in its corporate plan the entity's purposes<sup>13</sup>, key activities and the measures, including targets where appropriate, it will use to assess whether its purposes have been achieved.<sup>14</sup>

1.9 The PGPA Act does not explicitly define what constitutes meaningful information.<sup>15</sup> By design, the framework provides flexibility for each entity to determine its performance information and the structure and format of its annual performance statements. For performance statements to be useful and meaningful, they need to be nuanced for, and owned by, the entity preparing them.

1.10 Annual performance statements should tell the story of how well an entity is doing its job. For a Commonwealth entity to build and report a suite of high quality, relevant and meaningful performance information that tells this story, there are fundamental questions to consider.

- Why does the entity exist, and what is it expected to deliver?<sup>16</sup>
- What does good performance and success look like, and how will the entity know it is doing a good job?
- How can the entity's performance be measured reliably over time?
- What performance information would provide a complete picture of an entity's performance and enable the entity's performance in achieving its purposes to be effectively measured and assessed?
- Will the entity's performance statements provide a user, including the Parliament, meaningful information about how well the entity has performed?

1.11 The answers to these questions are key to an entity's understanding of its business and whether it is using and managing public resources properly to deliver on what is expected.<sup>17</sup>

1.12 Whether the information presented in an entity's performance statements is meaningful to users will depend on what users and readers of the statements find useful and valuable. Meaningful information in an entity's performance statements will enable:

- the Parliament to fulfil its oversight function. The statements should allow members of Parliament to assess what has been achieved; how well it has been achieved; and factors that have impacted this achievement;

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12 *Public Governance, Performance and Accountability Act 2013*, section 5, section 38 and section 39.

13 Section 8 of the PGPA Act identifies the purposes of a Commonwealth entity as the objectives, functions or role of the entity.

14 *Public Governance, Performance and Accountability Rule 2014*, section 16E.

15 The Explanatory Memorandum to the *Public Governance, Performance and Accountability Bill 2013* explains the objective of providing meaningful information to the Parliament in terms of assisting the Parliament 'to understand how Commonwealth entities are performing and how they are using the resources that have been entrusted to them'. Explanatory Memorandum, *Public Governance, Performance and Accountability Bill 2013*, 13 [87].

16 Subsection 16E(2) item 2 of the PGPA Rule requires that the entity's corporate plan include the purposes of the entity.

17 *Public Governance, Performance and Accountability Act 2013*, paragraph 5(c)(iii).

- executive government to understand whether its program and policy goals are being achieved and delivering value for money; who is benefitting from its programs and policies; and how it can best prioritise investment of limited public resources;
- the accountable authority to understand whether the entity is:
  - operating efficiently and effectively in achieving its purposes and delivering what government and the Parliament expects;
  - identifying opportunities to improve business capability and outcomes; and
  - promoting accountability and the achievement of the entity's purposes<sup>18</sup>; and
- the public to understand the entity's performance overall and in areas of particular public and political interest.

1.13 This does not mean that the performance statements of an entity will be of equal relevance to all users. However, they can provide a starting point for users to explore and question for their own specific purposes — just as for financial statements where the bottom line is the starting point for analysis.

### The role of leadership in developing a performance culture

1.14 Effective performance reporting involves more than an entity producing a set of performance statements that meets the minimum requirements of the framework. Entities require leadership that sponsors performance reporting as essential to good management and governance arrangements that ensure performance information is an integral part of the operation of the entity. In many respects, the success or failure of an entity's use of performance information will depend on the maturity and sophistication with which the management of that information is handled by leaders and senior managers of an entity.

1.15 Accountable authorities have a duty to govern their entities in a way that promotes the proper use and management of public resources and the achievement of the purposes of the entity.<sup>19</sup> One of the objects of the PGPA Act is to meet high standards of governance, performance and accountability and to achieve and demonstrate these standards through providing the Parliament with meaningful performance information.<sup>20</sup> Good governance provides the foundation for high performance and is based on accountability, transparency, leadership, integrity and stewardship and in responsiveness to the needs and aspirations of citizens.<sup>21</sup>

1.16 As with financial reporting, non-financial performance information should be an integral part of the agency's strategic and operational planning, budgeting, reporting and reviewing processes. Regular monitoring and evaluation of performance information should provide a basis for informed and evidence-based decision-making and accountability.

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18 *Public Governance, Performance and Accountability Act 2013*, subsection 5(c)(i), subsection 15(1b).

19 *Public Governance, Performance and Accountability Act 2013*, paragraphs 15(1)(a) and 15(1)(b). Section 15 of the PGPA Act draws from the duties of directors in Chapter 2D, Division 1 of the *Corporations Act 2001*.

20 *Public Governance, Performance and Accountability Act 2013*, section 5. See also Australian National Audit Office, 'Using Performance Information to Drive Effectiveness', *Insights: Audit Opinion*, 29 November 2023 available <https://www.anao.gov.au/work/insights/using-performance-information-to-drive-effectiveness> [accessed 16 December 2023].

21 Explanatory Memorandum, *Public Governance, Performance and Accountability Bill 2013*, 13 [87].

1.17 The Australian National Audit Office's (ANAO) performance statements audits continue to indicate that, at least to some extent, Commonwealth entities view performance statements as a compliance exercise to be completed annually.<sup>22</sup> There is information reported in entities' performance statements that is not regularly monitored, reviewed and evaluated at the executive level. By extension, this suggests that this information is not important to the management of the entity and of limited use to an external user in assessing the performance of the entity in achieving its purposes.

1.18 Strategic and concerted leadership is required to embrace meaningful performance reporting as essential to good management and the effective stewardship of public resources. Developing a culture that values and produces high quality performance information and evaluation takes time and perseverance. Recent experience indicates that the strongest incentives for accountable authorities to drive high standards in performance reporting are transparency of performance information and external assurance through an ongoing audit program.<sup>23</sup> This report observes some progress in entities' development of a performance culture.

## Performance statements auditing

1.19 The introduction of performance statements audits is the most significant change in Commonwealth public sector auditing since the implementation of performance auditing in the early 1980s. Performance statements audits are an important element of the enhancements to public management and accountability introduced by the PGPA Act and play an important role in building citizen trust in government. They provide the Parliament assurance on an annual basis over the reliability of reporting by entities on their performance.

1.20 The requirement for Australian Government entities to prepare annual performance statements under the PGPA Act commenced from 1 July 2015 with entities preparing annual performance statements for the first time in the 2015–16 reporting period.

1.21 The ANAO was funded as part of the 2021–22 Budget to implement the ongoing program of performance statements audits. This funding establishes assurance of non-financial reporting as a core component of assurance to the Parliament.

1.22 From the 10 audits in 2022–23, the performance statements audit program will expand to 14 audits in 2023–24, 19 audits in 2024–25 and 24 audits in 2025–26. This phased rollout will enable 'repeat' entities to improve the quality and reliability of their performance statements and enable the sector to learn from these audits and prepare accordingly.

1.23 Table 1.1 shows the expansion in the number of performance statements audits since the commencement of the ongoing program of audits in 2021–22. In each subsequent year of the rollout, new entities will be added to those already subject to audit. This approach enables the ANAO to continue to leverage the knowledge and expertise gained from auditing an entity to

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22 See Auditor-General Report No.13 2022–23 *Audits of the Annual Performance Statements of Australian Government Entities—2021–22*, pp. 11 and 50, available from <https://www.anao.gov.au/work/performance-statements-audit/audits-the-annual-performance-statements-australian-government-entities-2021-22> [accessed 23 October 2023].

23 The importance of these incentives was raised in Australian National Audit Office, *Submission to Independent review of the operation of the Public Governance, Performance and Accountability Act 2013 and Rule*, November 2017, pp. 3–4.

improve the efficiency and effectiveness of the audit process. This improves the sustainability of the audit program and value for money.

**Table 1.1: Entities included in ANAO performance statements audit program 2021–24**

2021–22	2022–23	2023–24
<ul style="list-style-type: none"> <li>• Attorney-General's Department</li> <li>• Department of Social Services</li> <li>• Department of Veterans' Affairs</li> <li>• Department of Education, Skills and Employment<sup>a</sup></li> <li>• Department of Agriculture, Water and the Environment<sup>a</sup></li> <li>• Department of the Treasury</li> </ul>	<p>The six entities audited in 2021–22 and the following four entities:</p> <ul style="list-style-type: none"> <li>• Department of Health and Aged Care</li> <li>• Department of Industry, Science and Resources</li> <li>• Department of Infrastructure, Transport, Regional Development, Communications and the Arts</li> <li>• Services Australia</li> </ul>	<p>The 10 entities audited in 2022–23 and the following four entities:</p> <ul style="list-style-type: none"> <li>• Australian Taxation Office</li> <li>• National Disability Insurance Agency</li> <li>• Department of Home Affairs</li> <li>• Department of Foreign Affairs and Trade</li> </ul>

Note a: As a result of Machinery of Government changes that took effect from 1 July 2022, the Department of Agriculture, Water and the Environment became the Department of Agriculture, Fisheries and Forestry and the Department of Education, Skills and Employment became the Department of Education.

## The 2022–23 performance statements audit program

1.24 The focus of this report is on the 2022–23 performance statements audits of 10 entities. The second year of implementation of the performance statements audit program demonstrated that entities continue to improve the quality of their performance reporting. There has been some improvement in entities' processes and capability to develop high quality performance information, providing a basis for ongoing improvement in performance reporting.

1.25 Several entities in the 2022–23 performance statements audit program acknowledged the impact and the value of the performance statements audit process.<sup>24</sup> The entities observed that the audits had contributed to improved internal governance processes and the quality of performance information.

1.26 The 2022–23 audit program has shown that:

- as intended, there is flexibility in the framework for entities to tailor how they measure, assess and present their performance information;
- entities are generally presenting accurate information in performance statements; and
- entities are using the iterative and educative design of the audit process to resolve prior year audit findings and respond to findings issued at the end of the interim audit phase.

24 Department of Social Services, *Submission 1*, Inquiry into the annual performance statements 2021–22, Joint Committee of Public Accounts and Audit, pp. 6–9;  
 Department of Agriculture, Fisheries and Forestry, *Submission 2*, Inquiry into the annual performance statements 2021–22, Joint Committee of Public Accounts and Audit, p. 3;  
 Department of Veterans' Affairs, *Submission 4*, Inquiry into the annual performance statements 2021–22, Joint Committee of Public Accounts and Audit, p. 4;  
 Department of Education, *Submission 5*, Inquiry into the annual performance statements 2021–22, Joint Committee of Public Accounts and Audit, p. 3.

1.27 The 2022–23 audits have also identified common areas of challenge for auditees. In particular, entities have not fully implemented enterprise-wide performance frameworks (see chapter 3).<sup>25</sup> As a result, entities often lack clear internal processes to guide how, and what they identify as their purposes, key activities and performance measures, and performance information is not integrated into strategic planning, decision-making and accountability processes. This means that some entities are producing performance information that can be insufficient to provide a complete and meaningful picture of their performance or identify where improvements can be made to improve future performance.

1.28 The issue of whether an entity’s performance information is complete was raised in several 2022–23 performance statements audit findings. Six of the 10 auditees received a finding relating to the completeness of their performance information (see chapter 2).

1.29 Further improvement is required for performance statements to provide meaningful information on an entity’s performance in line with the spirit and intent of the Commonwealth Performance Framework, in addition to annual performance statements that comply with the minimum requirements of the PGPA Act and Rule.

### *Entities’ engagement with the 2022–23 audits*

1.30 The ANAO issued an auditor’s report to most entities by the end of September 2023 (see Figure 4.4) indicating that entities have generally engaged with the performance statements audit process. Chapters 2 and 3 of this report discuss aspects of the timeliness and quality of entities’ engagement, noting those areas done well and where improvements could be made.

1.31 The terms of engagement for each performance statements audit state that the accountable authority is responsible for providing the ANAO with access to all information that is relevant to the preparation of the annual performance statements. The timely provision of this information is key to providing the Parliament with reasonable assurance over whether the entity’s annual performance statements are free from material misstatement in a timely manner. It is important, therefore, that the entity understands and complies with the terms of engagement.

1.32 Two entities in the 2022–23 performance statements audit program — the Department of Health and Aged Care (DoHAC)<sup>26</sup> and the Department of Education (Education) — did not provide the ANAO with access on request to information relevant to the preparation of their statements. The entities advised the ANAO that there were legal restrictions to sharing the requested information.

1.33 In August 2023, the Auditor-General wrote (separately) to the accountable authorities of DoHAC and Education to issue formal notices under paragraphs 32(1)(a) and 32(1)(c) of the *Auditor-General Act 1997*. The notices directed each Secretary to produce to the Auditor-General the requisite information and documents in the department’s custody or under its control.

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25 Australian National Audit Office, ‘Using Performance Information to Drive Effectiveness’, *Insights: Audit Opinion*, 29 November 2023 available from <https://www.anao.gov.au/work/insights/using-performance-information-to-drive-effectiveness> [accessed 16 December 2023].

26 Auditor-General Report No.9 2023–24, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2023*, paragraphs 2.160 – 2.161.

1.34 The ANAO is advising the Parliament through this report of the Auditor-General's exercise of formal information gathering powers under section 32 of the *Auditor-General Act 1997*.

### *Entities' resourcing*

1.35 Entities' evidence to the Joint Committee of Public Accounts and Audit (JCPAA) inquiry into the 2021–22 annual performance statements audits noted the resource cost associated with performance statements auditing. The Department of Veterans' Affairs observed that the audit process is 'resource intensive' and that it is 'constrained by the small pool of capable staff' in performance reporting.<sup>27</sup> Education put the following view:

[T]he volume of questions, requests for meetings and issues placed an unexpected resourcing pressure on DESE as it did not receive specific resourcing to support the audit. Education acknowledges that efficiencies should be realised in future audit processes as its performance information and the ANAO's audit approach matures.<sup>28</sup>

1.36 The resource impact on entities, especially when being audited for the first time, reflects under-investment by entities in building their performance frameworks. This is despite legislative obligations requiring accountable authorities to prepare annual performance statements being in place for nearly a decade.<sup>29</sup> Chapter 3 of this report comments further on entities' resourcing for performance reporting.

## **2023–24 performance statements audit program**

1.37 On 26 June 2023, the Auditor-General wrote to the Minister for Finance to propose expanding the performance statements audit program in 2023–24 to include 14 entities (Table 1.1).<sup>30</sup> The Minister agreed with the proposal, requesting that the Auditor-General undertake assurance audits of 14 entities' 2023–24 performance statements under section 40 of the PGPA Act.<sup>31</sup>

1.38 The Minister for Finance's early request in July 2023 to conduct the 2023–24 performance statements audits is important to ensure that the selected entities prepare properly for the audit. It also enables the ANAO to commence formal engagement with auditees earlier than was the case for the 2022–23 audits.<sup>32</sup>

1.39 Early formal engagement with 2023–24 auditees will allow interim audit findings to be issued to each auditee in a timeframe that assists the entity to plan for the 2024–25 reporting period. The ANAO will continue to issue interim audit findings earlier in the performance statements

27 Department of Veterans' Affairs, *Submission 4*, Inquiry into the Annual Performance Statements 2021–22, Joint Committee of Public Accounts and Audit, p. 4.

28 Department of Education, *Submission 5*, Inquiry into the Annual Performance Statements 2021–22, Joint Committee of Public Accounts and Audit, p. 2.

29 Joint Committee of Public Accounts and Audit (JCPAA), *Report 499: Inquiry into the Annual Performance Statements 2021–22*, September 2023, p. 27, [Internet], available from [https://parlinfo.aph.gov.au/parlInfo/download/committees/reportjnt/RB000198/toc\\_pdf/Report499InquiryintotheAnnualPerformanceStatements2021%e2%80%9322.pdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportjnt/RB000198/toc_pdf/Report499InquiryintotheAnnualPerformanceStatements2021%e2%80%9322.pdf) [accessed 4 December 2023].

30 Auditor-General of Australia, *Correspondence to the Minister for Finance*, 26 June 2023.

31 Senator the Hon. Katy Gallagher, Minister for Finance, *Correspondence to the Auditor-General*, 8 July 2023.

32 G. Hehir, Evidence to Joint Committee of Public Accounts and Audit, *Committee Hansard*, 28 July 2023, pp. 18–19.

audit cycle such that entities can consider these findings for both the current and upcoming reporting period.

## **Mandatory audits of annual performance statements**

1.40 Conducting annual audits of performance statements ensures that the Parliament receives the same level of assurance on performance statements as it does for financial statements. Currently, the PGPA Act makes provision for annual performance statements to be examined by the Auditor-General at the request of the Minister for Finance or the responsible minister.<sup>33</sup> This is a different process to the initiation of financial statements audits which are mandatory and do not require Minister for Finance approval.<sup>34</sup>

1.41 Annual performance statements must be included in entities' annual reports. The process of tabling a performance statements audit report in the Parliament differs to the process of tabling a financial statements audit report. For performance statements audit reports, the PGPA Act requires that the requesting Minister table the Auditor-General's report in the Parliament as soon as practicable after receipt, with a copy of the statements, but it is not included in the annual report (see paragraph 2.7).<sup>35</sup> Financial statements and the Auditor-General's report must be included in the entity's annual report that is tabled in the Parliament.<sup>36</sup>

1.42 On three separate occasions, the JCPAA has recommended legislative change to enable the Auditor-General to initiate performance statements audits without the need for approval.<sup>37</sup> The most recent recommendation was made in September 2023 as part of the JCPAA's inquiry into the 2021–22 performance statements audits.

1.43 The ANAO strongly supports legislative change to enable mandatory annual audits of performance statements. Past experience has shown that intermittent, rather than annual, external review of performance information is unlikely to drive the desired level of improvement in performance measurement and reporting. Annual performance statements audits provide an incentive for entities to prepare annual performance statements to the standard necessary to meet the Parliament's purposes.

1.44 The audit program has demonstrated that mandatory annual audits will promote a culture within entities of long-term investment in the processes and capabilities needed to plan, monitor and report high quality performance information on an ongoing basis.

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33 *Public Governance, Performance and Accountability Act 2013*, Subsection 40(1).

34 *Public Governance, Performance and Accountability Act 2013*, Section 43.

35 *Public Governance, Performance and Accountability Act 2013*, Subsection 40(3).

36 *Public Governance, Performance and Accountability Act 2013*, Subsection 43(4).

37 Joint Committee of Public Accounts and Audit (JCPAA), *Report 469: Commonwealth Financial Framework*, Parliament of Australia, December 2017, Recommendation 6.; Joint Committee of Public Accounts and Audit (JCPAA), *Report 491: Review of the Auditor-General Act 1997*, March 2022, p. 25, recommendation 5.; Joint Committee of Public Accounts and Audit (JCPAA), *Report 499: Inquiry into the Annual Performance Statements 2021–22*, September 2023, p. 35, recommendation 3 [Internet], available from [https://parlinfo.aph.gov.au/parlInfo/download/committees/reportjnt/RB000198/toc\\_pdf/Report499InquiryintotheAnnualPerformanceStatements2021%e2%80%9322.pdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportjnt/RB000198/toc_pdf/Report499InquiryintotheAnnualPerformanceStatements2021%e2%80%9322.pdf) [accessed 24 October 2023].

## Emerging context for performance reporting and evaluation

1.45 Consistent with international trends, there have been important recent developments in Australia aimed at enhancing the quality of information reported by public sector entities to explain how well they have used public money to deliver government policies, programs and services and achieve outcomes for the Australian community. This recognises the important role performance reporting can play in maintaining public trust and confidence in the public sector and the government.

### *Outcomes reporting through a Wellbeing Framework*

1.46 For over a decade, there have been efforts internationally to measure wellbeing beyond conventional macroeconomic statistics. The Organisation for Economic Cooperation and Development's (OECD) Framework for Measuring Wellbeing and Progress has been applied to produce five reports (2010–2020) on wellbeing outcomes in OECD countries. This research uses a range of indicators of wellbeing to gauge 'whether life is getting better for people' in these countries.<sup>38</sup>

1.47 In July 2023, the Australian Government released a statement titled 'Measuring What Matters: Australia's First Wellbeing Framework'. The Statement establishes a wellbeing Framework with five broad themes — healthy, secure, sustainable, cohesive, prosperous — and links to an online dashboard that uses 50 indicators of wellbeing.<sup>39</sup> In terms of how the Framework is intended to be used, the Statement explains:

Consistent with our international counterparts, we will be looking for opportunities to embed the Framework into government decision making. This will involve guidance for agencies to inform policy development and evaluation. The Framework could also be used in areas of policy that require different levels of government to work together.<sup>40</sup>

1.48 The intent of the MWM program is to ensure policies have a wellbeing focus, which it seeks to influence through the new policy formulation and decision-making process. This is distinct from the Commonwealth Performance Framework which focuses on the achievement of entities' purposes. The Government is considering how to best embed the Wellbeing Framework into prioritisation and decision-making processes. At this stage, there is no alignment between the Wellbeing Framework and corporate reporting activities.

### *Australian Centre for Evaluation*

1.49 The 2019 review of the Australian Public Service (APS) identified that in the future, the APS will require 'a much stronger focus on research and evaluation in order to identify emerging issues and evaluate what works and why'. The review proposed that a central evaluation function be established to provide guidance and support to agencies on best practice approaches.<sup>41</sup>

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38 Organisation for Economic Cooperation and Development, *How's Life? 2020: Measuring Well-being*, Foreword, 9 March 2020.

39 The Treasury, 'Dashboard', [Internet], available from <https://treasury.gov.au/policy-topics/measuring-what-matters/dashboard> [accessed 21 September 2023].

40 Australian Government, *Measuring What Matters: Australia's First Wellbeing Framework*, 21 July 2023, p. 94.

41 Independent Review of the Australian Public Service, 'Our Public Service, Our Future', 2019, p. 222 [Internet], available from <https://www.pmc.gov.au/sites/default/files/resource/download/independent-review-aps.pdf> [accessed 21 September 2023]. Australian Government, APS Reform, [Internet], available from APS Reform | APS Reform [accessed 4 December 2023].

1.50 On 1 July 2023, the Australian Centre for Evaluation was established within Treasury. The government has indicated that the Centre will promote and conduct evaluations, promote the Commonwealth Evaluation Policy<sup>42</sup>, work with entities to embed evaluation plans in New Policy Proposals and collaborate with governments and experts in Australia and internationally.<sup>43</sup>

1.51 High-quality performance information is a necessary condition for effective evaluation. Effectively designed performance measures enable an entity to continuously monitor the performance of key activities, obtain regular feedback and collect appropriate data to underpin evaluation activities. Performance statements audits can contribute to improved evaluation function by assisting entities to build a robust evidence base, monitor progress and strengthen data analytic capability to improve their capacity to evaluate their policies and programs.

### *Impact Analysis*

1.52 Impact analysis provides decision-makers with information about the potential and the actual effect of policies and regulations on stakeholder groups.

1.53 The Government's Impact Analysis Framework is designed to help policymakers identify the relevant policy problem, examine a range of viable options, assess the costs and benefits of the options, and develop the evidence base for well-informed decision making. The Office of Impact Analysis (OIA) within the Department of the Prime Minister and Cabinet aims to ensure that major policy decisions are supported by sound evidence and analysis. The OIA's role is to ensure compliance with the IA framework and provide guidance and coaching across the sector to assist entities to produce high quality analysis.

1.54 From 1 March 2023, a new Australian Government Guide to Policy Impact Analysis came into effect. The Guide states that an impact analysis is required for:

any policy proposal or action of government, with an expectation of compliance, that would result in a more than minor change in behaviour or impact for people, businesses or community organisations.<sup>44</sup>

### *Climate-related disclosures*

1.55 In June 2023, the International Sustainability Standards Board issued International Financial Reporting Standards (IFRS) S1 *General Requirements for Disclosure of Sustainability Related Financial Information* and S2 *Climate-related Disclosures*. The Standards will focus on the for-profit private sector and provide a common language for disclosing the effect of climate-related risks and opportunities on a company's prospects.

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42 The Department of Finance will administer the Commonwealth Evaluation Policy.

43 The Hon. Dr Andrew Leigh MP, 'Australian Centre for Evaluation', *Media Release*, 25 May 2023, [Internet], available from <https://ministers.treasury.gov.au/ministers/andrew-leigh-2022/media-releases/australian-centre-evaluation-measure-what-works> [accessed 21 September 2023].

44 Australian Government, 'Australian Government Guide to Policy Impact Analysis, March 2023, p. 7, [Internet], available from <https://oia.pmc.gov.au/sites/default/files/2023-02/oia-impact-analysis-guide-nov-22.pdf>, [accessed 4 December 2023].

1.56 As at September 2023, legislation was before the Parliament to give the Australian Accounting Standards Board (AASB) the ability to develop climate-related standards.<sup>45</sup> The Australian Government envisages that these standards will align with the requirements in IFRS.<sup>46</sup>

1.57 The AASB issued an Exposure Draft, ED SR1 Sustainability Reporting Standards – Disclosure of Climate-related Financial Information, which is also based on consideration of the Treasury’s second consultation paper *Climate related financial disclosure* issued on 27 June 2023. The second Treasury paper proposes a three-phased approach to the application of mandatory disclosure requirements commencing with a limited group of very large entities expanding over two years to apply progressively to smaller entities.

## Structure of the report

1.58 This report presents the 2022–23 audit findings and observations (chapter 2), assessments of auditees’ maturity in performance reporting (chapter 3), and the future direction of the ANAO’s performance statements program (chapter 4).

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45 Parliament of Australia, Treasury Laws Amendment (2023 Measures No. 1) Bill 2023.

46 The Treasury, *Climate-related financial disclosure: Second consultation*, June 2023, p. 10, [Internet], available from <https://treasury.gov.au/sites/default/files/2023-06/c2023-402245.pdf> [accessed 21 September 2023].

## 2. Audit results from the 2022–23 performance statements audits

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### Chapter coverage

This chapter discusses the results from the 2022–23 annual performance statements audits. It outlines the audit conclusions presented in the auditor’s report for each audit as well as key findings and observations on how entities are presenting their performance information.

### Audit conclusions and additional matters

The 2022–23 audits indicate improvement from 2021–22 in terms of the reduced proportion of auditees that received a qualified conclusion in an auditor’s report, and the decreased number of measures that were included in the basis for qualified conclusion. Six of the ten 2022–23 auditees received an audit conclusion without modification, compared to three of the six auditees in 2021–22. In 2022–23, four per cent of all auditees’ measures were subject to a qualified conclusion, down from seven per cent in 2021–22.

Six of the 10 auditees received an auditor’s report containing an emphasis of matter paragraph, which draws the reader’s attention to an important matter in the performance statements that is fundamental to users’ understanding of the entity’s performance without modifying the audit conclusion. In 2021–22, one of the six auditor’s reports contained an emphasis of matter paragraph.

One of the 10 auditees received an auditor’s report containing an other matter paragraph to draw the reader’s attention to an issue without modifying the audit conclusion.

### Audit findings

A total of 48 findings were reported to entities at the end of the final phase of the 2022–23 performance statements audits. These comprised 16 significant, 13 moderate and 19 minor findings. The resolution of 48 per cent of interim 2022–23 audit findings reflects that entities made effort to resolve findings during the final phase of the audit.

The significant (A) and moderate (B) 2022–23 audit findings fall under five themes:

- improved governance by implementing an enterprise-wide performance framework (issued to four entities);
- complete and meaningful performance information (issued to five entities);
- accuracy and reliability of reported information (issued to five entities);
- usefulness of performance information (issued to two entities); and
- preparation and record keeping processes (issued to three entities).

### Observations of entities’ performance information

The main observations of the 10 entities’ performance information include the following:

- on average, an entity reported on a key activity using 2.7 performance measures;
- 41 per cent of all measures in entities’ 2022–23 performance statements were output measures and 40 per cent were effectiveness measures;

- a large majority of most entities’ performance measures are quantitative performance measures; and
- for six of the 10 entities, a majority of their 2022–23 performance measures were identical or comparable to the measures in their 2020–21 corporate plan.

2.1 Performance statements audits improve transparency and provide the Parliament with independent assurance over the quality and reliability of entities’ annual performance statements. They are also designed to identify areas where improvements can be made across the sector by presenting specific findings and recommendations to audited entities.

2.2 Findings and recommendations are communicated to entities at several stages during the audit to enable entities to address identified issues before finalising their performance statements for the reporting period. Where findings remain unresolved, these can be addressed by entities in the following year.

2.3 The audits demonstrate that entities can establish sound practices and improve the standard of their performance reporting processes and their performance information over the reporting period. Chapter 3 of this report assesses the maturity of entities’ processes to report their performance.

## 2022–23 performance statements audits

2.4 This chapter presents the findings from the 10 audits of entities’ 2022–23 performance statements. It provides detail on the significant and moderate audit findings and outlines the key matters that impacted the audit conclusion.

2.5 The analysis in this chapter refers to ‘repeat’ and ‘new’ entities in the 2022–23 audit program. These categories can be useful to show how the annual audit cycle of performance statements is improving entities’ performance information. The Department of Education, Skills and Employment (DESE) became the Department of Education and the Department of Agriculture, Water and the Environment (DAWE) became the Department of Agriculture, Fisheries and Forestry (DAFF) (rather than newly established) on 1 July 2022 following Machinery of Government changes. These entities are classified as ‘repeat’ entities given their involvement in the 2021–22 audit program.

2.6 The Auditor-General provided auditor’s reports to the Minister for Finance on 22 September, 12 October and 20 December 2023.<sup>47</sup> The Auditor-General provided letters to responsible Ministers on the outcomes of the audits on 28 November 2023.<sup>48</sup>

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47 On 22 September, the Auditor-General provided to the Minister for Finance the auditor’s reports on the 2022–23 performance statements of DAFF, DISR, Education and Services Australia. On 12 October, the Auditor-General provided to the Minister for Finance the auditor’s reports on the 2022–23 performance statements of AGD, DITRDCA, DSS, DVA and the Department of the Treasury. On 20 December 2023, the Auditor-General provided to the Minister for Finance the auditor’s report on the 2022–23 performance statements of the Department of Health and Aged Care.

48 As the intent of the letters to responsible ministers is to communicate significant audit findings, letters were not provided to the Attorney-General, the Treasurer or the Minister for Industry, Science and Technology. The Auditor-General provided a letter to the Minister for Health on the outcomes of the 2022–23 performance statements audit on 20 December 2023.

2.7 The *Public Governance Performance and Accountability Act 2013* (PGPA Act) requires that the Minister requesting an audit of an entity's annual performance statements table a copy of the Auditor-General's report in each House of Parliament as soon as practicable after receipt.<sup>49</sup> The Minister for Finance tabled the reports in tranches, nine weeks and six weeks after the Auditor-General provided the reports to the Minister (see paragraph 2.6).<sup>50</sup>

## Audit conclusions and additional matters

2.8 Overall, the results from the auditor's reports of the ten 2022–23 performance statements audits are mixed.<sup>51</sup> Six of the ten auditees received an auditor's report without a modified conclusion<sup>52</sup>: the Attorney-General's Department (AGD), the Department of Education (Education), the Department of Industry, Science and Resources (DISR), the Department of Social Services (DSS), the Department of the Treasury (the Treasury) and Services Australia. Four entities received an auditor's report with a qualified conclusion: The Department of Agriculture, Fisheries and Forestry (DAFF), the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA), the Department of Veterans' Affairs (DVA) and the Department of Health and Aged Care (DoHAC).

2.9 The 2022–23 audits indicate improvement in terms of the number of auditees that received an audit report containing a qualified conclusion, and the number of measures included in the basis for qualified conclusion. Table 2.1 shows that based on the 2021–22 audits, in 2022–23 the proportion of audited entities that received a qualified audit conclusion decreased. The proportion of entities' measures that were the subject of a modified conclusion also decreased from 2021–22 to 2022–23.

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49 *Public Governance, Performance and Accountability Act 2013*, Subsection 40(3).

50 The exception was the auditor's report on the 2022–23 DoHAC performance statements which was tabled in the Senate on 25 January 2024.

51 Performance statements audits are conducted under the ANAO auditing standards that adopt the Australian Standard ASAE 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Auditing and Assurance Standards Board. Under this standard, the auditor can issue an unmodified or a modified conclusion.

52 A modified conclusion may be expressed as:

- (a) a qualified conclusion or a disclaimer of conclusion where sufficient appropriate evidence is unable to be obtained and a scope limitation exists; or
- (b) a qualified or adverse conclusion where the information is materially misstated.

See Australian Standard ASAE 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, paragraphs 66 and 74, available from [https://www.auasb.gov.au/admin/file/content102/c3/ASAE\\_3000\\_revised\\_2017.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ASAE_3000_revised_2017.pdf) (accessed 2 January 2024).

**Table 2.1: Summary of audit conclusions**

Reporting year	Number of audited entities	Number of modified audit conclusions	Measures subject to modified conclusion as % of all entities' measures	Measures subject to modified conclusion as % of measures reported by relevant entities
2022–23	10	4	4% <sup>a</sup>	9%
2021–22	6	3	7% <sup>b</sup>	10%

Note: This table represents performance measures that were the subject of a modified conclusion in 2022–23. In 2022–23 some modified conclusions relate to the omission of performance information.

Note a: Twelve of the 294 measures reported by the 10 auditees in 2022–23.

Note b: Thirteen of the 199 measures reported by the six auditees in 2021–22.

Source: ANAO analysis.

2.10 Six of the 10 auditees received an audit report containing an Emphasis of Matter paragraph (see paragraph 2.24 and Table 2.2).<sup>53</sup> In 2021–22, only one of the six audit reports contained an Emphasis of Matter paragraph.

2.11 The following sections explain the bases for the ANAO's qualified conclusions and Emphasis of Matter paragraphs.

### Bases for qualified conclusion

#### *Department of Agriculture, Forestry and Fisheries*

2.12 DAFF's 2022–23 performance statements reported on 13 performance measures underpinned by 13 targets. A qualified conclusion was issued on DAFF's annual performance statements due to the omission of performance information for reporting against Objective 1: Industry Growth and Objective 3: Resilience and sustainability; and the biased construct of the measure relating to point-of-entry failures.<sup>54</sup>

2.13 The Australian National Audit Office (ANAO) identified that DAFF's 2022–23 performance statements were not complete with respect to:

- (a) Objective 1 (Industry growth), key activity 2 (maintaining and expanding exports and access to international markets) — DAFF reports against a single performance measure relating to point-of-entry failures. The performance statements did not report important information relating to DAFF's work in expanding exports and access to international markets, which are key activities of the department. Failure to report on this area reduces the ability to assess DAFF's performance in expanding export market access.
- (b) Objective 3 (Resilience and sustainability), key activity 2 (increase the contribution that agriculture makes to a healthy, sustainable environment) — DAFF reports against a single performance measure relating to the sustainability of agriculture. There is no measure

53 The Department of Agriculture, Forestry and Fisheries, the Department of Education, the Department of Health and Aged Care, the Department of Social Services, the Department of Veterans' Affairs and Services Australia.

54 Point-of-entry (POE) failures occur when a trading partner has identified evidence, at the point of import inspection, that a consignment of prescribed goods has not been produced, documented and certified, or exported in accordance with the importing country's requirements. Department of Agriculture, Fisheries and Forestry, *2022–23 Annual Report*, p. 21.

that assesses the *resilience* of agricultural, fisheries and forestry activities and the statements did not include narrative to explain the department's rationale for not reporting on this aspect of its performance.

2.14 DAFF's performance measure on the regulation of exported goods (IG-04) uses point-of-entry failures for meat exports as a proxy for all prescribed goods regulated under the Export Control Act 2020 (ECA) and the Export Control Rules.<sup>55</sup> The ECA sets the overarching framework for the regulation of exported goods, including food and agricultural products. DAFF regulates the export of agricultural goods and issues Australian Government export certificates under the ECA and subordinate legislation.<sup>56</sup>

2.15 Given the definition of exported goods for the purposes of the ECA is broader than meat exports and also includes plants, eggs, dairy and live exports, the ANAO was unable to corroborate DAFF's view that measuring point-of-entry failures for meat exports is a suitable proxy for DAFF's overall performance in administering the ECA. The measure did not, therefore, provide an unbiased basis for measuring and assessing DAFF's performance in regulating exports.

2.16 In addition, under IG-04 relating to the regulation of exported goods, only failures that are directly attributable to the department are reported as point-of-entry failures.<sup>57</sup> DAFF's export regulatory system is implemented and oversighted by establishments registered with DAFF under the ECA, through production and operational procedures that are agreed by DAFF and formalised as approved arrangements under the ECA. In this environment, the risk that point-of-entry failures would be directly attributable to DAFF is reduced, but only measuring failures that are directly attributable to the department, in an environment where the responsibilities are licenced to other parties, adds to the biased construct of the measure.

### *Department of Health and Aged Care*

2.17 DoHAC's 2022–23 performance statements reported on 35 performance measures underpinned by 70 targets. A qualified conclusion in auditor's report was issued because the performance information reported against Outcome 3 'Ageing and Aged Care' was not complete and did not enable a user to assess the department's performance in achieving its purpose in relation to this outcome. In particular:

- (a) The performance measures and analysis for Program 3.2, 'Aged Care Services', provides information on the use of Commonwealth Home Support Programme services and Home Care Packages as well as information on the number of residential aged care places available at 30 June 2023. Reporting on the use and availability of services does not provide sufficient information on the ability of older Australians to access appropriate services to assess the Department's performance in achieving the objective of Program 3.2 to 'provide choice through a range of flexible options to support older Australians who need assistance'. For example, the Final Report of the Royal Commission into Aged Care

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55 Department of Agriculture, Fisheries and Forestry, *2022–23 Annual Report*, p. 20.

56 Department of Agriculture, Fisheries and Forestry, *2022–23 Annual Report*, p. 20.

57 The department undertakes point-of-entry failure investigations for critical incidents. Less serious incidents are conducted by the registered establishment in the first instance, with the department verifying the findings and providing a response to the trading partner. Department of Agriculture, Fisheries and Forestry, *2022–23 Annual Report*, p. 22.

Quality and Safety<sup>58</sup> contained discussion regarding wait times and the extent to which the support provided aligns with assessed need. The Australian Government Response to the Royal Commission accepted-in-principle recommendation 39: Meeting preferences to age in place, committing to provide immediate access to home care packages to senior Australians with highest needs.<sup>59</sup> Health’s performance measures are not sufficient to provide information on these matters.

- (b) The performance measure for Program 3.3, ‘Aged Care Quality’, relates to the quality of support from the Dementia Behaviour Management Advisory Service (DBMAS) and the Severe Behaviour Response Teams (SBRT). The supporting analysis for Program 3.3 also largely relates to the DBMAS and SBRT. The department has not explained how performance information on DBMAS and the SBRT is sufficient to assess the department’s performance in achieving the Program 3.3 objective, which is to ‘support the provision of safe and quality care for older Australians and their choice of care through regulatory activities and collaboration with the aged care sector and older Australians, as well as capacity building and awareness raising activities’. The department has not reported on the quality of other aged care services, including whether older Australians are receiving safe care.

*Department of Infrastructure, Transport, Regional Development, Communications and the Arts*

2.18 DITRDCA’s 2022–23 performance statements reported on 38 performance measures underpinned by 49 targets.<sup>60</sup> A qualified conclusion was issued on DITRDCA’s performance statements because the performance information reported with respect to eight performance measures across three<sup>61</sup> (of the department’s six) Outcomes was not complete.

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58 Royal Commission into Aged Care Quality and Safety, Final Report: Care Dignity and Respect, 1 March 2021.

59 Australian Government Response to the Final Report of the Royal Commission into Aged Care Quality and Safety, May 2021 (page 30 recommendation 39).

60 Three performance measures did not have a target.

61 Outcome 1—Improved infrastructure across Australia through investment in, and coordination of, transport and other infrastructure.

Outcome 3— Strengthening the sustainability, capacity and diversity of Australia’s cities and regions including northern Australia, through facilitating local partnerships between all levels of government and local communities; through investment in infrastructure and measures that stimulate economic growth; and providing grants and financial assistance.

Outcome 4—Good governance and service delivery in the Australian territories including through the maintenance and improvement of the laws and services for non-self-governing territories, and the overarching legislative framework for self-governing territories.

2.19 The department reported that it was unable to assess its performance for either measure<sup>62</sup> in Outcome 1, four<sup>63</sup> of the five measures in Outcome 3 and the two measures<sup>64</sup> in Outcome 4:

- the measures in Outcome 1 and Outcome 3 did not have reliable and verifiable data sources;
- for one<sup>65</sup> of the measures in Outcome 3 and one of the Outcome 4 measures, DITRDCA did not implement a sound methodology for calculating the result, resulting in a high risk of bias in the reported result; and
- one<sup>66</sup> of the measures in Outcome 3 and the other Outcome 4 measure<sup>67</sup> were assessed as not valid indicators given these measures are not within the department's control or influence.<sup>68</sup>

### *Department of Veterans' Affairs*

2.20 DVA's 2022–23 performance statements reported on 43 performance measures underpinned by 43 targets. A qualified conclusion was issued on DVA's 2022–23 performance statements because the performance information reported with respect to two measures in Program 3.1: *Provide and maintain war graves* was not sufficiently complete to allow assessment of the achievement of DVA's purposes.

2.21 For these measures, the department reported that due to incomplete data, results are unable to be reported. Due to poor data and systems, DVA cannot demonstrate that war graves are being maintained, as expected by government. The measures are material to Outcome 3 and DVA's purpose. Accordingly, the performance statements do not provide a complete basis to measure and assess DVA's performance with respect to Outcome 3.

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62 PM01—Progress of land transport infrastructure investment projects agreed to in the October 2022–23 budget;  
PM02—Implementation of investment in intermodal terminals.

63 PM18—Performance in delivering legacy regional programs: a. Community Development Grants Program (CDG); b. Stronger Communities Program (SCP); c. Building Better Regions (BBRF); d. Regional Growth Fund (RGF);

PM19—PM20—Number of City and Regional Deal commitments on track to be completed within agreed timeframes;

PM21—Implementing key initiatives of the northern Australia agenda;

PM22—Impact of projects supported by the Northern Australia Infrastructure Facility (NAIF) during the financial year.

64 PM23—Commonwealth legal and governance frameworks in Australia's territories are appropriate for the protection and wellbeing of the communities;

PM24—Communities in the external territories and Jervis Bay Territory have services and essential infrastructure comparable to mainland Australia.

65 PM18—Performance in delivering legacy regional programs: a. Community Development Grants Program (CDG); b. Stronger Communities Program (SCP); c. Building Better Regions (BBRF); d. Regional Growth Fund (RGF).

66 PM22—Impact of projects supported by the Northern Australia Infrastructure Facility (NAIF) during the financial year.

67 PM23—Commonwealth legal and governance frameworks in Australia's territories are appropriate for the protection and wellbeing of the communities.

68 Department of Infrastructure, Transport, Regional Development, Communications and the Arts, *2022–23 Annual Report*, pp. 109 and 112.

## Emphasis of Matter

2.22 Where appropriate, an auditor’s report may include an ‘Emphasis of Matter’ paragraph. The inclusion of this paragraph does not modify the auditor’s conclusion. An ‘Emphasis of Matter’ paragraph is a tool available to auditors to draw the reader’s attention to an important matter presented in the performance statements that, in the auditor’s judgement, is fundamental to the users’ understanding of the information in the performance statements.

2.23 Six of the 10 2022–23 auditor’s reports contained an emphasis of matter paragraph.<sup>69</sup> This is presented in Table 2.2.

**Table 2.2: 2022–23 Emphasis of Matter paragraphs**

Entity	Matter and Implication	Disclosure in Annual Performance Statements
DAFF	<p>The ANAO drew attention to the disclosures within the annual performance statements in the <i>Partnering to support fisheries and Sustainable forestry growth</i> sections. DAFF’s performance statements do not include measures of performance relating to fisheries and forestry industries. These disclosures provide information in relation to DAFF’s responsibilities for fisheries and forestry and its assessment of the completeness of the reporting of these functions within the annual performance statements.</p> <p>Without measures on forestry and fisheries, the reader does not have a complete picture of the department’s performance against its purposes.</p>	<p><i>Partnering to support fisheries</i><sup>a</sup></p> <p>Given our focus on longer-term strategic policy and the operational role of AFMA in managing fisheries, we do not have meaningful data to support annual performance measures directly relating to fisheries. This is why we removed performance measure RS-01 from the annual performance statements.</p> <p><i>Sustainable forestry growth</i></p> <p>Government programs and policy focus on longer-term outcomes to ensure the supply or manufacture of forestry products. We are developing performance measures focusing on how we administer funding to support sustainable growth of the forestry industry. Our Corporate Plan 2023–24 includes a performance measure relating to the Accelerate Adoption of Wood Processing Innovation program.</p>
Education	<p>The ANAO drew attention to the information provided by Education in the ‘Changes to our performance measures’ section of the annual performance statements regarding the department’s decision to no longer report on performance measure 023 (PM023), <i>Proportion of researchers who report that access to NCRIS facilities and projects improved their research quality and outputs</i>.</p>	<p>After further analysis the department determined that there were significant difficulties in verifying the data used in the measure. Accordingly, the department considers that the measure does not meet the requirements of section 16EA of the Public Governance, Performance and Accountability Rule 2014 (Cth) (PGPA Rule), and will no longer report on PM023.<sup>c</sup></p>

69 See 2022–23 auditor’s reports, [Internet], available from <https://www.finance.gov.au/publications/reports> (accessed 14 December 2023).

Entity	Matter and Implication	Disclosure in Annual Performance Statements
	<p>The emphasis of matter paragraph draws readers' attention to the PBS measure no longer reported.</p> <p>Funding for this initiative increased from around \$286 million in 2022–23 to over \$400 million in 2023–24 and \$500 million in 2024–25.</p> <p>The decision not to report against this program means the reader does not have information on the outcomes of the government's investment in this area.</p> <p>Information can be found in a NCRIS factsheet prepared by the Department (for example, NCRIS Factsheet – Department of Education, Australian Government)<sup>b</sup>. This information is not audited by the ANAO's part of performance statements audits.</p>	
DoHAC Matter and Implication 1	<p>The ANAO drew attention to the Department's disclosure in the annual performance statements under the 'Structure of the Annual Performance Statements' section that states that the Department sought to undertake quality assurance for all performance measures. Where this was not able to be undertaken, the Department has included a 'quality assurance' caveat for the corresponding performance measure. For the following performance measures that include a 'quality assurance' caveat, the ANAO drew attention to the specific limitations outlined by the Department for not being able to validate the results presented, as the ANAO agreed with the department's disclosure and assessment:</p> <ul style="list-style-type: none"> <li>• Program 1.2's performance measure 'PHN- Commissioned mental health services used per 100,000 population';</li> <li>• Program 1.2's performance measure 'Number of headspace services delivered per 100,000 population of 12–25 year olds';</li> <li>• Program 1.4's performance measure 'Effective investment in workforce programs will improve health workforce distribution in Australia';</li> <li>• Program 1.7's performance measure 'Maintain Australia's access to quality general practitioner care through the percentage of accredited general practices submitting Practice</li> </ul>	<p>The department sought to undertake quality assurance for all performance measures. Where this was not able to be undertaken or completed, the relevant 'quality assurance' caveat has been included for the corresponding performance measure.<sup>d</sup></p>

Entity	Matter and Implication	Disclosure in Annual Performance Statements
	<p>Incentives Program Quality Improvement Incentive data to their Primary Health Network’;</p> <ul style="list-style-type: none"> <li>• Program 1.9’s performance measure ‘Immunisation coverage rates’;</li> <li>• Program 3.1’s performance measure ‘The percentage of surveyed users who are satisfied with services provided’; and</li> <li>• Program 3.2’s performance measure ‘Number of clients that accessed Commonwealth Home Support Programme services’.</li> </ul> <p>The ‘quality assurance’ caveats in DoHAC’s statements reflect there is a risk that there is insufficient evidence of any validation of referenced performance results.</p>	
<p>DoHAC Matter and Implication 2</p>	<p>The ANAO drew attention to a disclosure in the annual performance statements under the ‘Structure of the Annual Performance Statements’ section that states: that ‘additional activities that fall below the materiality threshold for having a published performance measure but were published in the Portfolio Budget Statements and Corporate Plan to ensure a fulsome account to Parliament of activities undertaken within appropriations’. The Department has disclosed 119 key activities that do not have accompanying performance measures at the end of the performance narrative for each program in the annual performance statements.</p> <p>DoHAC’s 2022–23 corporate plan identified 189 key activities and 35 performance measures. The department’s 2022–23 performance statements identify only 70 key activities related to performance measures, with the statements disclosing that the removed key activities are ‘under the materiality threshold’.</p> <p>The department does not disclose the specific rationale for not reporting performance for each of the individual removed key activities. It provides a generic statement that they are ‘under the materiality threshold’.</p>	<p>For the purposes of the 2022–23 Annual Performance Statements, activities are presented as follows:</p> <ul style="list-style-type: none"> <li>• additional activities that fall below the materiality threshold for having a published performance measure but were published in the Portfolio Budget Statements and Corporate Plan to ensure a fulsome account to Parliament of activities undertaken within appropriations.<sup>d</sup></li> </ul>

Entity	Matter and Implication	Disclosure in Annual Performance Statements
DSS Matter and Implication 1	<p>The ANAO drew attention to a disclosure within the annual performance statements under the result for the 1800RESPECT component of the Women’s Safety measure.</p> <p>The caveats in DSS’ statements reflect there is an increased risk that the reported results for these measures are not reliable. Accordingly, there is also a risk that service standards specified in agreements are not being met and DSS may be paying for services it is not fully receiving.</p>	<p>In 2022–23 the department initiated a process for a point in time review of data to validate overall data accuracy and completeness. However, it is acknowledged that the work is not yet completed and as a consequence the department has limited assurance over the accuracy of the reported result of 76.7 per cent of calls answered within 20 seconds. The department will continue to work with providers to improve data assurances moving forward.<sup>e</sup></p>
	<p>The ANAO drew attention to a disclosure within the annual performance statements under the result for the Support for Carers measures.</p>	<p>The ‘Carer Wellbeing’ DEX measures are being reported for the first time in 2022–23 and therefore were not part of the 2021–22 independent client survey. As such independent assurance of response bias has not yet been undertaken.<sup>f</sup></p>
DVA Matter and Implication 1	<p>The ANAO drew attention to DVA’s disclosure of changes to the targets for twelve timeliness performance measures related to Outcome 1 from the targets, that were originally set out in the 2022–23 corporate plan, under the heading <i>Changes to DVA’s performance measures</i> in the Introduction section of the performance statements.</p> <p>The timeliness of veterans’ claims processing is of high public importance. The interim report of the Royal Commission into Defence and Veteran Suicide recommended that the Australian Government ‘take urgent and immediate steps to fix problems with the processing of claims for veterans’.<sup>g</sup></p>	<p>A number of changes have been made since the publication of the Corporate Plan 2022–23 in order to:</p> <ul style="list-style-type: none"> <li>• streamline the performance suite by removing 3 performance measures (1.5-3, 2.5-3, and 2.6-2) which are adequately covered by remaining measures</li> <li>• increase clarity through the simplification of some measure descriptions and targets</li> <li>• increase transparency by amending 12 ‘timeliness’ performance measure targets from percentage increase on previous year to a numerical target.</li> </ul> <p>Details of these changes are set out in Annexure 1: Performance measure changes.<sup>h</sup></p>
	<p>The ANAO further drew attention to the disclosures in the <i>Analysis of performance against Outcome 1</i> section of the performance statements that provides additional context for the change in the targets and analysis of DVA’s performance under the revised targets, including the historical trend information.</p>	<p>For the full list of disclosures, refer to the DVA 2022–23 Annual Report.<sup>h</sup></p>

Entity	Matter and Implication	Disclosure in Annual Performance Statements
	<p>For 5 of the 12 measures, the new targets are below the actual result achieved in the 2021–22. Targets should be realistic and achievable, and should be set with reference to requirements, agreements or requests for funding and reflect legislative requirements where they exist.</p>	
<p>Services Australia Matter and Implication 1</p>	<p>The ANAO drew attention to disclosures within the annual performance statements under the result for the measure ‘customers served within 15 minutes’.</p> <p>These disclosures provide information in relation to the limitations of Services Australia’s assurance over the result for the telephony component of this measure. Services Australia has not validated the data from the telephony providers system. Services Australia is not able to combine a single customer’s wait time if that customer is transferred to two or more queues.</p> <p>Issues relating to the timeliness of answering customers by phone and processing customers’ claims have gained parliamentary attention. Further to the information in its 2022–23 performance statements, Services Australia provided data to the Senate in October 2023 on recent trends in call answering and claims processing times.</p> <p>Accurate, reliable reporting on these issues is key to readers’ understanding of Services Australia’s performance.</p>	<p>In 2022–23, 3.5 million calls were transferred between queues. Calls transferred internally between telephony queues are counted as separate telephone calls with separate wait times. Our systems are unable to combine call wait times once a call is transferred. This may have an impact on the results for this measure.</p> <p>The reported telephony results are based on data from our provider. The agency does not have a process in place to independently validate the data provided.<sup>1</sup></p>
<p>Services Australia Matter and Implication 2</p>	<p>The ANAO drew attention to disclosures within the annual performance statements under the result for the measure ‘work processed within timeliness standards’.</p> <p>These disclosures are fundamental to the reader’s understanding of the result for this measure. Without a clearly defined basis for including and omitting timeliness standards, there is a risk of bias (intentional or otherwise) in the methodology.</p>	<p>Whilst all three programs are represented within the measure, not all processing work types within these programs are captured. This measure does not capture the full breadth of work processed by the agency.</p> <p>As new timeliness standards are agreed with partner agencies, the measure will be updated to incorporate these new work types. Start dates for new timeliness standards will be negotiated with partner agencies and included in the scope of this measure once agreed.</p> <p>We have been unable to identify the level of bias arising from the application of timeliness standards</p>

Entity	Matter and Implication	Disclosure in Annual Performance Statements
		that are included or excluded from the measure. <sup>j</sup>

- Note a: Department of Agriculture, Fisheries and Forestry, *2022–23 Annual Report*, p. 10–11, [Internet], available from <https://www.agriculture.gov.au/sites/default/files/documents/Annual%20Report%202022-23%20final.pdf> (accessed 13 November 2023).
- Note b: Department of Education, ‘National Collaborative Research Infrastructure Strategy (NCRIS)’, *Factsheet*, 19 July 2022, [Internet], available from <https://www.education.gov.au/national-research-infrastructure/resources/ncris-factsheet> (accessed on 31 December 2023).
- Note c: Department of Education, *2022–23 Annual Report*, p. 31, [Internet], available from <https://www.education.gov.au/about-department/resources/department-education-202223-annual-report> (accessed 13 November 2023).
- Note d: Department of Health and Aged Care, *2022–23 Annual Report*, p. 25, [Internet], available from [department-of-health-and-aged-care-annual-report-2022-23\\_0.pdf](https://www.health.gov.au/about-department/resources/department-health-and-aged-care-annual-report-2022-23_0.pdf) (accessed 15 December 2023).
- Note e: Department of Social Services, *2022–23 Annual Report*, p. 65, [Internet], available from [https://www.dss.gov.au/sites/default/files/documents/10\\_2023/dss-annual-report-published-version\\_0.pdf](https://www.dss.gov.au/sites/default/files/documents/10_2023/dss-annual-report-published-version_0.pdf) (accessed 13 November 2023).
- Note f: Department of Social Services, *2022–23 Annual Report*, p. 85, [Internet], [dss.gov.au/sites/default/files/documents/10\\_2023/dss-annual-report-published-version\\_0.pdf](https://www.dss.gov.au/sites/default/files/documents/10_2023/dss-annual-report-published-version_0.pdf) (accessed 13 November 2023).
- Note g: Royal Commission into Defence and Veteran Suicide, *Interim Report*, 11 August 2022, Executive Summary, paragraph 18, [Internet], available from <https://defenceveteransuicide.royalcommission.gov.au/publications/royal-commission-defence-and-veteran-suicide-interim-report>, (accessed 5 December 2023).
- Note h: Department of Veterans’ Affairs, *2022–23 Annual Report* [Internet], available from <https://www.transparency.gov.au/publications/veterans-s-affairs/department-of-veterans-affairs/department-of-veterans-affairs-annual-report-2022-23/04-annual-performance-statements/introduction> (accessed 13 November 2023).
- Note i: Services Australia, *2022–23 Annual Report*, p. 33 [Internet], available from <https://www.servicesaustralia.gov.au/sites/default/files/2023-10/annual-report-2022-23.pdf> (accessed 13 November 2023).
- Note j: Services Australia, *2022–23 Annual Report*, p. 38 [Internet], available from <https://www.servicesaustralia.gov.au/sites/default/files/2023-10/annual-report-2022-23.pdf> (accessed 13 November 2023).

Source: ANAO analysis.

## Other matter

2.24 An auditor’s report may also refer to ‘other matters’ to draw a reader’s attention to an issue without modifying the audit conclusion.<sup>70</sup> DoHAC’s auditor’s report contained the following ‘other matter’:

<sup>70</sup> Australian Standard ASAE 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, paragraph 68, available from [https://www.auasb.gov.au/admin/file/content102/c3/ASAE\\_3000\\_revised\\_2017.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ASAE_3000_revised_2017.pdf) (accessed 2 January 2024).

**Table 2.3: 2022–23 Other Matter**

Entity	Matter and Implication	Annual Performance Statements Disclosure
DoHAC	<p>The 2022–23 October Portfolio Budget Statements and the Department’s 2022–23 Corporate Plan included the ‘Closing the Gap’ performance measure relating to the healthy birthweight of First Nations babies in Program 1.3 ‘Aboriginal and Torres Strait Islander Health’ as follows:</p> <p style="padding-left: 40px;">By 2031, increase the proportion of First Nations babies with a healthy birthweight to 91%.</p> <p>This performance measure was not reported on in Program 1.3 ‘Aboriginal and Torres Strait Islander Health’ in the annual performance statements. Instead, the Department developed an alternative measure that enabled it to report on the number of First Nations babies that have a healthy birthweight, being:</p> <p style="padding-left: 40px;">Of First Nations babies who attend First Nations primary health care services, increase in the number of those that have a healthy birthweight.</p> <p>The Department obtained the data for the reported measure result from the Australian Institute of Health and Welfare (AIHW). The Department did not disclose in the annual performance statements that the AIHW had disclosed potential risks with data collection that may impact the accuracy of the reported results. The extent to which these risks occur is not known or adjusted for by the AIHW.</p>	<p>As data would not have been available for the purposes of reporting on the measure that was published in the 2022–23 October Portfolio Budget Statement and Corporate Plan, an alternative measure has been developed which will enable the department to report on the number of First Nations babies that have healthy birthweight.<sup>a</sup></p>

Note a: Department of Health and Aged Care, *2022–23 Annual Report*, p. 41, [Internet], available from [https://www.health.gov.au/sites/default/files/2023-10/departement-of-health-and-aged-care-annual-report-2022-23\\_0.pdf](https://www.health.gov.au/sites/default/files/2023-10/departement-of-health-and-aged-care-annual-report-2022-23_0.pdf) (accessed 15 December 2023).

Source: ANAO analysis.

## Audit findings

2.25 Audit findings are raised in response to the identification of risks to an entity’s performance statements preparation, including where performance measures do not adequately measure the entity’s performance and prior year findings have not been satisfactorily addressed. The rating scale for findings for the 2022–23 audit program is presented in Appendix 2.

2.26 As with the 2021–22 audits, the results reported against the performance measures in the 2022–23 annual performance statements and accompanying supporting analysis were generally accurate and supported by appropriate records. The matters raised in the findings and qualifications were the exceptions.

### **Audit findings by category and entity type**

2.27 Table 2.3 summarises findings by category presented to entities in 2022–23. It shows that in 2022–23:

- a total of 48 findings were reported to entities at the end of the final phase of the 2022–23 performance statements audits. These comprised 16 significant, 13 moderate and 19 minor findings;
- of the 46 findings at the interim 2022–23 phase, 30 were resolved by the end of the final phase (65 per cent). In 2021–22, 23 of the 35 findings at the interim phase (66 per cent) were resolved by the end of the final phase;
- repeat entities resolved nine of 31 findings at the end of interim phase and 18 findings by the end of the final phase; and
- new entities resolved 12 of 22 interim findings by the end of 2022–23.

2.28 These results indicate that the ANAO’s performance statements audit program is working as intended. The resolution of interim audit findings reflects that entities are generally receptive to the ANAO’s support to resolve findings during the final phase of the audit.

**Table 2.4: Performance statements audit findings by category**

Category	Closing position 2021–22	Resolved findings at interim	New findings at interim	Total findings at the end of interim	Resolved findings at final	New findings at final	Closing position 2022–23
<b>A — Significant</b>							
Repeat entities (audited in 2021–22) <sup>a</sup>	10	4	1	7	3	4	8
Newly audited entities <sup>b</sup>	N/A	N/A	9	9	4	3	8
Subtotal	10	4	10	16	7	7	16
<b>B — Moderate</b>							
Repeat entities	11	2	0	9	9	5	5
Newly audited entities	N/A	N/A	9	9	5	4	8
Subtotal	11	2	9	18	14	9	13
<b>C — Minor</b>							
Repeat entities	10	3	1	8	6	11	13 <sup>e</sup>
Newly audited entities	N/A	N/A	4	4	3	5	6 <sup>f</sup>
Subtotal	10	3	5	12	9	16	19
<b>Total</b>	<b>31</b>	<b>9</b>	<b>24</b>	<b>46</b>	<b>30</b>	<b>32</b>	<b>48</b>

Note a: The repeat entities are AGD, DAFF, Education, DSS, DVA and Treasury.

Note b: The new entities are Services Australia, DISR, DITRDCA and DoHAC.

Source: ANAO compilation of findings.

## Significant and moderate findings by theme

2.29 Table 2.4 categorises the significant and moderate audit findings presented to entities in 2022–23 based on the following themes:

- an enterprise-wide performance framework;
- completeness of performance information;
- relevance of performance information;
- reliable and verifiable data and methodologies and an unbiased basis for assessment; and
- preparation and record keeping processes.

2.30 Appendix 3 provides more detail on these findings.

**Table 2.5: Significant and moderate audit findings unresolved in 2022–23 by theme**

	Enterprise-wide Performance Framework	Completeness of performance information	Relevant and useful performance information	Reliable and trustworthy performance information	Preparation and record keeping processes
Attorney-General's Department	–	–	–	–	–
Department of Agriculture, Fisheries and Forestry	A	A	–	A	A
Department of Education	–	A	B	–	–
Department of Health and Aged Care	A	A	–	A B	B
Department of Industry, Science and Resources	B	–	–	–	–
Department of Infrastructure, Transport, Regional Development, Communications and the Arts	B	A	A	A B B	–
Department of Social Services	–	B	–	A A B	–
Department of the Treasury	–	–	–	–	–
Department of Veterans' Affairs	–	A	–	B	B

	Enterprise-wide Performance Framework	Completeness of performance information	Relevant and useful performance information	Reliable and trustworthy performance information	Preparation and record keeping processes
Services Australia	B	A	–	A	B
<b>Total</b> (% of all A and B findings)	<b>5</b> (17%)	<b>7</b> (24%)	<b>2</b> (7%)	<b>11</b> (38%)	<b>4</b> (14%)

Note: Appendix 3 expands on this table by identifying sub-themes that relate to specific audit findings.

Source: ANAO analysis.

### *Enterprise-wide performance framework*

2.31 Measuring performance can be difficult and complex. The process of developing and implementing a satisfactory set of valid and reliable performance measures, with each measure underpinned by an appropriate measurement procedure can require several years of consistent work. Ensuring that the appropriate action is taken because of performance reports can be as difficult and complex. Therefore, there must be commitment by entity leaders and senior management to ensure that a strategically focussed system of managing performance information that supports the department’s management and accountability process is developed and maintained.

2.32 An enterprise-wide performance framework integrates an entity’s strategic planning, budgeting, monitoring, reporting and evaluation. As such, it can assist an entity to balance longer-term strategic priorities and shorter-term operational priorities and help inform strategy decisions.

2.33 An enterprise-wide performance framework is a key tool for strategic planning as it requires clear articulation of what the entity is trying to achieve and how success will be measured and assessed. As such, a performance framework should drive behaviour and business planning in an entity.<sup>71</sup>

2.34 In terms of planning to measure what an entity is trying to achieve, an enterprise-wide performance framework can establish the structure and content of performance information across reporting periods. It enables an entity to identify the key activities and performance measures that make a significant contribution to its purposes. Through the use of such a framework, an entity can show how its performance information is relevant and complete.

2.35 DAFF received two significant audit findings which reflected the department’s lack of an enterprise-wide performance framework. The first of these findings — DAFF’s preparation of its 2022–23 corporate plan (see above) — draws attention to the absence of a performance framework in the context of the department’s inability to provide a rationale for removing 2021–22 measures and assessing whether 2022–23 measures are complete.<sup>72</sup> The second significant finding — DAFF’s

71 Australian National Audit Office, ‘Using Performance Information to Drive Effectiveness’, *Insights: Audit Opinion*, 29 November 2023 available from <https://www.anao.gov.au/work/insights/using-performance-information-to-drive-effectiveness> accessed 16 October 2023).

72 This finding is reflected in Table 2.4 and in Appendix 3 under the theme ‘Enterprise-wide Performance Framework’.

preparation of its 2022–23 performance statements — draws attention to the absence of a performance framework in the context of the department’s inability to provide complete information about DAFF’s performance in achieving its purposes.<sup>73</sup>

2.36 DoHAC received a significant audit finding relating to the absence of a clear read in the department’s key activities and performance measures between the Portfolio Budget Statements (PBS), corporate plan and performance statements. The ANAO recommended that DoHAC articulate and simplify the linkages between its purposes, key activities and performance measures in the performance statements. An enterprise-wide performance framework can assist an entity to plan its performance information with a ‘clear read’ between its planning and reporting documents.

2.37 Three 2022–23 auditees — DISR, DITRDCA and Services Australia — received a moderate audit finding relating to the absence of a complete entity framework to manage their performance reporting. The ANAO’s findings acknowledge that each of these entities has progressed aspects of such a framework but has not fully established or implemented its framework.

### *Completeness of performance information*

2.38 Chapter 1 highlighted the PGPA Act’s objective that Commonwealth entities provide meaningful information to the Parliament and the public. Where important aspects of an entity’s purposes and key activities are not identified and measured, there is a risk the information will not be meaningful to users of the performance statements. Entities need to be able to determine what types of measures are most appropriate for measuring and assessing performance in achieving their purposes and whether, in combination, they are adequate to reflect achievement of their purposes and key activities.<sup>74</sup>

2.39 Table 2.4 and Appendix 3 show that seven of the 10 2022–23 auditees received a significant or moderate audit finding relating to the omission of important information from their performance statements. These findings were issued in a range of contexts:

- Education’s 2022–23 performance statements use an aggregated approach to report against multiple programs. For example, the same seven measures were reported against for Programs 1.3 *Government Schools National Support*, 1.4 *Non-Government Schools National Support* & 1.5 *Early Learning and Schools Support* and a single measure was reported for Programs 2.5 *Investment in Higher Education Research* & 2.6 *Research Capacity*. There is a risk that this level of aggregation may not enable users of the statements, including the Parliament, to understand Education’s performance regarding these programs, which are separately identified in the 2022–23 Portfolio Budget Statements. The audit recommended that Education considers reporting disaggregated performance information so that it can report specific results for each of its key activities and programs.
- DAFF’s 2022–23 performance statements do not include assessment of several significant policy and regulatory programs for which the department has responsibility. The

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73 This finding is presented in Table 2.4 and Appendix 3 under the theme ‘Preparation of APS and record keeping processes’.

74 *Public Governance, Performance and Accountability Act 2013*, section 5. See also Australian National Audit Office, ‘Using Performance Information to Drive Effectiveness’, *Insights: Audit Opinion*, 29 November 2023 available from <https://www.anao.gov.au/work/insights/using-performance-information-to-drive-effectiveness> (accessed 16 December 2023).

important omissions include the department’s responsibilities in aspects of export control, market trade and access, fisheries and forestry and the future drought fund. (see below).

- DoHAC’s 2022–23 performance statements include 30 performance measures that do not significantly reflect on the achievement of the identified key activities, the material components of program objectives and/or the material functions outlined in the outcome description. DoHAC’s 2022–23 performance statements are therefore not sufficiently complete to enable a reader to understand whether the department has achieved against its purposes.
- DITRDCA’s 2022–23 performance statements do not report a result for 12 of its 38 measures. The reader does not have results to assess the department’s performance against two of its six Outcomes and only one result (out of six measures) to assess another Outcome (see below).
- DSS’ 2022–23 performance statements report narrowly on aspects of its key activity on ‘Women’s Safety’.<sup>75</sup> This does not enable the reader to understand the scope and significance of the department’s responsibilities and its performance against the Women’s Safety key activity.
- DVA’s 2022–23 performance statements did not report a result for the (only) two measures in Program 3.1 — Provide and maintain war graves. These measures are material to Outcome 3 as there is significant public interest in the department’s role to commemorate those who have died in war.
- Services Australia’s purposes refer to ‘efficiently delivering’ services and payments. The 2022–23 statements do not contain a performance measure that would enable a reader to assess whether Services Australia is operating efficiently. Accordingly, Services Australia is unable to report if it is efficiently delivering high quality services, which is its stated purpose in its 2022–23 Corporate Plan and 2022–23 Portfolio Budget Statements.<sup>76</sup>

2.40 These findings highlight the need for each entity to plan and document its performance information to ensure that its:

- purposes are sufficiently complete to represent the entity’s objectives, functions and roles;
- key activities are sufficiently complete to represent the entity’s significant areas of work, including its policy, regulatory, service delivery and compliance activities;
- performance measures are sufficient to assess the achievement of these purposes or key activities and the programs and key activities in the entity’s PBS<sup>77</sup>; and

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75 These aspects were the components of the Women’s Safety measure assessing the Our Watch initiative and the Escaping Violence Payment initiative.

76 Efficiency refers to the use of resources such that inputs are minimised to deliver the intended outputs in terms of quality, quantity and timing. See Auditing and Assurance Standards Board, *Standard on Assurance Engagements ASAE 3500 Performance Engagements*, October 2017, paragraph 16, p. 10, available from [https://www.auasb.gov.au/admin/file/content102/c3/ASAE-3500\\_10-17.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ASAE-3500_10-17.pdf) (accessed 7 November 2023).

77 Public Governance, Performance and Accountability Rule 2014, section 16E

- results are reported for each performance measure identified in the entity’s PBS and corporate plan.<sup>78</sup>

### *Relevant and useful performance information*

2.41 For the information in an entity’s performance statements to be meaningful, it must be relevant to its performance.<sup>79</sup> The following auditees received a significant or moderate finding where the ANAO assessed that the performance information was not relevant (and therefore not meaningful) for readers:

- DITRDCA’s 2022–23 performance statements report on six performance measures that do not relate to activities undertaken by the department during the reporting period.<sup>80</sup>
  - For example, the department used a measure titled ‘Affordability of telecommunications services (mobile and fixed) on offer’. DITRDCA’s 2022–23 performance statements report ‘unable to make an assessment’ and the ANAO assessed that DITRDCA may not have the ability to influence the measure and target.
- Education’s 2022–23 performance statements contain sections supporting certain results that do not provide meaningful information on the factors that may have contributed to the entity’s performance.<sup>81</sup>
  - For example, for three measures, Education’s analysis of the results does not refer to factors that may have contributed to the result.<sup>82</sup> Two measures reporting against the attainment of Year 12 or equivalent certification, and one measure on demographics of tertiary students, did not identify the factors that impacted on the reported results. As a result, Education’s performance reporting may not be meaningful to users, including the Parliament. The ANAO recommended that Education implements appropriate processes to provide a meaningful analysis of performance that enhances the reader’s understanding of Education’s performance.

2.42 These findings highlight the need for entities to plan their performance information to measure what they do. Entities must also consider whether the analysis provided to support a result is of a quality that will be meaningful to readers.<sup>83</sup>

### *Reliable and trustworthy performance information*

2.43 The theme with the most significant and moderate findings relates to the requirements of the PGPA Rule for performance measures to use reliable and verifiable data sources and

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78 Finance Secretary Direction, 21 August 2022, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/reporting-performance-information-portfolio-budget-statements-rmg-129/finance-secretary-direction-21-august-2022> (accessed 7 November 2023).

79 Subsection 16EA(a) of the PGPA Rule requires that an entity’s performance measures must relate directly to the entity’s purposes or key activities.

80 Department of Infrastructure, Transport, Regional Development, Communications and the Arts, *2022–23 Annual Report*, p. 23.

81 Public Governance, Performance and Accountability Rule 2014, subsection 16F(2)(3).

82 Department of Education, *2022–23 Annual Report*, pp. 55, 60 and 64.

83 Public Governance, Performance and Accountability Rule 2014, subsection 16F(2) item (3) in table.

methodologies and provide an unbiased basis for measurement and assessment. Six of the 10 2022–23 auditees received a significant or moderate finding relating to the risk that reported results in the performance statements were not accurate or reliable.

2.44 The entities who did not receive a significant or moderate finding related to this theme were AGD, DISR, Education and the Treasury. Without reliable and verifiable data sources and methods, the risk is higher that an entity’s reporting will be inaccurate and misleading to the reader.

2.45 Appendix 3 shows that of the significant and moderate 2022–23 findings relating to the requirement for performance measures to use reliable and verifiable data sources and methodologies and an unbiased basis for measurement and assessment:

- 58 per cent relate to a measure or measures with unreliable and/or unverifiable data sources and/or methodologies;
- 27 per cent relate to the lack of adequate assurance over systems and methods used to produce results; and
- 12 per cent relate to a measure or measures that do not have an unbiased basis for measurement and assessment.

2.46 These findings highlight the need for entities to ensure that performance measures are supported by reliable and verifiable data and methods and quality assurance over the reported result.<sup>84</sup> This is particularly important where performance reporting depends on data that is obtained from a third party. For example, an entity that intends to report on a measure based on a third party’s survey of stakeholders should ensure that the third party’s survey method is robust and that the entity can assure the result through evidence (including disaggregated data) from the third party.

2.47 In cases where an entity is paying a third party for a service, the entity should already have in place an assurance process as part of its contractual or funding arrangements to validate what it is paying for. Without an assurance process, there is a risk the entity is paying for a service that is not being delivered in full.

2.48 Reliable and verifiable information sources and measurement methods will drive improvement in the quality of data collected and used by entities. This will strengthen the evidence base for managing the entity and improving performance, for performance reporting and for policy and program evaluation.

### *Preparation and record keeping processes*

2.49 An entity requires robust and timely processes to verify its performance results with evidence. High quality assurance and record keeping processes are essential to the PGPA Act’s requirement for the accountable authority to keep records that properly explain the entity’s

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84 Australian National Audit Office, ‘Reporting Meaningful Performance Information’, Audit Insights, 29 June 2023 available from <https://www.anao.gov.au/work/insights/reporting-meaningful-performance-information> (accessed 16 October 2023).

performance in achieving its purposes.<sup>85</sup> It is also key to engaging successfully with a performance statements audit.<sup>86</sup>

2.50 Table 2.4 and Appendix 3 show that:

- DAFF received a significant audit finding relating to the preparation of its 2022–23 annual performance statements, including the process to verify results and the timely provision of draft statements and records to support results. The ANAO’s findings indicate that the department needs better quality assurance over its first draft statements and processes that improve the timeliness of evidence provided for audit;
- DoHAC received a moderate finding relating to deficiencies in the department’s documentation to select each performance measure, establish the use of reliable and verifiable data sources, and identify clear and appropriate data quality assurance processes;
- DVA received a moderate audit finding in prior years relating to weaknesses in quality assurance processes. The ANAO noted improved clarity in quality assurance methodology and documentation. However, quality assurance processes were not evident across all areas at year-end, and there were issues with timely provision of draft performance statements and data underpinning performance measure results; and
- Services Australia received a moderate audit finding relating to the lack of complete and timely evidence to support the audit process.

## Observations of entities’ performance information

2.51 The following section presents data on the structure and the type of performance information in the 10 entities’ 2022–23 performance statements.

2.52 Performance statements need to be customised to reflect the nature of the entity. Each entity must judge the most appropriate structure and type of performance information to measure and assess the achievement of its purposes. The ANAO has observed that entities do not currently have a systematic approach to make these judgements. An enterprise-wide performance framework can assist an entity to identify a key activity and determine the types of measures that are suited to assessing a key activity (see paragraph 2.34 and chapter 3).<sup>87</sup>

### Structure of performance information

2.53 Figure 2.1 shows the average number of performance measures used by each of the 10 entities to assess a key activity. On average, entities used 2.7 measures to assess a key activity.

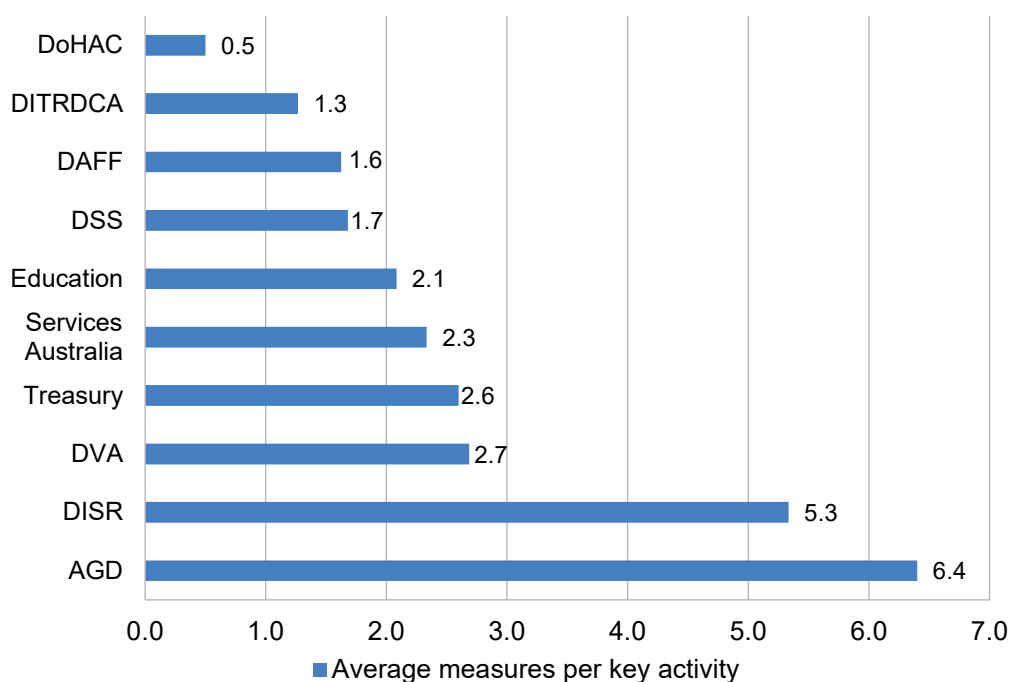
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85 *Public Governance, Performance and Accountability Act 2013*, Section 37.

86 Australian National Audit Office, ‘Reporting Meaningful Performance Information’, Section 4—‘Maintain proper records’, 29 June 2023, available from <https://www.anao.gov.au/work/insights/reporting-meaningful-performance-information> (accessed 18 October 2023).

87 See Australian National Audit Office, ‘Reporting meaningful performance information’, *Audit Insights*, 29 June 2023, Section 2 case study.

**Figure 2.1: Average number of performance measures per key activity**



Source: ANAO analysis.

2.54 Table 2.2 refers to the structure of DoHAC’s 2022–23 performance information, with 189 key activities in the department’s 2022–23 corporate plan and (only) 70 of these key activities reported in its 2022–23 performance statements. DoHAC is the only 2022–23 auditee to report more key activities than measures and to substantially change the structure of its performance information from its 2022–23 corporate plan to its 2022–23 performance statements.

2.55 DoHAC has developed a logic to how it can identify a key activity based on the activity’s funding size, public interest in the issue and the activity’s impact on the Department’s stated Outcomes and Program Objectives.<sup>88</sup> However, the department did not properly apply these principles to identify its key activities. This process should be an integral part of an enterprise-wide performance framework.

2.56 There is no one-size-fits all approach to determining the appropriate number of performance measures for each key activity or entity purpose. However, given the complexity of many government policies, programs and services and their impact on citizens, it is unlikely that one measure would be sufficient to measure and assess performance.

### Type of performance measures

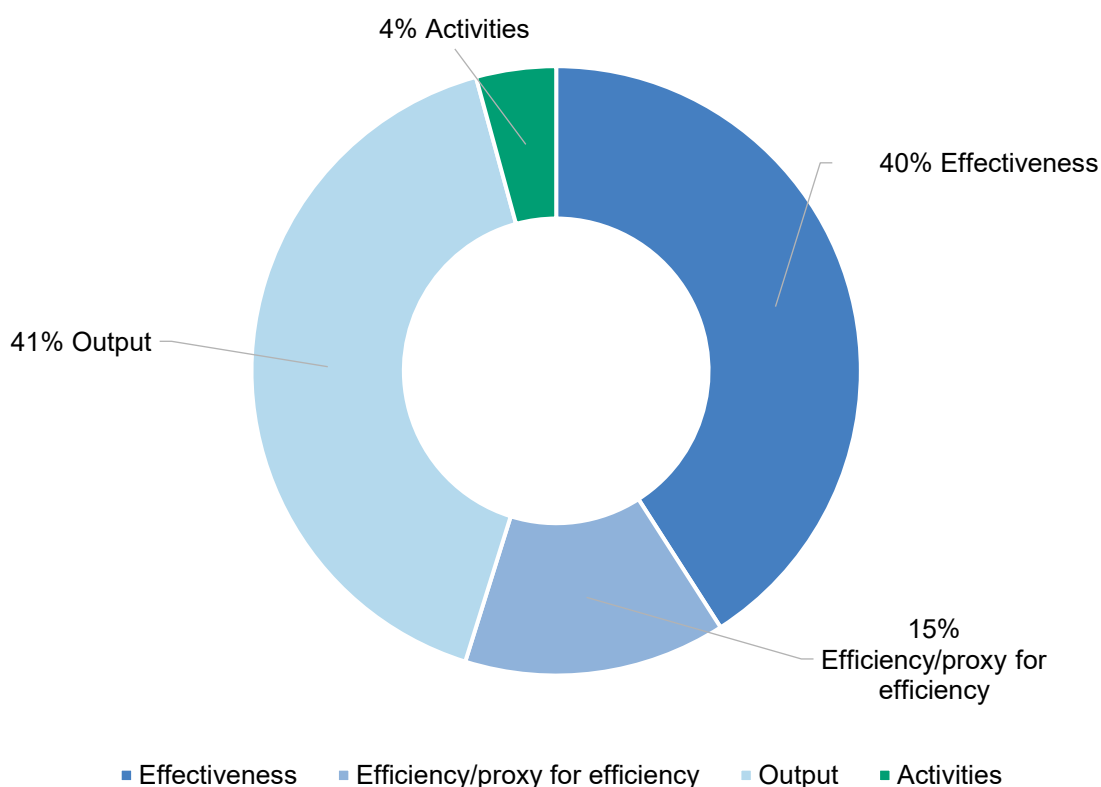
2.57 Figure 2.2 shows that the 10 entities predominantly used ‘output’ and ‘effectiveness’ measures to assess their performance. These measure types account for 82 per cent of all measures used by the entities.

2.58 The Commonwealth Performance Framework is designed to assess whether entities are achieving their objectives and outcomes. Effectiveness measures are generally the most direct way to assess impact and whether outcomes have been achieved. It might be expected that entities will

88 Department of Health and Aged Care, *2022–23 Annual Report*, pp. 24–25.

use a higher proportion of effectiveness measures as programs mature and as the entity’s capability for performance reporting matures.

**Figure 2.2: Measure types across 2022–23 entities**



Source: ANAO assessment of entities’ measures, entities’ identification of efficiency proxies in performance statements.

2.59 Efficiency or proxy efficiency measures accounted for 15 per cent of all measures — 39 of the 259 measures. Proxy efficiency measures accounted for 38 of the 39 efficiency measures. The proxy efficiency measures mainly relate to the timeliness of the process to produce an output (such as answering a call or processing a claim); they do not assess these outputs based on the inputs used.

2.60 Only one performance measure was assessed as an actual efficiency measure. DAFF’s measure on levies administration assesses the cost of levies administration (inputs) as a percentage of levies disbursed (outputs). DAFF’s analysis of the reported result states:

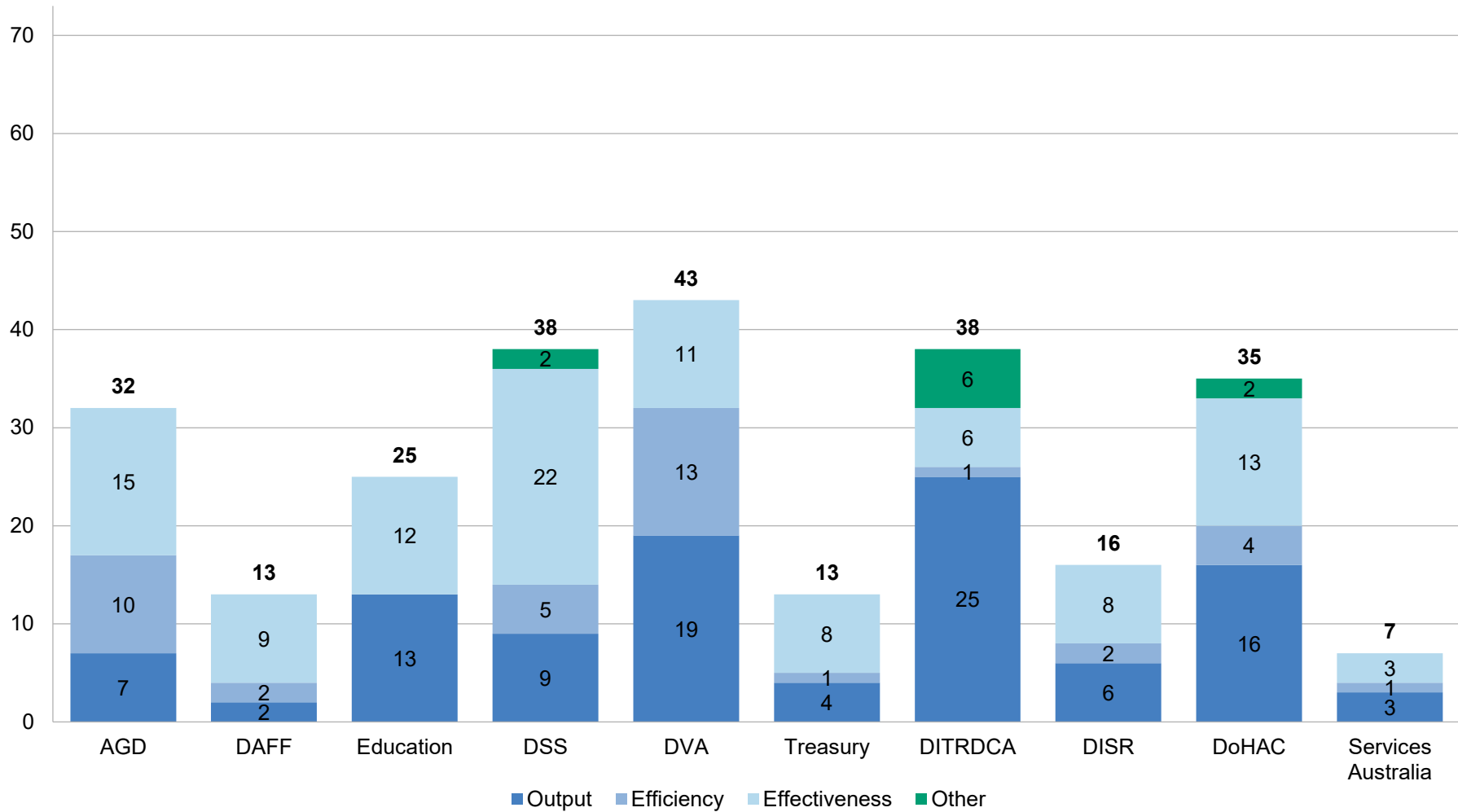
In 2022–23 we disbursed \$634.38 million at a cost of \$3.774 million. The cost was 0.60% of levies disbursed. This was a 6.31% decrease in cost from 2021–22, when we disbursed \$602.596 million levies at a cost of \$4.028 million, or 0.67% of levies disbursed.<sup>89</sup>

2.61 The measures in the ‘other’ category (seven per cent of all measures) describe the entity’s activities. They do not assess an output or an outcome that is produced or achieved by the entity. Activity measures are generally not suited to report results towards the achievement of the entity’s purposes.

<sup>89</sup> Department of Agriculture, Forestry and Fisheries, *2022–23 Annual Report*, p. 17.

2.62 Figure 2.3 shows each entity’s use of measure types for the 2022–23 reporting period. Nine of the 10 entities used a combination of output, effectiveness and efficiency (or efficiency proxy) measures. Education did not report an efficiency or an efficiency proxy measure.

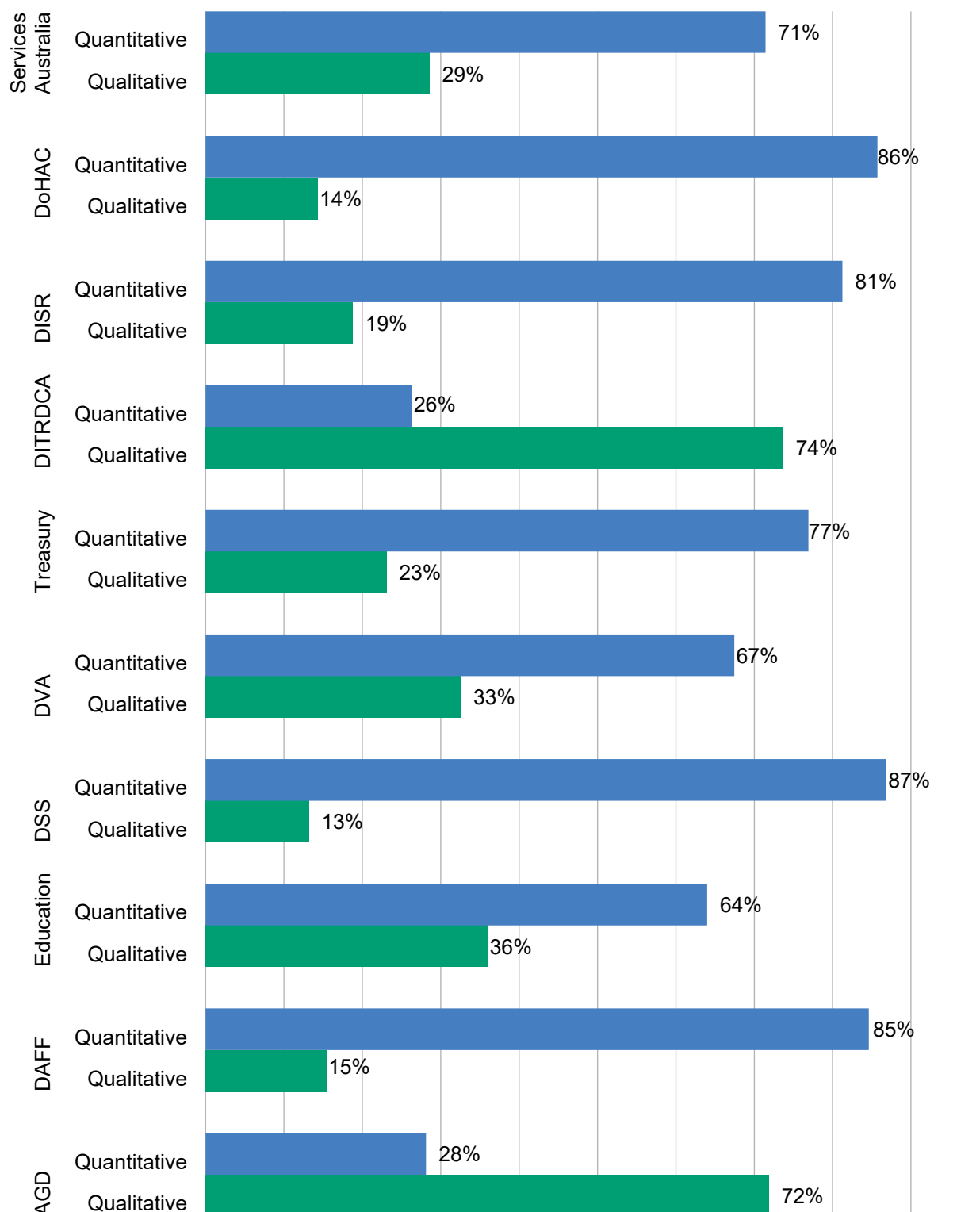
**Figure 2.3: Measure types across entities 2022–23**



Source: ANAO assessment of entities' measures, entities' identification of efficiency proxies in performance statements.

2.63 Figure 2.4 shows that a large majority of most entities’ performance measures are quantitative performance measures. Only AGD and DITRDCA used mostly qualitative measures to report their performance.

**Figure 2.4: Use of quantitative and qualitative measures by entity in 2022–23**



Source: ANAO assessments of each performance measure.

## Stability of performance measures over time

2.64 The PGPA Rule requires that an entity's performance measures must provide a basis for an assessment of the entity's performance over time.<sup>90</sup> Resource Management Guide 131 explains the context for this requirement:

Many of the objectives of government are ones that will only be achieved over the medium to long term. Therefore, the ability to measure performance over time provides an entity and stakeholders with a more informed view of the entity's progress in achieving its purposes. This enables an entity to make more informed decisions about the success or otherwise of existing activities. It enables an entity to demonstrate that it is delivering short, medium and/or long term impacts that are essential milestones in the achievement of entity purposes and in the delivery of government priorities over time.<sup>91</sup>

2.65 Over time, some change in an entity's performance measures is to be expected. This will reflect a range of circumstances including:

- the evolution of existing policies and programs;
- change in policy direction through circumstances, including a change in government;
- change in an entity's functions following Machinery of Government (MoG) changes; and
- the availability of better data and/or methods leading to new performance measures to replace existing measures.

2.66 Table 2.5 presents the proportion of each entity's 2022–23 performance measures that were identical or comparable to the measures in the entity's 2020–21 corporate plan. Three full reporting periods is a reasonable timeframe to gauge the extent to which an entity's measures enable a reader to assess performance over time.

2.67 Table 2.5 shows that for six of the 10 entities, a majority of their 2022–23 performance measures were identical or comparable to the measures in their 2020–21 corporate plan.

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90 Public Governance, Performance and Accountability Rule 2014, subsection 16EA(f).

91 Department of Finance, *Resource Management Guide 131*, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/developing-performance-measures-rmg-131/basis-assessment-over-time> (accessed 22 November 2023).

**Table 2.6: Entities' 2022–23 APS measures — comparable or identical to 2020–21 corporate plan measures**

	AGD	DSS	DVA	DAFF <sup>a</sup>	Education <sup>a</sup>	DoHAC	DITRDCA <sup>a</sup>	Treasury	Services Australia <sup>b</sup>	DISR*
Identical measures	8	15	40	1	14	14	7	2	11 (0)	2
Comparable measures	18	9	2	2	4	7	9	1	13 (6)	2
New measures	6	14	1	10	9	14	46	10	1 (1)	12
Total measures in 2022–23 performance statements	32	38	43	13	25	35	38	13	25 (7)	16
% identical or comparable	<b>81%</b>	<b>63%</b>	<b>98%</b>	<b>23%</b>	<b>72%</b>	<b>60%</b>	<b>42%</b>	<b>23%</b>	<b>96%</b>	<b>25%</b>

Note a: Identifies entities that were subject to Machinery of Government Changes between 2020–21 Corporate Plans and 2022–23 APS.

Note b: Services Australia's 2020–21 Corporate Plan reported 27 performance measures. Services Australia's updated Annual Performance Statements now report against seven strategic performance measures mostly made up of underlying components. The Services Australia percentage is calculated at the component level and the strategic measures are listed in brackets.

Source: Entities' 2020–21 corporate plan and 2022–23 annual performance statements.

## 3. The maturity of entities' performance reporting processes

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### Coverage of chapter

This chapter assesses the 2022–23 auditees' maturity against five components that the Australian National Audit Office (ANAO) considers are essential to producing and using high quality performance information: leadership, governance, data and systems, capability and resourcing.

### Leadership

An entity's leadership is key to valuing non-financial performance information and setting expectations for its quality and use. The ANAO assessed that six of the 2022–23 auditees had either a mature or maturing performance culture with buy-in from the accountable authority and senior executives. Ongoing leadership is essential to elevate the importance of performance monitoring and reporting to promote accountability and to demonstrate the performance of entities and the impact of government policies, programs and services.

### Governance

Governance refers to the processes through which an entity's performance information is planned, monitored, reported and used to guide decision-making. The ANAO assessed that Attorney-General's Department (AGD), the Department of Industry, Science and Resources (DISR), the Department of Veterans' Affairs (DVA) and Treasury had mature governance processes to monitor and report performance information. Entities' governance can be improved through a properly implemented enterprise-wide performance framework. Most entities in the 2022–23 audit program have not fully implemented such a framework.

### Data and systems

The ANAO did not assess any of the 2022–23 auditees as 'mature' in terms of their ability to use data and IT systems to produce complete and accurate performance results. Entities lack systematic approaches to generate and report performance information, including using third party data. There is also a need for better coordination and understanding between specialised data teams and those responsible for policy, service delivery and governance.

### Capability

Capability relates to the knowledge and skills within an entity that contributes — both directly and indirectly — to designing, measuring and reporting high quality performance information on an ongoing basis. The 2022–23 audits indicate that the performance statements audit program is influencing change to improve entities' capability for performance reporting. The ANAO assessed that AGD, DISR, DVA and Treasury have a 'mature' or 'maturing' capability.

### Resourcing

Resourcing relates to an entity's investment in, and coordination and management of, staff and other resources that are required to undertake performance reporting. Just like for financial management, entities should consider their resourcing profile for performance monitoring, evaluation and reporting, including the adequacy of resources to design and implement effective performance frameworks, undertake quality assurance and liaise with divisional areas in devolved structures.

## Overview

3.1 For a Commonwealth entity to demonstrate it is using its funding to deliver on its purposes and what is expected from government, it needs an effective way to measure, assess and report its performance. Consistent with the duty to promote the achievement of the entity's purposes, it is for each accountable authority to set the expectation from the top that performance information is valued and essential to good management, strategic decision-making and the proper stewardship of public resources.<sup>92</sup> Performance reporting processes should encompass how the entity develops, monitors and uses this information as it becomes available throughout the reporting period to guide operational and strategic decisions.

3.2 Five components that are essential to an entity's ability to produce and use high quality performance information on an ongoing basis are:

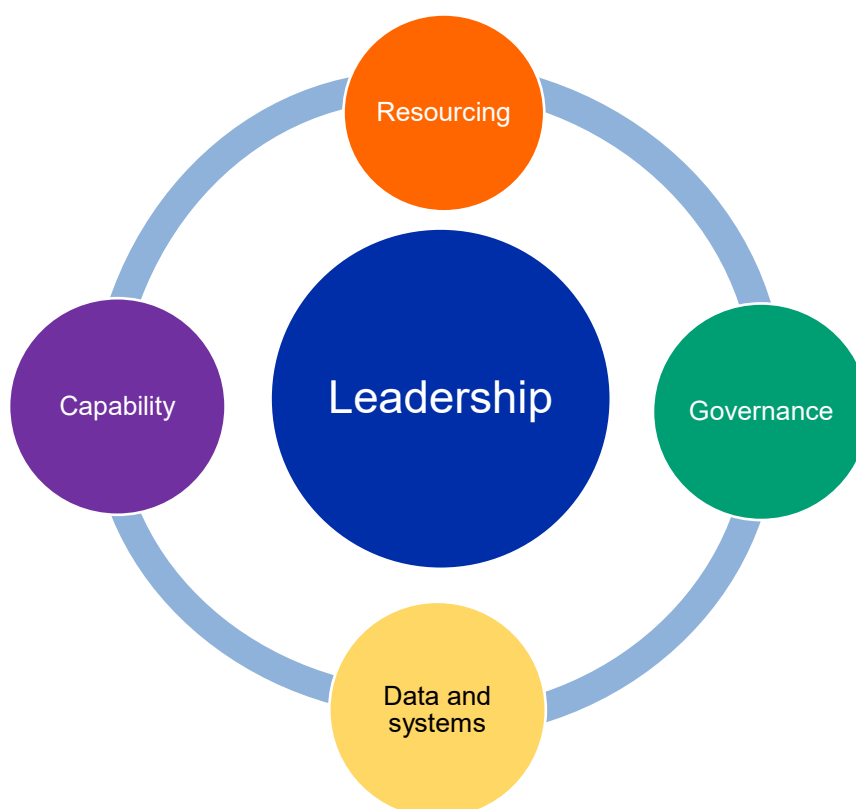
- **leadership** that demonstrates ownership and commitment to a performance culture;
- **governance** arrangements that integrate performance information into the operations of the entity;
- **data and systems** that enable the production of reliable and verifiable performance information and the accurate reporting of performance results that is suitable for use as evidence to inform entity decision-making;
- **capability** with the entity building the knowledge and skills to design, measure and report high quality non-financial performance information on an ongoing basis; and
- **resourcing** with sufficient staff who are qualified and trained.

3.3 Figure 3.1 shows that these five components complement and reinforce each other. Leadership is crucial, directly influencing an entity's governance, resourcing, capability and data and systems.

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92 *Public Governance, Performance and Accountability Act 2013*, subsection 15(1b).

**Figure 3.1: Components of performance reporting maturity**



Source: ANAO analysis.

3.4 The Australian National Audit Office (ANAO) has assessed each entity’s maturity across these five components. This chapter presents the main observations from these assessments.

### Summary of entities’ maturity

3.5 Table 3.1 shows the ANAO’s assessment of the 10 entities in the 2022–23 performance statements audit program against the components of leadership, governance, data and systems, capability and resourcing. Using a five-point scale, the ANAO assessed each entity’s processes against these components based on its observations from the audit (see Table 3.1). Appendix 5 explains the ANAO’s approach in making these assessments.

**Table 3.1: Assessment of entities’ maturity for performance reporting**

Component (weighting)	Leadership	Governance	Data and systems	Capability	Resourcing	Total
Establishing (1)	1	2	2	2	0	7
Immature (2)	1	2	1	2	2	8
Developing (3)	2	2	3	2	6	15
Maturing (4)	4	2	4	3	2	15
Mature (5)	2	2	0	1	0	5
Average	3.5	3.0	2.9	2.9	3.0	

Note: See Appendix 5.

Source: ANAO analysis.

3.6 Table 3.1 shows that across the 10 entities, leadership was the most mature of the five components based on a weighted average. For the other four components, the entities were assessed similarly based on a weighted average. None of the 10 entities was assessed as mature in terms of their 'data and systems' or their 'resourcing'.

## Leadership

3.7 Leadership is important for an entity to build a culture that values non-financial performance information and set expectations for its quality and use. Leadership is required to build a framework that assesses the impact of an entity's policies, programs and services on outcomes, and to sponsor the use of this performance information in strategic policy advice to government and operational decision making, including the allocation of resources.<sup>93</sup> Ongoing leadership is essential to elevate the importance of performance monitoring and reporting to promote accountability and to demonstrate the performance of entities and the impact of government policies, programs and services.

3.8 The ANAO assessed that six of the 2022–23 auditees had either maturing or mature leadership. These entities were the Attorney-General's Department (AGD), the Department of Industry, Science and Resources (DISR) (see case study 2), the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA), the Department of Social Services (DSS), the Treasury and the Department of Veterans' Affairs (DVA). The ANAO observed that:

- the accountable authority and senior executives support and issue regular enterprise-wide messages on the importance of the entity's performance framework<sup>94</sup>;
- the leadership of these entities regularly monitors performance results; and
- the entity conducts internal training on the requirements of the Commonwealth Performance Framework and the entity's processes for monitoring and reporting performance (see case study 4).

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93 Australian National Audit Office, 'Reporting Meaningful Performance Information', *Audit Insights*, 29 June 2023, available from <https://www.anao.gov.au/work/insights/reporting-meaningful-performance-information> (accessed 3 October 2023).

94 Department of Social Services, *Submission 1*, Inquiry into 2021–22 Annual Performance Statements audits, Joint Committee of Public Accounts and Audit, p. 9.

### Case study 1. Department of Industry, Science and Resources: Leadership in performance reporting

The Minister for Finance requested an audit of the Department of Industry Science and Resources' (DISR's) annual performance statements for the first time in 2022–23. The audit was considered medium risk due to the nature of the entity and the relative maturity of the performance framework supporting the development and reporting of the entity's performance. DISR's performance culture is promoted by the Secretary and the responsible Deputy Secretary, who sponsor the annual performance statements and the audit.

The Deputy Secretary took an active role in the performance statements preparation and audit, meeting with the ANAO at key times in the audit cycle. The Deputy Secretary provided a designated SES Band 1 officer to the performance statements, resourced with a capable, well-staffed team. The DISR team had most of the elements of a performance framework in place, set itself challenging deadlines and worked with the audit team to ensure DISR addressed several performance reporting issues during the audit.

DISR's Audit and Risk Committee actively engaged with the performance statements throughout the cycle. The committee provides independent advice to DISR's executive on a range of performance matters. DISR's executive board also has a performance and risk sub-committee, chaired by a Deputy Secretary, with senior executive officer members from across the entity.

DISR's approach kept performance front of mind for DISR's leadership and staff. These efforts are reflected by the fact that there were only two audit findings at year-end.

Source: ANAO analysis.

## Governance

3.9 Governance refers to the processes through which an entity's performance information is planned, monitored and used to guide decision-making. These governance processes should extend beyond compliance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) requirements to embedding performance information as an integral part of the operation of the entity. Effective governance processes enable an entity to understand how well it is performing, to guide operational and strategic decisions to improve policies and programs and to identify potential risks.<sup>95</sup>

3.10 The Explanatory Memorandum to the PGPA Bill states that the third object of the Act, is to require Commonwealth entities, among other things, to:

meet high standards of governance—good governance provides the foundation for high performance and community confidence in the public sector. Good governance is grounded in accountability, transparency, leadership, integrity and stewardship and in responsiveness to the needs and aspirations of citizens. The governance arrangements for entities should clearly spell out the roles, responsibilities and accountabilities of leaders and officials.<sup>96</sup>

3.11 The ANAO has identified four characteristics of a robust governance framework:

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95 Australian National Audit Office, 'Reporting Meaningful Performance Information', *Audit Insights*, 29 June 2023, available from <https://www.anao.gov.au/work/insights/reporting-meaningful-performance-information> (accessed 3 October 2023).

96 Explanatory Memorandum, Public Governance, Performance and Accountability Bill 2013, 13 [87].

- an enterprise-wide performance framework that incorporates program evaluation;
- clearly documenting roles and responsibilities for performance monitoring, reporting and evaluation;
- effective planning to support the timely preparation of entity corporate plans and performance statements; and
- regular monitoring and reporting to senior management on performance, ongoing improvements and evaluation activities.<sup>97</sup>

3.12 The ANAO assessed that four auditees had either mature or maturing governance processes to manage and report performance information — AGD, DISR, DVA and Treasury. These entities have:

- a well-documented and properly applied process for senior executive accountability, including review and sign off of each performance measure and result;
- internal audit review of the entity's measures prior to publication of the corporate plan;
- structured senior executive review of performance information during the reporting period;
- a performance statements project plan which guides the delivery of the entity's statements;
- defined roles for those with responsibility to produce the statements; and
- an engaged audit committee throughout the reporting period. This includes reviewing the appropriateness of the proposed performance measures prior to the publication of the corporate plan and obtaining assurances from management on detail in the performance statements to inform its report to the accountable authority.

3.13 Entities' governance can be improved through a properly implemented enterprise-wide performance framework (see case study 2). Most entities in the 2022–23 audit program have not fully implemented such a framework. In 2022–23 five entities received a significant or moderate audit finding relating to the absence of a complete enterprise-wide performance framework (Table 2.4).

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97 Australian National Audit Office, 'Reporting Meaningful Performance Information', *Audit Insights*, 29 June 2023, available from <https://www.anao.gov.au/work/insights/reporting-meaningful-performance-information> (accessed 3 October 2023).

## Case study 2. The Department of Infrastructure, Transport, Regional Development, Communications and the Arts' Entity Performance Framework

The Minister for Finance requested an audit of the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA) annual performance statements for the first time in 2022–23. The audit was considered high risk due to the complexity of the entity and the relative immaturity of the performance framework supporting the development and reporting of the entity's performance to the Parliament and the public.

At the end of the interim phase of the 2022–23 audit, the ANAO assessed that the department lacked a governance framework to support the monitoring, reporting and assurance of performance information. At this time, Infrastructure had commenced work to develop an enterprise-wide performance framework.

The Secretary and senior leadership formally launched the performance framework in late August 2023. The implementation of the framework includes:

- providing templates and guidance to business lines to develop improved performance measures relating to the entity's purpose and key activities;
- a whole of performance life-cycle focus, linking new policy proposals to the performance framework to ensure appropriate performance measures are developed, monitored, reported on and evaluated;
- ensuring there is clearly defined responsibility and accountability for performance measurement;
- regular reporting to the Executive Leadership Team (Secretary and Deputy Secretary level); and
- oversight of the framework from a well-resourced team, that has a good mix of skills and experience.

The framework also focuses on lessons learned from the ANAO's performance statements program in areas such as record keeping and ensuring there are appropriate data sources and methodologies. A significant finding was made during the interim audit which was downgraded to moderate following demonstration of the implementation of the new performance framework.

Source: ANAO analysis.

### IT systems and data

3.14 To produce high quality performance information on a consistent basis, entities require information technology (IT) systems and databases that can generate complete, accurate and timely data. Typically, entities use a combination of manual data collation processes, data from their own systems and data generated from third party systems to inform their performance reporting. The challenge for entities is to plan and manage access to, and use of, this data.

3.15 The ANAO did not assess any of the 2022–23 auditees as 'mature' in terms of their ability to use data and systems to generate and demonstrate complete and accurate performance results.<sup>98</sup> Four entities were assessed as 'maturing' (Table 3.1).<sup>99</sup>

3.16 In 2022–23 there were seven audit findings relating to entities lack of adequate assurance over the reported result (Appendix 3). These findings reflect the need for an entity to plan its performance measures with an understanding of how it can gain assurance over the systems and/or data that will inform the result.

### *Availability and limitations of data and systems*

3.17 Several 2022–23 auditees identified system and data limitations in documents supporting their performance measures and disclosed these limitations in the performance statements. While disclosures in this context are necessary when reporting a result, entities should consider carefully when planning their measures whether the limitations of systems and data will inhibit reporting of meaningful information and identify strategies to address any identified limitations.

3.18 Entities are encouraged to consider how existing data, IT systems and controls can be used to support performance reporting. However, the availability of data should not drive the selection of performance measures. Where data is not available and is necessary to provide meaningful information on how the entity is performing, an entity should plan to capture and report this data.

3.19 There may be a temptation for entities to focus on things that are easy to measure, but this is unlikely to provide a relevant or balanced basis for demonstrating the entity's performance in achieving its purposes.

### *Third party systems and data*

3.20 A key challenge for entities is the use of third-party systems and data to generate and report accurate and reliable performance information. The 2022–23 audits have identified the following areas for improvement.

- Entities lack a systematic approach to identify the risk in using third party data to generate and report performance information. Where third-party data is to inform results, the entity should conduct a risk assessment to identify and manage the risk of incomplete and inaccurate data.<sup>100</sup>
- Entities need to manage their relationship with the third parties that own the systems and data on which their performance measures rely. It may be prudent for an entity to have an agreement with a third party that identifies that it will use certain systems and data for its reporting purposes, and adequate documentation to support the completeness and accuracy of the information provided. This should include arrangements for the third party to inform the entity of any risks to the timely provision of complete and accurate data.

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98 Maturity is assessed on the basis of clearly documented data sources and systems to support measures, data and systems that produce accurate end of year results for the full reporting period, and adequate assurance over systems, data and results.

99 AGD, DISR, Education and Treasury.

100 DSS is developing a third-party data policy that aims to describe the department's approach to validating third party data for performance reporting.

- In planning to gain assurance over results derived from third party data, an entity's approach should be commensurate with the risks of the data source. It is reasonable to expect that an entity will not need to gain independent assurance over data from specialist entities with responsibility for official statistics.<sup>101</sup> In these circumstances, the data should be used while taking note of the consequences of any caveats which may be provided and that may need to be made clear to the reader.
- Several entities have contracts with a third party to operate a telephony service.<sup>102</sup> Entities have used telephony data to report performance without gaining adequate assurance over the telephony system or the data. Entities need to know whether they are receiving the service for which they have paid. This is fundamental to managing public resources effectively and demonstrating accountability for results.
- Clear documentation is important to identify the systems and data that an entity plans to use to report on each performance measure. A diagram or flowchart can be useful where a measure relies on multiple systems, data sources and third parties.

### *Harnessing internal data expertise*

3.21 There is currently a focus on improving the Australian Public Service's data and digital maturity.<sup>103</sup> The 2022–23 performance statements audits have highlighted that there are capable teams within entities with responsibility for data and evaluation that are contributing to robust performance information (see case study 3 below).

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101 For example, the Australia Bureau of Statistics, the Australian Institute of Health and Welfare and the Australian Bureau of Agricultural Resource Economics and Sciences.

102 This includes the Department of Social Services (1800RESPECT), the Department of Veterans' Affairs (Open Arms) and Services Australia (contact centre).

103 In May 2023, the Australian Government released a draft consultation paper titled 'Data and Digital Strategy' that aims to use data and digital technologies to improve the activities and outcomes of government. Australian Government, 'Data and Digital Government Strategy', Draft for consultation, May 2023, available at <https://www.dataanddigital.gov.au/sites/default/files/2023-05/Data%20and%20Digital%20Government%20Strategy.pdf> [accessed 5 October 2023]; see also D. Thodey AO, *Our Public Service, Our Future*, Independent Review of the Australian Public Services, 2019, Chapter 5, [Internet], available from <https://www.pmc.gov.au/sites/default/files/resource/download/independent-review-aps.pdf> (accessed 5 December 2023).

### Case study 3. The Department of Agriculture, Fisheries and Forestry's Biosecurity Analytics Centre

The Biosecurity Analytics Centre (BAC) was established as part of the federal government's commitment to develop advanced analytics capabilities for biosecurity. BAC receives and stores information from more than 70 data sources in a range of formats in their enterprise data warehouse. Using the stored raw datasets, data models are built through collaboration with the associated business areas. BAC's purpose-built data models curate the incoming data into unified datasets and produce dashboards for business reporting. These processes allow integrated reporting across multiple systems and the ability to analyse and share a range of departmental data.

BAC maintains data handling and processing through documented guides. These guides set out the data quality assurances processes that underpin its data models and how it curates data including:

- developers testing queries and models separately and arriving at the same output as an indicator of accuracy;
- monitoring key assumptions underpinning the models, such as whether the source data is up to date, complete and free from quality issues; and
- adhering to documented and established processes across the development, deployment and maintenance stages of the product life cycle, including load, test and release schedules and resolving load failures when they occur.

BAC's data processing contributes to the Department of Fisheries and Forestry's (DAFF) internal reporting and decision-making. It is also used for external reporting with 2022–23 performance measures on detections of high-risk pests and diseases. BAC's oversight and stewardship of a complex data environment enables DAFF to better respond to changing biosecurity risks and to demonstrate that through its external reporting.

Source: ANAO analysis.

3.22 A mature enterprise-wide performance framework offers the benefits of linking data expertise across an entity. The cycle of planning, monitoring, reporting and evaluating performance information requires ongoing engagement between data teams, measure owners and the central governance team.

3.23 Currently, there is a need for better coordination and understanding between specialised data teams and those responsible for policy, service delivery and governance. The ANAO has observed that this engagement was often not adequate and resulted in:

- inadequate documentation to support performance measures;
- poor management of the risks of systems being unable to provide the requisite data;
- inadequate assurance over the systems and data to inform results; and
- inadequate consideration of the implications of data teams' findings.

## Capability

3.24 Capability relates to the knowledge and skills within an entity that contributes — both directly and indirectly — to designing, measuring, reporting and evaluating high quality performance information on an ongoing basis. It includes the ability to develop performance information and evaluate new policy proposals using well-evidenced business and logic models.

3.25 Several entities that participated in the 2021–22 performance statements audit program acknowledged a gap in their performance reporting capability.<sup>104</sup> DSS observed:

While there are commonalities between processes for financial statements audits and performance statements audits there are also significant differences between them. These differences mean there is limited capacity to cross fertilise skill sets.<sup>105</sup>

3.26 The skillsets required for performance reporting include program management, program evaluation and data analytics. These skills are currently available within the sector. The challenge for each entity is to engage staff with a combination of these skills across the entity, while also raising awareness and literacy in performance reporting. A key risk for entities is the loss of experienced staff, noting this is an emerging area for the sector.

3.27 The 2022–23 audits indicate that the performance statements audit program is improving entities' capability for performance reporting. AGD, DISR, DVA and Treasury were assessed as having mature or maturing capability. These entities were able to resolve audit findings promptly and completely and put in place improvements to support future reporting.

3.28 An important aspect of developing an entity's capability for performance reporting is to provide opportunities for staff across the entity to understand the requirements of the Commonwealth Performance Framework and the entity's approach to measuring, monitoring and reporting performance. The following case study shows how DSS has provided these opportunities.

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104 C. Briscoe, Deputy Secretary, Department of Agriculture, Fisheries and Forestry, Evidence to Joint Committee of Public Accounts and Audit, *Committee Hansard*, 28 July 2023, p. 4.;  
P. Hetherington, Chief Operating Officer, Department of Social Services, Evidence to Joint Committee of Public Accounts and Audit, *Committee Hansard*, 28 July 2023, p. 14.;  
A. Barrett, Chief Operating Officer, Department of the Treasury, Evidence to Joint Committee of Public Accounts and Audit, *Committee Hansard*, 28 July 2023, p. 22.

105 Department of Social Services, *Submission 1*, Inquiry into 2021–22 Annual Performance Statements audits, Joint Committee of Public Accounts and Audit, p. 9.

#### Case study 4. The Department of Social Services' education sessions

The Department of Social Services has continued to improve its performance maturity in 2023 with the rollout of a performance reporting framework and internal guidance papers. A dedicated team facilitates annual performance measurement and reporting and operates as a conduit between the ANAO and program areas. The team also plays a pivotal role in educating program areas to lift performance measurement literacy across the department and be audit ready.

Periodic departmental education sessions are held at key performance cycle points throughout the year. These sessions canvass the importance of transparency through disclosures, the need for succinct and relevant narratives and underline the timing and types of evidence required for supporting performance results.

Education sessions are anchored in the requirements of the PGPA Act with guidance on understanding an audit methodology. This goes some way to maintaining a program level understanding in a high staff mobility environment. Education sessions are attended by Executive Level and APS staff from program areas responsible for performance measures, data stewards and Executive Officers responsible for coordinating work. Through the 2022–23 audit cycle the ANAO observed this contributed to an organised approach to performance reporting.

Source: Department of Social Services.

## Resourcing

3.29 Resourcing relates to an entity's investment in, and coordination and management of, staff and other resources required to undertake performance reporting. The ANAO did not assess any of the 10 entities as 'mature' in resourcing.

3.30 The fundamental challenge of resourcing is to ensure there is sufficient staff to do the work. In its submission to the inquiry into the 2021–22 performance statements audits, the Department of Finance observed 'a contrast between the size and capability of central teams dedicated to financial reporting and those dedicated to non-financial performance reporting'.<sup>106</sup> DSS commented that 'given current maturity levels, it is important for agencies to factor performance into their staffing profiles'.<sup>107</sup>

3.31 An entity requires leadership to invest in a staffing profile that can build and manage its performance framework and engage effectively with performance statements audits. A clear commitment by the entity to measuring and reporting performance will enhance the incentives for staff to invest in skills development.<sup>108</sup> Building skills in project management, data analytics and

106 Department of Finance, *Submission 6*, Inquiry into the Annual Performance Statements 2021–22, Joint Committee of Public Accounts and Audit, p. 5.

107 Department of Social Services, *Submission 1*, Inquiry into the Annual Performance Statements 2021–22, Joint Committee of Public Accounts and Audit, p. 9.

108 Australian National Audit Office, 'Reporting Meaningful Performance Information', Audit Insights, 29 June 2023, available from <https://www.anao.gov.au/work/insights/reporting-meaningful-performance-information> (accessed 10 October 2023).

evaluation, and developing literacy in performance reporting across the entity, will enable an entity to source a suitable staffing profile for performance reporting.

3.32 The ANAO has observed that when an entity has appropriate resourcing and capability, its engagement with the audit is better than where this is not the case. Positive engagement and outcomes from the audit process can provide a basis for ongoing improvement in an entity's reporting processes.

3.33 Effective resourcing also requires that staff are allocated and managed effectively. The 2022–23 audits found that entities can improve the coordination of responsibilities between the central governance team and business units. Reallocation of resources is also required for entities to design and implement effective performance frameworks, undertake quality assurance and liaise with divisional areas in devolved structures.

## 4. The development and future direction of annual performance statements audits

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### Chapter coverage

This chapter identifies the Australian National Audit Office's (ANAO's) areas of audit focus in 2022–23, the timeliness of reporting to the Parliament, the ANAO's ongoing engagement with the sector and the future direction of the performance statements audit program.

### Areas of audit focus

The ANAO's 2022–23 performance statements audits have focused on the completeness and relevance of entities' performance information and whether this information presents fairly the entity's performance in achieving its purposes in the reporting period. The ANAO is continuing to explore options to promote high quality, meaningful performance information.

### Timeliness of reporting to Parliament

For the ANAO to provide timely assurance to the Parliament on entities' performance statements, it is important that key audit and reporting milestones are met. Eight of the 10 auditor's reports were signed before the end of September 2023, which indicates cooperation between auditees and the ANAO during the final phase of the audits.

### Ongoing engagement

The ANAO's communication and engagement with the sector continues to be important to improving the sector's capability to report meaningful performance information. In 2023, this has included the publication of an ANAO Insights product — *Reporting Meaningful Performance Information* — and the ANAO's Performance Statements Audit Manual, as well as the ongoing work of the Performance Statements Expert Advisory Panel.

### Future direction

In 2023–24 and beyond, the ANAO will focus on:

- continuing to support sector capability including through provision of further guidance for the sector, noting that this can support Australian Public Service reform initiatives in evaluation, stewardship and Impact Analysis;
- consulting with the Department of Finance (Finance) on how the Public Governance, Performance and Accountability Rule 2014 is operating;
- a response to the Joint Committee of Public Accounts and Audit on the sector's feedback on the ANAO's Audit Manual and Audit Strategy documents<sup>109</sup>;
- assessing Commonwealth entities with regulatory functions against the performance reporting expectations of Finance; and
- continuing to mature the performance statements audit methodology, including through feedback from the sector.

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109 Joint Committee of Public Accounts and Audit (JCPAA), *Report 499: Inquiry into the Annual Performance Statements 2021–22*, September 2023, p. 27, [Internet], available from [https://parlinfo.aph.gov.au/parlInfo/download/committees/reportjnt/RB000198/toc\\_pdf/Report499InquiryintheAnnualPerformanceStatements2021%e2%80%9322.pdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportjnt/RB000198/toc_pdf/Report499InquiryintheAnnualPerformanceStatements2021%e2%80%9322.pdf) [accessed 4 December 2023].

## Areas of audit focus in 2022–23

4.1 The Australian National Audit Office’s (ANAO) performance statements audits are designed to give effect to the request by the Minister for Finance for audits to be undertaken against the requirements and the intent of the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act) and Rule. The 2022–23 performance statements audits were conducted applying the following audit criteria:

To assess whether the Entity’s annual performance statements comply with Division 3 of Part 2-3 of the PGPA Act, I will apply the following criteria:

- Are the entity’s key activities, performance measures and specified targets appropriate to measure and assess the entity’s performance in achieving its purposes;
- Are the performance statements prepared based upon appropriate records that properly record and explain the entity’s performance; and
- Do the annual performance statements present fairly the entity’s performance in achieving the entity’s purposes in the reporting period.

4.2 Performance statements audits are designed to assess whether entity annual performance statements present fairly the entity’s performance in the reporting period and that the statements are prepared in accordance with the requirements of the PGPA Act and PGPA Rule.

4.3 Fair presentation of the entity’s performance includes whether the performance statements provide complete and accurate information<sup>110</sup> to measure and assess the performance of the entity in achieving its purposes in the reporting period. Audits assess both the results reported through performance measures and the analysis and narrative presented by entities in their annual performance statements to describe their performance and the factors contributing to that performance.

4.4 Fair presentation also requires the presentation of performance information in a way that is not misleading to users, and that important information is not concealed or obscured as this may be misleading.

4.5 Statements prepared in accordance with the requirements of the PGPA Act and PGPA Rule means more than entities complying with minimum legal requirements, but also meeting the ‘spirit and intent’ of the framework. ANAO audits seek to incentivise entities to report appropriate and trustworthy information that will enable a user to assess if the entity has done a good job and not to merely report a minimum set of information to satisfy legal requirements.

### **Completeness of information on the entity’s performance**

4.6 The completeness of an entity’s performance information refers to whether its purposes, key activities and performance measures are sufficient to provide meaningful information on the entity’s performance in achieving its purposes. While there is no explicit requirement for ‘complete’ information in the Commonwealth Performance Framework (the framework), it is difficult for

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110 *Public Governance, Performance and Accountability Act 2013*, section 5. Public Governance, Performance and Accountability Rule 2014, section 16F.

information to be meaningful or for performance information to be presented fairly if it does not present a complete picture of performance and there are material gaps.<sup>111</sup>

4.7 Complete performance information enables a reader to understand how an entity has performed across all significant elements of its business. Where there are omitted aspects of an entity's purposes, key activities and/or performance measures that are important to the main policy and program goals the entity is seeking to achieve, the performance statements may not present a reader with an accurate view of performance.<sup>112</sup>

4.8 The starting point of a performance statements audit is to assess the entity's formal establishing documents. This includes relevant legislation, the Administrative Arrangements Order, Portfolio Budget Statements, charter letters and Statements of Expectation.<sup>113</sup>

4.9 It is important that in developing performance information, entities carefully consider the nature of their legislative requirements and government expectations and whether these are adequately described by their purposes and key activities. Entities should regularly review their purposes and key activities to ensure they continue to represent the main policy and program goals the entity is seeking to achieve.<sup>114</sup>

4.10 An entity's performance measures should flow from its purposes or key activities. The measures should reflect a substantive part of the achievement of the entity's purposes or key activities, rather than non-core elements.

4.11 Where an entity has responsibility for policy development or other major functions, these functions should be reflected in a key activity and associated performance measure(s). This could include activities undertaken on behalf of other entities, such as grants hubs, or cyclical roles like undertaking the census. It is unlikely to include purely administrative work undertaken at the discretion of the senior executive.

4.12 An important aspect of completeness of information is the presentation of an entity's analysis to support results.<sup>115</sup> Where significant factors that may have contributed to the entity's performance are not disclosed, there is a risk that the reader will misinterpret the result and the extent of the entity's influence. Useful analysis will provide a concise and balanced picture of performance that emphasises matters according to their significance.

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111 Section 16F of the PGPA Rule requires that the accountable authority must measure and assess the entity's performance in achieving the entity's purposes in the reporting period in accordance with the method of measuring and assessing the entity's performance set out in the corporate plan, Portfolio Budget Statement, Portfolio Additional Budget Statements or any other portfolio estimates statement.

112 See Australian National Audit Office, 'Reporting Meaningful Performance Information', *Audit Insights*, 29 June 2023, available from <https://www.anao.gov.au/work/insights/reporting-meaningful-performance-information> (accessed 10 October 2023). ANAO Audit Manual—PSASG Specific, subparagraph 313.14(a) Chapter 2 identified several 2022–23 audit findings relating to the omission of information from the auditee's performance statements. For three entities, these omissions resulted in a modified audit conclusion.

113 Department of Finance, *Corporate plans for Commonwealth entities*, Resource Management Guide 132, [Internet], available from <https://www.finance.gov.au/government/managing-commonwealth-resources/corporate-plans-commonwealth-entities-rmg-132> (accessed 15 December 2023).

114 Australian National Audit Office, 'Reporting Meaningful Performance Information', *Audit Insights*, 29 June 2023, available at <https://www.anao.gov.au/work/insights/reporting-meaningful-performance-information> (accessed 10 October 2023).

115 Public Governance, Performance and Accountability Rule 2014, Subsection 16F(2), item 3 in table.

## Relevance of information on the entity's performance

4.13 Relevant performance information enables a reader to assess the performance of the entity and understand how the performance measures relate to the key activities and purposes. It should be clear to a reader of the performance statements how the entity's key activities, performance measures and results are relevant to the achievement of the entity's purposes. A logical link between purposes, key activities, performance measures and targets is vital not simply for external accountability, but more importantly for internal performance management and future planning.

4.14 Subsection 16EA(a) of the Rule establishes the requirement for an entity's measures to relate directly to its purposes or key activities. This requirement is part of testing in the first stage of a performance statements audit based on the measures presented in the entity's corporate plan and Portfolio Budget Statements.<sup>116</sup> The ANAO also assesses whether a result and the accompanying analysis is relevant to the achievement of the entity's key activities and purposes (see chapter 2, paragraphs 2.41–2.43).

4.15 Measures that relate directly to the entity's purposes or key activities will generally have a result that impacts an external population. For example, Services Australia's 2022–23 corporate plan contains a performance measure relating to 'customer satisfaction' which is based on a survey of customers. This measure relates directly to Services Australia's purpose — 'to support Australians by efficiently delivering high-quality, accessible services and payments on behalf of the government'. A measure on the satisfaction of Services Australia's staff may reflect indirectly on the achievement of this purpose but it would not relate directly.

## Disclosures in performance statements

4.16 The ANAO assesses whether the performance statements, including commentary, analysis and ancillary information presents fairly the entity's performance in achieving its purposes.<sup>117</sup> High quality performance statements will:

- be easy to read and understand through the use of a short performance summary, tables and graphics and signposting where necessary;
- provide context to help readers understand and interpret results;
- use plain language and avoid unnecessary complexity;
- report both favourable and unfavourable aspects of performance; and
- present clear analysis of the extent of, and the reasons for, the results achieved.<sup>118</sup>

4.17 Some auditees present disclosures in their performance statements to draw readers' attention to limitations in measures' methodologies and caveats in interpreting results. In some instances, these disclosures are unclear and add unnecessary complexity. In other instances, the disclosures appear unnecessary given the limitation could have been resolved.

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116 ANAO Audit Manual—PSASG Specific, subparagraph 322.22

117 ANAO Audit Manual—Performance Statements Audit, paragraph 313.40.

As in previous years, audit teams worked with entities to simplify and clarify disclosures in draft performance statements.

118 Australian National Audit Office, 'Reporting Meaningful Performance Information', *Audit Insights*, 29 June 2023, available from <https://www.anao.gov.au/work/insights/reporting-meaningful-performance-information> (accessed 10 October 2023).

4.18 Clear and concise disclosures are necessary to inform the reader of methodological limitations of a performance measure. Entities should not consider that the use of limitations and caveats in performance statements absolves them of the requirement for measures to have reliable and verifiable data sources and methodologies.

### *Analysis*

4.19 The PGPA Rule requires that an entity must include in its performance statements an analysis of the factors that may have contributed to the entity's performance in achieving its purposes.<sup>119</sup> This includes changes that may have had a significant impact, including changes to purposes, key activities or organisational capability or the environment in which the entity operated.

4.20 Entities' 2022–23 performance statements did not always fully address this requirement for an analysis of the factors that may have contributed to the entity's performance. Well-presented analysis that meets this requirement will:

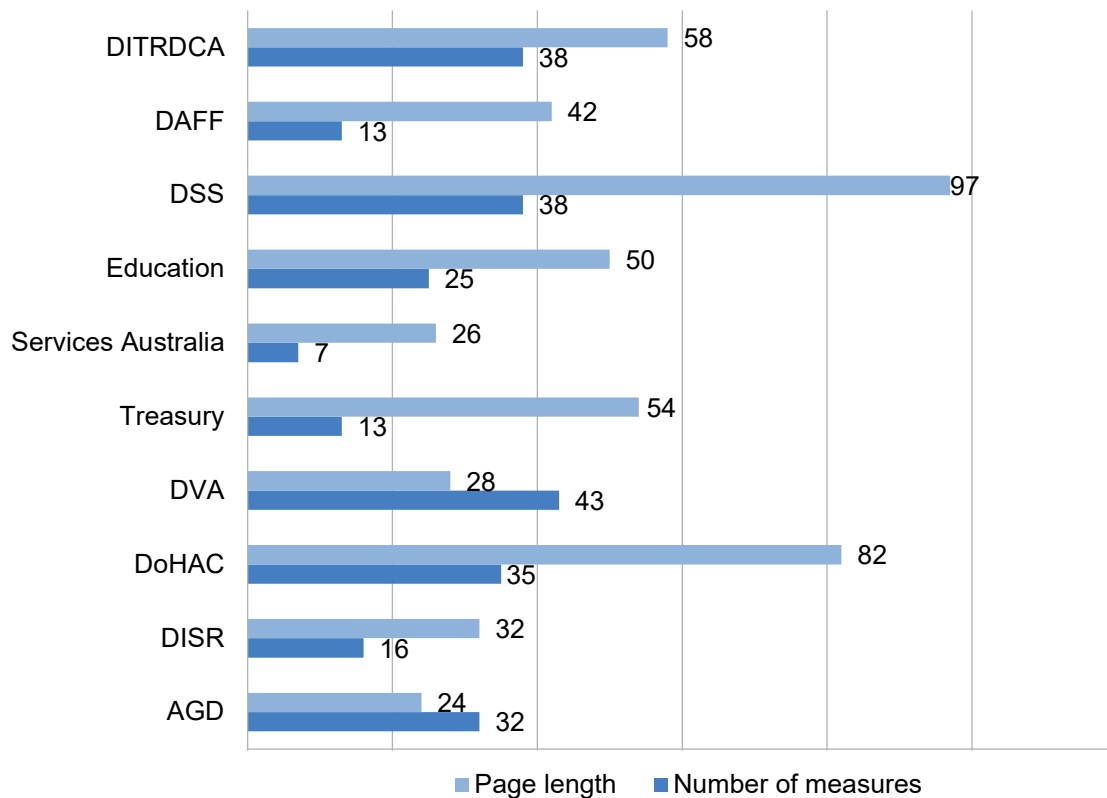
- briefly identify the context for what is being measured;
- explain what the entity did to achieve the result and the extent of the entity's contribution to the result;
- identify the role of other factors (such as third parties, economic conditions) that are within and outside the entity's influence, and explain the extent to which these factors contributed to the result; and
- present this information succinctly.

4.21 As with the annual report broadly, the information in an entity's annual performance statements should be concise. Concise statements ensure that the information that is presented is important and is not concealed or obscured by unnecessary detail. While not an ultimate indicator of whether statements are clear and concise, Figure 4.1 shows the page length of each entity's 2022–23 performance statements relative to the number of measures reported. Performance statements may be lengthier when they are required to include additional figures or technical data for clarity.

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119 Public Governance, Performance and Accountability Rule 2014, subsection 16F(2)(3).

**Figure 4.1: Entities' 2022–23 performance statements: page length / number of measures**



Source: ANAO analysis.

## Timeliness of reporting to Parliament

4.22 The timeframes for performance statements audits are designed to achieve two objectives:

- First, the ANAO aims to ensure timeframes for performance statements audits that enable the Minister for Finance to receive the auditor’s report in for it to be included in the tabled entity annual report. Although there is currently no requirement for the performance statements auditor’s report to be included in an entity’s annual report, the auditor’s report will be most useful for the Parliament and the public when it can be read within the annual report when it is publicly available.
- Second, the ANAO aims to start audits early such that initial feedback can be provided to entities to inform their PBS and corporate plan for the forthcoming reporting period (see paragraph 1.32).<sup>120</sup>

### Average time to meet key milestones

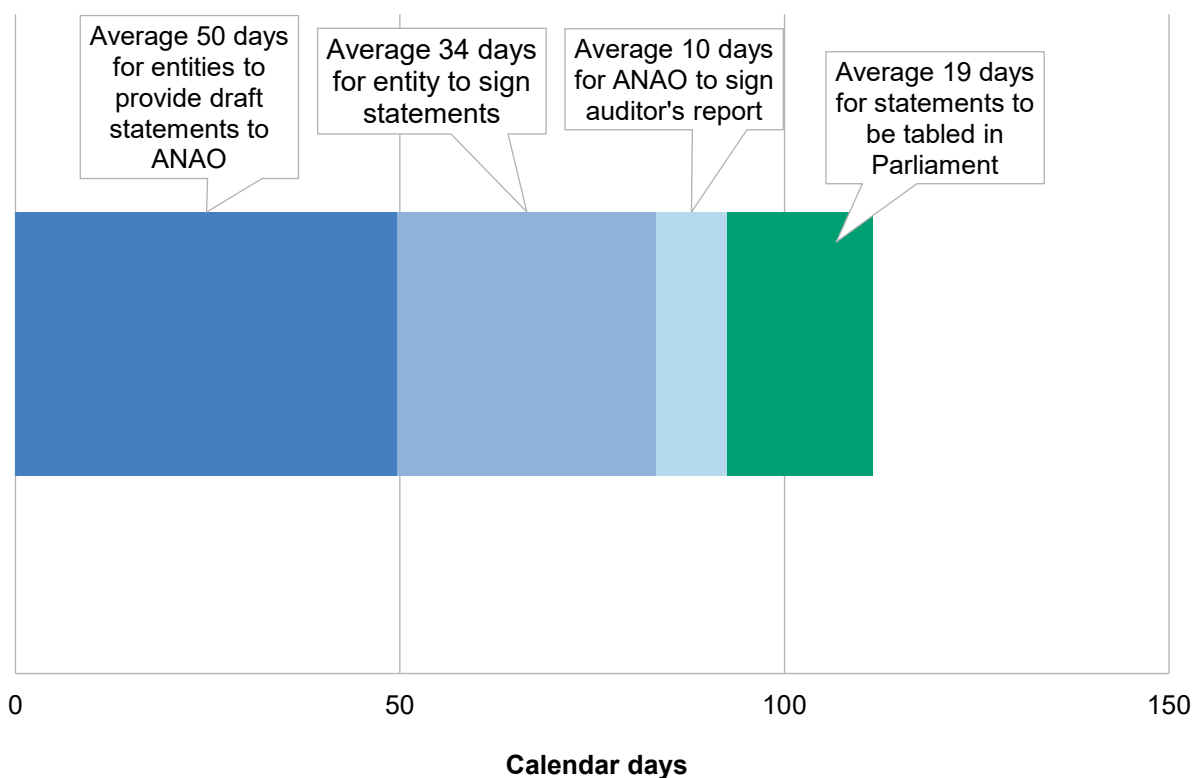
4.23 Figure 4.2 shows the cumulative average number of days across the 10 audits to achieve four key milestones.

<sup>120</sup> G. Hehir, Auditor-General for Australia, Evidence to Joint Committee of Public Accounts and Audit, *Committee Hansard*, 28 July 2023, pp. 18–19.

- The first milestone — an average of 50 days for entities to provide a first full set of draft performance statements to the ANAO — is calculated from 1 July 2023.
- The second milestone — an average number of 34 days for entities to sign their statements — is calculated from the end of the achievement of the first milestone.
- The third milestone — an average of 10 days to sign the auditor’s report<sup>121</sup> — is calculated from the end of the achievement of the second milestone.
- The fourth milestone — an average of 19 days for the performance statements to be tabled in Parliament — is calculated from the end of the third milestone.

4.24 Figure 4.2 shows that on average, it took 92 calendar days from the end of the 2022–23 reporting period to sign the auditor’s report. Eight of the 10 auditor’s reports were signed before the end of September 2023.

**Figure 4.2: Average number of calendar days from end of 2022–23 reporting period to achieve key milestones**



Source: ANAO analysis.

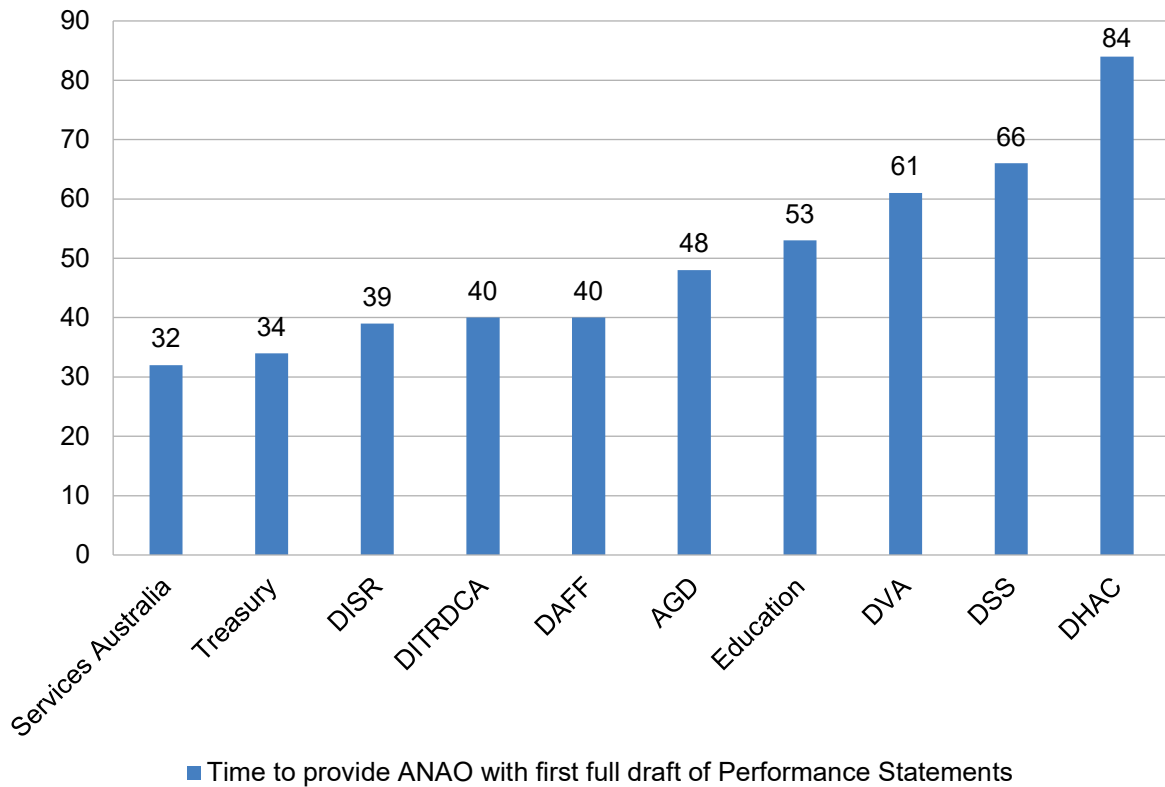
### Receipt of first full draft of performance statements

4.25 The ANAO places an emphasis on receiving from the auditee a first full draft of its performance statements as soon as possible after the end of the reporting period to enable timely testing of results and disclosures in the statements and the finalisation of the audit.

<sup>121</sup> The Department of Health and Aged Care took 69 days, the average across other entities was three days.

4.26 Figure 4.3 shows how long it took each entity (in calendar days from the end of the 2022–23 reporting period) to provide the ANAO with a full first draft of the performance statements.

**Figure 4.3: Calendar days from end of 2022–23 reporting period to provide ANAO with first full draft of annual performance statements**



Source: ANAO analysis.

4.27 Entities should aim for a quality first full draft of their statements which will reduce the likelihood of delay in subsequent audit and reporting processes. The first full draft of entities’ 2022–23 statements provided to the ANAO was of variable quality with some entities’ first full draft requiring substantial changes and editing. Some entities provided the ANAO with more than five versions of their draft statements: in financial statements audits, entities generally provide limited versions of their statements.

4.28 The ANAO aims to issue performance statements audit reports within three months of the end of the financial year.<sup>122</sup> This timeframe supports entities to include audited annual performance statements in their annual reports to the Parliament. Receiving entity performance statements in a timely manner is necessary for this to occur.

4.29 In conjunction with entities, the ANAO will continue to improve the timeliness of audit processes with a view to enable the auditor’s report to be included in the entity’s annual report, noting this is currently not a requirement under the PGPA Act.

122 Australian National Audit Office, *2023–24 Annual Report*, p. 33.

## Promoting high quality performance information

4.30 The ANAO has previously expressed concern that many entities view performance statements as a compliance exercise to be completed annually.<sup>123</sup> It has signalled that the audit methodology will continue to evolve to incentivise entities ‘to positively embrace performance reporting requirements...rather than a focus on complying with the minimum reporting standard they think will satisfy the auditor’.<sup>124</sup>

4.31 The 2022–23 audits indicate that, to some extent, auditees continue to take a compliance approach to reporting performance measures to, avoid accountability and transparency, to minimise the risk of audit qualification. There were, for example, instances of auditees removing performance measures that were the subject of a qualification or a moderate audit finding in 2021–22. This approach risks producing performance information that is not complete or meaningful.

4.32 The 2022–23 audits have also indicated that entities are not including measures that assess whether large appropriations by government for specific projects (such as major capability projects) are delivering value for money. For example, Services Australia’s 2022–23 corporate plan contains a list of six major ICT projects under its key activity ‘Technology Foundations’ but does not include a measure that assesses the progress of any of these projects. Users of performance statements are not able to identify whether these projects are meeting the expectations of government for these to be delivered to budget, time and scope.

4.33 Where entities fail to report on significant aspects of their business, it is difficult for the reader to assess whether the entity is doing a good job and delivering value for money. By reporting on these significant aspects, the Parliament is better equipped to hold entities accountable for the proper use and management of public resources.

4.34 The ANAO is continuing to explore options to enhance the audit methodology to further incentivise the development and reporting of high quality, meaningful performance information. This process may involve engagement with the Parliament, the sector and other key stakeholders to identify what information they find useful and valuable.

4.35 In continuing to refine the audit methodology, it is important that changes embed a culture of preparing high quality performance statements and streamlining engagement with audits. It also remains important that the entity determines how best to report its performance. This includes the selection and design of its performance measures and targets and the structure and format of the performance statements.

4.36 The work of the Performance Statements Expert Advisory Panel has been important for the ANAO to gain advice from within and outside the sector on refining the audit methodology.

## Ongoing engagement with and within the sector

4.37 The ANAO’s communication and engagement with the sector continues to be important to improving the sector’s capability to report high quality performance information. As the audit

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123 G. Hehir, Auditor-General of Australia, Opening Statement to Joint Committee of Public Accounts and Audit inquiry into Annual Performance Statements 2021–22, paragraph 11.

124 Australian National Audit Office, ‘Audits of the Annual Performance Statements of Australian Government Entities—2021–22’, *Auditor-General Report No.13 2022–23*, February 2023, p. 56.

program has expanded, the sector's own forums have been increasingly used for entities to share insights from the audits and identify better practices.

4.38 The ANAO's February 2023 report to the Parliament on the 2021–22 performance statements audits observed that the ANAO's approach to engaging entities in performance statements audits involves a higher degree of education than in other audit products.<sup>125</sup> The 2022–23 auditees generally showed greater awareness and understanding of audit requirements than in previous years. As intended, the progressive rollout of the audit program is enabling repeat, new and prospective auditees to understand and prepare for the audit process.

4.39 The ANAO has been active in communicating its audit findings to the sector. The June 2023 Audit Insights titled *Reporting Meaningful Performance Information* communicates audit findings from audit reports tabled from 2015–16 to 2022–23 to make it easier for practitioners to apply the lessons from these audits.<sup>126</sup> As of 31 October 2023, the product had been accessed by 1,286 unique users.

4.40 The Department of Finance continues to facilitate engagement of performance reporting within the sector. This includes Performance Communities of Practice forums and tailored sessions on the framework. Finance has noted that these events have been well attended and will continue to operate.<sup>127</sup>

## **ANAO Audit Manual — Performance Statements Audit**

4.41 In October 2023, the ANAO published on its website the ANAO Audit Manual — Performance Statements Audit.<sup>128</sup> This Manual sets out the ANAO's policies and guidance applying to performance statements audits performed on behalf of the Auditor-General in accordance with ANAO Auditing Standards.

4.42 The ANAO's publication of the Performance Statements Audit Manual is consistent with practice for other ANAO Audit Services Groups. The ANAO will update the Manual as the performance statements audit program develops through experience.

## **Future direction**

4.43 The ANAO is now well-advanced in its schedule to roll out the performance statements audit program. The successful completion of 10 audits in 2022–23, and improvements in entities' reporting (chapter 2) and maturity (chapter 3) for performance reporting, is important to the

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125 Australian National Audit Office, 'Audits of the Annual Performance Statements of Australian Government Entities—2021–22', *Auditor-General Report No.13 2022–23*, February 2023, p. 51, paragraph 4.6.

126 Australian National Audit Office, 'Reporting Meaningful Performance Information', *Audit Insights*, 29 June 2023, available at <https://www.anao.gov.au/work/insights/reporting-meaningful-performance-information> [accessed 10 October 2023].

127 Department of Finance, Submission provided to Joint Committee of Public Accounts and Audit on inquiry into Annual Performance Statements 2021–22, *Submission 6*, p. 7.

128 Several entities expressed had interest in the timing and content of the published Manual. See submission to Joint Committee of Public Accounts and Audit, Inquiry into the Annual Performance Statements 2021–22, available from [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Public\\_Accounts\\_and\\_Audit/Performance2021-22/Submissions](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/Performance2021-22/Submissions) (accessed 9 November 2023).

momentum of the audit program. It further establishes performance statements audits as part of the ANAO's assurance products for the Parliament.

### **Further guidance for the sector**

4.44 Financial statements are heavily prescribed by financial reporting standards in terms of their structure, composition, measurement and disclosure. There are no such standards for performance statements, which need to be customised to reflect the nature of the entity. Therefore, judgements need to be made about what information is most relevant and significant for reporting the achievement of the entity's purposes, which create issues and challenges for both preparers and users of performance statements.

4.45 The ANAO will publish further Insights products to communicate lessons from performance statements audits. The content of this guidance will also be based on feedback from entities about areas of specific interest in developing high quality performance information.

### **Consultation with the Department of Finance**

4.46 The ANAO aims to work closely with the Department of Finance, as the policy owner of the framework, to support ongoing improvements to performance reporting and evaluation. The ANAO will consult with Finance to:

- provide insights on how the PGPA Rule is operating;
- discuss the alignment of the audit methodology and the ANAO's Insights with Finance guidance contained in Resource Management Guides (RMG); and
- develop and publish a revised annual performance statements audit schedule to enable the ANAO to begin its audit work earlier in the cycle.<sup>129</sup>

### **Relevant and useful analysis**

4.47 The Commonwealth Performance Framework provides flexibility for entities to develop performance statements that are simple, easy to read, and reflect the unique story of each entity. The 2022–23 audit program shows that entities have improved the clarity of their purposes and key activities and developed more robust performance measures. However, there has not been commensurate progress on the quality of the supporting narrative and analysis.

4.48 Expanding reports can be a good thing, when more disclosures mean greater transparency and help Parliament hold entities accountable for the effective delivery of policies, programs and services. However, adding too many disclosures might make reporting complex and unwieldy. If parliamentarians and other users of reports find them difficult to navigate, or struggle to identify the significant information from the flow of data, then longer reports can be counterproductive.

4.49 Those preparing performance reports should therefore avoid including any irrelevant information, while still meeting the needs of users.

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129 Joint Committee of Public Accounts and Audit (JCPAA), *Report 499: Inquiry into the Annual Performance Statements 2021–22*, September 2023, p. 35, recommendation 3 [Internet], available from [https://parlinfo.aph.gov.au/parlInfo/download/committees/reportjnt/RB000198/toc\\_pdf/Report499InquiryintotheAnnualPerformanceStatements2021%e2%80%9322.pdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportjnt/RB000198/toc_pdf/Report499InquiryintotheAnnualPerformanceStatements2021%e2%80%9322.pdf) (accessed 24 October 2023).

4.50 The purpose of keeping reports short is to communicate effectively, not to avoid presenting useful analysis and disclosures. Preparers can make use of links to share information published in other reports.

4.51 If performance measures and targets are not properly selected, the relevance and usefulness of analysis for external accountability, management and business improvement will be undermined. For example, best estimate targets, when combined with historical and benchmark information, can give context to the anticipated achievement presented in a corporate plan and the result reported in the annual performance statements and provide users information for judging the appropriateness of the entity's targets.

4.52 Noting the joined-up nature of numerous government programs there is an opportunity for entities to make appropriate reference to the outcomes of other entities to enable users to understand how the work of the entity complements the work done by other parts of government.<sup>130</sup>

### Measuring efficiency

4.53 Public sector entities are required to demonstrate that to the best of their ability and available resources, they have delivered government policies and programs and provided the goods and services required by citizens, at least cost. Attainment of efficiency demonstrates good stewardship through good use of available resources and elimination of waste.

4.54 To date, there has been limited use of efficiency measures by entities. Primarily, entities have used timeliness measures as a proxy for measuring efficiency.

4.55 RMG 131 notes that:

Key activities that are transactional in nature (such as the processing of welfare or grant payments, the operation of call centres or revenue collection functions) lend themselves to efficiency measurement, in addition to the measurement of outputs and effectiveness to provide a complete picture of the performance of the entity.<sup>131</sup>

4.56 Efficiency measures can assist entities to assess the relative merits of alternative service delivery approaches and their relative costs and benefits. For example, higher quality service delivery may come at higher cost, whereas increased efficiency may result in lower accuracy or quality. As noted in RMG 131, a combination of measures is more likely to provide a complete picture of performance and enable entities to determine if they are being efficient given their available resources.

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130 The Finance Secretary's Direction (August 2022) requires that an entity's PBS must, for each outcome, report the programs of other entities that link to that outcome.

131 Department of Finance, Resource Management Guide 131 (RMG 131), available from <https://www.finance.gov.au/government/managing-commonwealth-resources/developing-performance-measures-rmg-131/measures-outputs-efficiency-effectiveness#:~:text=Efficiency%20is%20generally%20measured%20as,a%20given%20volume%20of%20input.> (accessed on 31 December 2023).

## Regulator performance reporting

4.57 From 1 July 2023, entities with regulatory functions are expected to include performance information in their corporate plan and annual performance statements with reference to three principles of regulator best practice. These principles are:

Continuous improvement and building trust: regulators adopt a whole-of-system perspective, continuously improving their performance, capability and culture to build trust and confidence in Australia's regulatory settings.

Risk based and data driven: regulators manage risks proportionately and maintain essential safeguards while minimising regulatory burden, and leveraging data and digital technology to support those they regulate to comply and grow.

Collaboration and engagement: regulators are transparent and responsive communicators, implementing regulations in a modern and collaborative way.<sup>132</sup>

4.58 These expectations will be incorporated into the ANAO's audit methodology.

## Timing and staffing of performance statements audits

4.59 Chapter 1 discussed the importance of issuing early interim audit findings to entities in 2023–24 to assist each entity to plan for the 2024–25 reporting period. Following the Minister for Finance's request to undertake the 2023–24 audits in July 2023, these audits commenced in October 2023. They are scheduled to deliver interim findings to entities by the end of March 2024 to enable planning for entities' 2024–25 Corporate Plans. Progressive timing of audits will be further improved to enable preliminary findings to inform the development of an entities following year PBS and corporate plan.

## Stability and cost of performance statements audits

4.60 Over time, the ANAO expects that entities' performance statements will be relatively stable, with changes largely being made in response to changes in the operating environment and government priorities, including new policies and programs and Machinery of Government changes.

4.61 The ANAO expects that as the sector builds its capacity and capability to use and report meaningful performance information, audit risks and the average cost of an audit for both the ANAO and for entities will reduce.

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Auditor-General

Canberra ACT  
12 February 2024

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132 Department of Finance, Resource Management Guide 128, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/regulator-performance-rmg-128> (accessed 31 October 2023).



# Appendices

## Appendix 1 List of 2022–23 audits and reporting timeframes

Reporting entity	Audit risk rating	Type of Auditor's report	Date performance statements signed	Date Auditor-General's report signed	Annual Report tabling Date	Senate Estimates
Department of Infrastructure, Transport, Regional Development, Communications and the Arts	High	Q	15 Sep	25 Sep	20 Oct	23 Oct
Attorney-General's Department	Moderate	✓	28 Sep	28 Sep	23 Oct	24 Oct
Department of Agriculture, Fisheries and Forestry	High	Q E	8 Sep	11 Sep	20 Oct	24 Oct
Department of the Treasury	Moderate	✓	26 Sep	28 Sep	18 Oct	25 Oct
Department of Veterans' Affairs	Moderate	Q E	28 Sep	28 Sep	24 Oct	25 Oct
Services Australia	High	E	14 Sep	15 Sep	17 Oct	25 Oct
Department of Social Services	High	E	11 Oct	12 Oct	24 Oct	25 Oct
Department of Education	Low	E	13 Sep	21 Sep	20 Oct	26 Oct
Department of Industry, Science and Resources	Moderate	✓	13 Sep	14 Sep	20 Oct	26 Oct
Department of Health and Aged Care	High	Q E	7 Oct	15 Dec	18 Oct	26 Oct

Key: ✓: auditor's report not modified    E: auditor's report contains an emphasis of matter    Q: audit report contains qualification

## Appendix 2 ANAO audit finding categories

1. The ANAO has categorised its performance statement audit findings as outlined in the following table.

Category	Description
A	Findings that pose a significant risk to the entity's performance statements preparation; these include findings that could result in material misstatement of the entity's performance statements.
B	Findings that pose moderate risk to the entity's performance statements preparation; these may include prior year findings that have not been satisfactorily addressed.
C	Findings that pose a low risk to the entity's performance statements preparation; these may include findings that, if not addressed, could pose a moderate risk in the future.
L1	Instances of significant potential or actual breaches of the Constitution, instances of significant non-compliance with the entity's enabling legislation, legislation that the entity is responsible for administering, and the PGPA Act.
L2	Instances of non-compliance with subordinate legislation, including the PGPA Rule.

## Appendix 3 2022–23 audit findings by theme and sub-theme

Theme of findings	Sub-themes	Significant (A)	Moderate (B)	Minor (C)
Enterprise-wide Performance Framework	Preparation of Corporate Plan / measure documents	1	1	2
	Clear read	1	–	1
	Development of Entity Performance Framework	–	1	3
Completeness of performance information	Completeness of Purposes	2	–	–
	Completeness of Key Activities	1	–	–
	Completeness of Measures	3	–	–
Relevance of performance information	Measures directly relate to purposes / key activities	1	1	–
	Analysis of factors contributing to performance	–	1	1
Reliable and verifiable data sources and methods; unbiased	Adequate assurance over systems and methods to produce results	2	2	3
	Reliable and verifiable data sources	4	–	2
	Reliable and verifiable methodologies	4	1	1
	Method providing meaningful information	–	–	3
	Unbiased basis for measurement and assessment	1	1	1
	Availability of data to report a result	1	–	–
Preparation of APS and record keeping processes	Timely provision of results and evidence		1	3
	Record keeping	1	–	2
	Process to reconcile documents to results	–	1	–

## Appendix 4 Entities' 2022–23 significant and moderate findings

	Entity	Finding	Classification	Period raised
1	Department of Agriculture, Fisheries and Forestry	Performance measures on point of entry failures	A	Final 2021–22
2	Department of Agriculture, Fisheries and Forestry	Preparation of DAFF's annual performance statements	A	Final 2021–22
3	Department of Agriculture, Fisheries and Forestry	Preparation of DAFF's 2022–23 Corporate Plan	A	Interim 2022–23
4	Department of Agriculture, Fisheries and Forestry	Completeness of performance statements	A	Final 2022–23
5	Department of Education	Aggregation of performance information	A	
6	Department of Education	Meaningful analysis of Education's performance	B	Final 2022–23
7	Department of Social Services	Inability to verify the result of the 1800RESPECT component of the family safety performance measure	A	Final 2021–22
8	Department of Social Services	Assurance over results for DEX based measures	A	Final 2022–23
9	Department of Social Services	Methodology for assessing the Safe Places component of Women's Safety measure	B	Final 2022–23
10	Department of Social Services	Completeness of components of the Women's Safety measure — Our Watch and EVP	B	Final 2022–23
11	Department of Veterans' Affairs	Completeness of results — War Graves system	A	Final 2021–22
12	Department of Veterans' Affairs	Changes to timeliness targets	B	Final 2022–23
13	Department of Veterans' Affairs	Performance statements preparation process	B	Final 2021–22
14	Department of Infrastructure, Transport, Regional Development, Communications and the Arts	Performance measures do not describe activities undertaken by the entity during the reporting period	A	Interim 2022–23
15	Department of Infrastructure, Transport, Regional Development, Communications and the Arts	Performance measures may not enable complete reporting of the entity's performance	A	Interim 2022–23

	Entity	Finding	Classification	Period raised
16	Department of Infrastructure, Transport, Regional Development, Communications and the Arts	Performance measures may not be based on reliable and/or verifiable data sources of methodologies	A	Interim 2022–23
17	Department of Infrastructure, Transport, Regional Development, Communications and the Arts	Performance measure methodology and data may not provide an unbiased basis for the measurement and assessment of performance	B	Interim 2022–23
18	Department of Infrastructure, Transport, Regional Development, Communications and the Arts	Performance measure targets may not enable reporting against performance measures	B	Interim 2022–23
19	Department of Infrastructure, Transport, Regional Development, Communications and the Arts	Lack of a governance framework supporting monitoring, reporting and assurance of performance information	B	Interim 2022–23
20	Department of Industry, Science and Resources	Enterprise-wide performance framework	B	Final 2022–23
21	Services Australia	Appropriateness of performance information — Reliability of information sources and methodologies	A	Interim 2022–23
22	Services Australia	Omission of an efficiency performance measure	A	Interim 2022–23
23	Services Australia	Enterprise-wide performance framework	B	Final 2022–23
24	Services Australia	Availability and timeliness of evidence to support results	B	Final 2022–23
25	Department of Health and Aged Care	Clear Read and Key Activities	A	Interim 2022–23
26	Department of Health and Aged Care	Completeness of Performance Measures	A	Interim 2022–23
27	Department of Health and Aged Care	Appropriateness of individual performance measures — reliable, verifiable and free from bias	A	Interim 2022–23
28	Department of Health and Aged Care	Annual Performance Statements Preparation Processes — Program Performance Plans	B	Interim 2022–23
29	Department of Health and Aged Care	Data Availability for inclusion in the annual performance statements	B	Interim 2022–23

## Appendix 5 Basis for entities' maturity assessments

1. The ANAO's methodology for assessing an entity's performance reporting maturity assesses the following five themes using a five point scale — 'establishing', 'immature', 'developing', 'maturing', 'mature'. The following table presents the ANAO's considerations in assessing an entity's maturity against each theme.

Themes	Establishing / immature <sup>a</sup>	Developing	Maturing / matured <sup>a</sup>
<p><b>Leadership</b> — Demonstrating ownership and commitment to a performance culture.</p> <p>Characterised by Executive Board and senior management support and effective performance management and oversight arrangements.</p>	<p>Performance information is reviewed annually and does not inform SES decision-making.</p> <p>Performance statements preparation is seen as a compliance exercise.</p>	<p>SES regularly (quarterly or six monthly) review performance information to inform the operations of the entity.</p>	<p>Executive Board drives a performance culture across the organisation by establishing performance related roles and responsibilities across the entity, which links into appropriate governance processes and training.</p> <p>Accountable Authority and senior executives' message on the importance of performance reporting.</p>
<p><b>Governance</b> — Management of entity performance and performance reporting risks</p> <p>Characterised by:</p> <ul style="list-style-type: none"> <li>• an established, documented enterprise-wide process for developing and managing the entity's performance.</li> <li>• open and constructive relationships with key internal stakeholders.</li> <li>• appropriate reporting structures to report to the Accountable Authority; and</li> <li>• timely and comprehensive identification and assessment of risks and robust controls to prevent, detect and/or mitigate the risks of misstatement.</li> </ul>	<p>Performance processes are poorly documented and are not used to inform performance decision-making within the entity. They are used purely to comply with performance reporting obligations.</p>	<p>Performance processes are well documented and are used to inform performance decision-making within the entity.</p>	<p>An effective enterprise-wide performance framework has been implemented, that explicitly links into business plans, internal audit plans and performance documentation and processes.</p> <p>These documents and processes clearly articulate performance related roles and responsibilities across the entity.</p> <p>The framework is reviewed periodically.</p>

Themes	Establishing / immature <sup>a</sup>	Developing	Maturing / matured <sup>a</sup>
<p><b>Data and systems</b> — Operating systems are harnessed to generate performance information. Characterised by:</p> <ul style="list-style-type: none"> <li>clearly documented data sources and systems to support measures;</li> <li>data and systems that produce end of year results for the full reporting period; and</li> <li>adequate assurance over systems, data and results.</li> </ul>	<p>High level of manual data entry into spreadsheets with limited controls around who can access/alter the data and QA processes to support the reliability of the data.</p>	<p>Data is created largely through automated processes, with minimal manual intervention. Data have tight internal controls, including clearly documented control and QA processes.</p>	<p>Data and associated systems provide fit for purpose data that enables the reliable and verifiable production of performance information to inform entity decision-making and the performance measure results, with no manual intervention. Systems can provide the necessary qualitative and quantitative information needed to drive performance.</p>
<p><b>Capability</b> — Understanding and applying the requirements of the Performance Framework Characterised by preparation of regular performance information throughout the year that supports the production of meaningful performance information on an ongoing basis.</p>	<p>No clear focus on building performance capabilities, with a disparate team pulled together annually to deliver the performance statements.</p>	<p>A team responsible for performance reporting that has staff with adequate performance reporting skills and experience, with a view to further developing capability across the entity.</p>	<p>A dedicated performance reporting branch / team with the appropriate performance skills is responsible for maintaining a performance driven culture within the entity, including through the delivery of entity-wide PGPA performance related training. The role of this branch / team is acknowledged and supported by the entity's senior executive.</p>
<p><b>Resourcing</b> — Managing staff and other resources effectively, Characterised by:</p> <ul style="list-style-type: none"> <li>sufficient and appropriately qualified and trained staff; and</li> <li>clearly defined roles and responsibilities.</li> </ul>	<p>No dedicated performance reporting function, with a disparate team pulled together annually to deliver the performance statements.</p>	<p>A team responsible for performance reporting that has staff with adequate performance reporting skills and experience.</p>	<p>An appropriately skilled and resourced dedicated performance reporting branch / team that coordinates performance across the entity, with a key role being the management of the enterprise-wide performance framework.</p>

Note a: The ANAO applies judgment in assessing whether an entity should be assessed as 'establishing' or 'immature' and as 'maturing' or 'matured'.