

# Performance Reporting by Australian Federal Government Departments

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## **Performance Reporting by Australian Federal Government Departments**

### **Abstract**

This paper examines the extent of disclosure of various categories of performance – related information in the Annual Reports of Australian Federal Government departments. This paper reviews 13 Federal government department's 2003/2004 Annual Reports, this paper is also based on 6 semi– structured interviews. The results indicate that not all Federal government departments disclose efficiency and effectiveness indicators in their Annual Reports. This paper concludes that the public's ability to assess the performance and discharged of accountability of Federal government entities is limited in Australia.

Key words: Public sector, accountability, performance, disclosure

## **Introduction**

From the mid 1980s to the mid 1990s the Australian Federal Government adopted financial management and reporting reforms for their departments and other government funded agencies. These reforms include the implementation of concepts of contestability for funds and accountability for performance. Accounting related changes have embraced performance measurement resource management and accountability reporting. These changes are known as “Managerialism”, the financial management improvement program, and “New public management”

Managerialism is a concept that contains the two intertwined issues of management efficiency and public accountability (1999). This reform was introduced to increase the accountability of administrative bureaus to elected politicians. New Public Management is characterised as a marketised approach to the provision of government services. The focus is on changing public management to reflect private sector techniques and the use of market type mechanisms, including deregulation, corporatisation, contracting out and privatising the delivery of public services (Nichol & Taylor 2001).

Thus new approaches to financial planning, efficiency management and accountability reporting in legislation and professional accounting standards were introduced. Such reforms included the introduction of Output Based Management (OBM), accrual based public sector financial statements and the disclosure of audited efficiency and effectiveness indicators. These approaches come under the twin labels of Financial Management Improvement Program (FMIP) and Program Budgeting (PB).

The Australian Federal government is entrusted with responsibilities of providing optimal services to citizens within available resources. Valid judgements, by both elected parliaments and the public on how well public sector activities have been undertaken could not easily be made unless information on their performance is available (Nichol & Taylor 2001). A key document in the discharge of accountability to

external users, mainly the legislature, government oversight bodies, creditors and the citizenry is the government annual report (Hyndman & Anderson 1995).

This paper examines the extent of disclosure of performance indicators in the 2003/2004 Annual Reports of Australian Federal government departments. This paper is structured as follows: Section two discusses performance indicators, section 3 discusses the Federal Government of Australia structure, section 4 discusses agency theory and section 5 discusses new public management. Following section 5 is the research methodology section. After the research methodology section is the section on results and the last section of this paper discusses the conclusion, limitations and areas for future research.

### **The Definition of Performance Indicators**

Performance indicators are one of many tools to help answer the question: How do you know what you are achieving? (Bullen 2003).

Performance indicators are defined as:

As a measurement of a piece of important and useful information about the performance of a program expressed as a percentage, index, rate or other comparison which is monitored at regular intervals and is compared to one or more criterion (Bullen, 2003, p.1).

An example of a performance indicator is: If one of your objectives is to train people so they are able to gain employment then one performance indicator can be the proportion of trainees that gain employment after the training is completed.

Bullen (2003) argues that the definition of performance indicators must be about performance rather than the activities undertaken or the level of workload. Many organisations' and government departments either do not write their aims and objectives as statements of what they will achieve or do not develop

performance indicators that relate to achievements. For example the Department of Planning has as one of its objectives

To encourage community participation in environmental planning and assessment process and to disseminate information about the work of the department to the public" and the performance indicators are "Number of publications produced, exhibitions held, and articles published and public enquires handled.... Where are the performance indicators of actual community participation? What is the information dissemination designed to achieve? (Bullen, 2003, p 2).

Performance indicators measure quantities and will therefore mainly cover measurable and clearly definable aspects of performance (De Bruijn 2002). For example, for a museum, performance indicators represent the number of visitors, although there are other important aspects (e.g. the integrity of the collection, or the value of the collection for scientific research) (Carnegie & Wolnizer 1996).

### **Performance Indicator Classification**

Only the key effectiveness and efficiency indicators are required to be audited. These indicators are clearly identified in the Annual Reports of agencies as the audited performance indicators. These also include a comparison of actual results against targets, together with reasons for significant variations (Australian National Audit Office 2003-2004).

**Efficiency Indicators:** Relate resource outputs to the level of resource inputs required to produce them. Efficiency indicators should show the efficiency with which the agency produced those outputs that are directly related to the primary purpose of the output. Efficiency indicators should relate the total resources used by an agency to the outputs achieved, including overheads and administrative components; e.g.:

- Financial resources (total cost/output)
- Physical resources (value of assets used per output),

- Human resources (staff/output),
- Time resources (time/output).

An interview with the performance indicator preparer of a major Federal Government department identified the following as efficiency indicators: waiting times at the counter, period of giving response to customers and service delivery cycle.

**Effectiveness Indicators:** Effectiveness indicators provide information on the extent to which outcomes have been achieved through the funding and production of agreed outputs. Outcome indicators usually relate to an area over which the agency has a significant degree of control. However, many agencies (particularly central agencies and those with a policy development, coordinating or facilitating role) seek to influence a policy area over which they may not have direct control.

Examples of effectiveness indicators currently in use in a Federal department as identified in an interview are: % of mistakes produced within a specified time frame and % of outputs produced within a specified time frame.

### **Importance of Performance Indicator Disclosure**

In the public sector accounting research literature, it has been argued that performance indicators need to be increasingly linked to the concepts of accountability (Hyndman & Anderson 1995). In Australia, Mucciarone & Taylor (Mucciarone & Taylor 2002; 2005) studied factors affecting the disclosure of types of performance indicators in annual reports of Australian federal and state government departments. The factors identified include agency theory related variables such as political visibility, and control by oversight bodies. Mucciarone & Taylor, (2005) also examined factors affecting institutional theory such as the principal accounting officer accounting ability and salary. The results of this study was that the

extent of influence of financial and non-financial PIs, as perceived by the performance indicator preparer (PIP), was strongest in respect of the two oversight bodies, these being The Office of the Auditor General and the Treasury Department. Political visibility of a government department was significantly related to the quality of its output indicator. The PIP salary level was significantly related to profitability and procedural efficiency indicators while accounting ability measured by length of experience was significantly related to the quality of output type indicator.

In this study the extent performance indicators are disclosed will be measured by a content analysis of each Federal government department's 2003/2004 annual report, measuring the number and types of performance indicators disclosed.

### **Use of Performance Indicator Information**

The use of key performance indicators (KPIs) is regarded as one of the tools to improve the effectiveness and efficiency of public agencies. However, to implant private sector practices such as a performance measurement system in the public sector would be very challenging. For commercial organisations, even though explicitly, interests of various stakeholders are deemed to be vital, the ultimate objective is profitability. The interests of various stakeholders (employees, customers) are the means to the final end of achieving profitability. However public organisations, have various types and levels of constituents with differing values, needs and expectations {Thor, 2003, Proper, 2003}. Their stakeholders range from, the recipients of services, the providers of funds, politicians and other levels of government. As such, public sector employees have several ends to achieve. Thus, measuring performance in the public sector is problematic.

Siti - Nabiha, (2006) makes the following comment:

What is meant by performance in the public sector context, and how can it best be measured? Should a service be judged by, say, its accessibility or its financial cost, and who should do the judging? How can moves to increase the managerial responsibilities and decision making powers of public servants be reconciled with democratic control and effective auditing procedures (Siti-Nabiha, 2006, p.6)?

Shah A, (2003) discusses that the criterion in evaluating performance for public agencies are:

Whether the public manager is doing the right things – that is, delivering services consistent with citizen preferences; and whether they are doing it right – providing services of a given quality in the least cost manner (Shah A, (2003), p19)

A question was asked to performance indicator preparers of selected Australian Federal Government departments how is the performance of their department assessed? The response was that Australian Federal Government departments are to be measured in terms of 1) the efficiency and effectiveness of the process of service delivery; 2) the human resources and financial productivity; and 3) the customer satisfaction toward the service received. All interviewees stressed that KPIs be based on the agency's current service. One interviewee discussed further that performance indicators should be 1) specific, 2) measurable, 3) achievable, 4) realistic, and 5) time bound.

However from the examples of KPIs given in section 2 of this paper the emphasis for reporting performance indicators in Australian Federal Government departments are more of output and activity measures rather than effectiveness and efficiency measures. Performance is to be assessed every quarter. The KPIs report is used only for internal purposes. As such, benchmarking of a department's performance relative to other departments, even those within the same department, is not required.

Eddy, (1998) argues that there are three main purposes of performance measurement. He uses the Health Care Sector to illustrate. These include: Firstly, performance measurement describes the effect of some intervention on a specified group of patients. This can be achieved with a single measurement taken after an appropriate follow up time. Secondly, performance measurement is difficult to measure an improvement in outcomes caused by some modification of a treatment or care process. This is a difficult process because it involves taking measurements at two times and requires that all other factors that might affect the outcomes remain unchanged during the interval between measurements. Thirdly, performance measurement compares the quality of care being delivered by different entities such as different health plans, medical groups, hospitals or physicians. How good a measure is depends heavily on its purpose (Eddy, 1998, p9).

Performance measurement information is also used extensively to stimulate dialogue and debate among hospitals (i.e. within programs) to promote learning and process improvements with respect to resource management at the program level. The actions initiated to meet and improve performance targets are often seen as more important than the outcomes of the performance evaluation process itself (Grafton & Lillis 2005).

### **Federal Government of Australia Structure**

The Commonwealth of Australia was established on 1 January 1901. Prior to 1901, the system of government in Australia had evolved from British possession in 1788, to the point where it comprised a collection of six self-governing British colonies, effectively under the control of the United Kingdom (Australian Public Services Commission 2005).

Upon Federation, the constitution made provision for a national level of government referred to as the Commonwealth, with legislative power exercised through a federal Parliament comprised of a Senate and a House of Representatives. The former six colonies became six states. Each retained its own Parliament,

able to exercise legislative powers, except as limited by the new federal constitution. The Constitution provides for the powers of the Commonwealth to be exercised at three levels:

- power is conferred on the Parliament
- executive power, to assent to and administer laws, and to carry out the business of government, is conferred on the Governor-General, Ministers of State, departments, other government agencies, and the defence forces
- judicial power is vested in the High Court of Australia and other courts established by the Parliament (Australian Public Services Commission 2005).

The Commonwealth Parliament (comprising the Senate and the House of Representatives) is able to make laws only in relation to a range of specific subjects listed in the Constitution. Major areas include taxation, defence, external affairs, trade, and immigration.

The Commonwealth has extensive capacity to influence business and community affairs notwithstanding the apparent limitations in the Constitution in many areas. It does so in close cooperation with the states, often drawing on its financial capacity. For example, although the Commonwealth has no specific constitutional power in relation to education, it has been able to influence significantly the operations of universities and other tertiary institutions in the states, by maintaining 'tied' grants.

Commonwealth legislation may be enacted under the Constitution's external affairs power, if the Commonwealth government considers it to be necessary to give effect to an international agreement to which it is a signatory. Elsewhere, the Commonwealth has legislated by agreement with the states, in areas with Australia-wide application, such as broadcasting, navigation, and food standards (Public Services Commission, 2005).

## **Agency Theory**

Agency theory is concerned with the principal - agent problem, an agency relationship exists when one or more individuals, the principal, are allocated some decision making authority in the outcome of the individuals, the agent. Jensen & Meckling (1976) defined an agency relationship as:

A contract under which one or more persons (the principal (s) engage another person (the agent) to perform some services on their behalf which involve delegating some decision making authority to the agent (Jensen & Meckling, 1976. p.310).

In the context of this study agency theory recognises that there is a contracting process between managers and government agencies. The actions of parties can thus be explained by an examination of an individual's self interest which provides the motivation for their actions. The normative prescription that managers should maximise the profitability, or the utility provided from their firms is replaced by the positive assumptions that people always act from totally self-seeking motives and attempt to maximise their own personal returns (Jensen & Meckling 1976)

Eisenhardt (1988) describes agency theory in terms of cases where the principal knows what the agent has done since the principal is buying the agent's behaviour, a contract based on behaviour is most efficient. In the second case, the principal does not do what the agent has done. A self - interested agent may or may not have performed as agreed. Eisenhardt (1988) advocates that the principal has two options - to discover the agent's behaviour by investing in information or 2) to contract at least partially on the contract, Jensen & Meckling (1976) argue that the right to information stems from the need to ensure that the agent has actually performed the service or goal desired by the principal.

## **New Public Management**

New Public Management, which is underlined by a public sector management philosophy known as Managerialism (Guthrie & English 1997)

Parker & Gould, (1999) argue that

New public management is an adoption of private sector management techniques. They also argue that the public sector tends to adopt private sector management practices including the pursuit of efficiency and effectiveness of service delivery, where the government pays for the services but does not necessarily provide them (Parker & Gould 1999), (p110)

They further argue that public sector management has been transformed from being administrators and custodians of resources to being accountable managers empowered with greater delegated authority.

Brignall & Modell (2000) comment on the emergence of new public management as follows:

The growing Managerialism has been more or less equated with a re conception of performance in terms of efficiency, economy and effectiveness at the expense of non – financial, less easily measurable aspects endorsed by professional service providers (Brignall & Modell 2000), p 282)

This emergence of new public management has also been commented upon by the authors including (Broadbent & Guthrie 1992; Lapsley 1996; Lindkvist 1996; Pollitt 1986).

Managerialism includes the following five characteristics as detailed in the studies of Beringer, Chomiak & Russell (1986) and Davis, Weller & Lewis (1989):

- 1) Clear, consistent objectives – detailed in corporate plans, performance agreements and individual programmes.
- 2) Greater managerial autonomy – through delegation of ministerial authority, devolution of managerial authority to lower levels of the organization, and management training.
- 3) Performance evaluation – through the development of performance indicators at the organizational and individual programme level
- 4) Rewards and sanctions for senior public services managers; and Competitive neutrality for commercial authorities

The model of new public management which has emerged from the discipline of economics and management has had an enormous impact on service delivery in public sector organisations throughout the world (OECD 1995). Governments and public sector managers have sought to drive public sector change towards a model of best practice derived from the experience of successful private sector organisations.

### **Research Method**

This study aims to investigate current reporting practices of government departments in Australia by measuring the extent of performance indicators disclosed in the 2003/04 annual reports by Australian Federal government departments. This study is also based on an interview methodology whereby semi – structured interviews were conducted with the performance indicator preparer of 6 Australian Federal Government departments. These interviews were conducted simultaneously as the content analysis to enable comparisons of what performance indicators are disclosed and what the performance indicator preparer believes are appropriate indicators.

### **Content Analysis of Annual Reports**

Australian Federal government departments' performance reports contain financial and non - financial information relating to their particular programs and activities, as well as their expenditure, budget allocations and operations. This study involves the analysis of the 2003/2004 annual reports of thirteen Federal government departments. The thirteen federal government departments' categories are coded as AF1, AF2, AF3, AF4, AF5, AF6, AF7, AF8, AF9, AF10, AF11, AF12 and AF13. These were selected on the basis of their size (as per expenditure) and also their importance.

A content analysis of the Federal department's Annual Reports involved the extraction of a checklist of significant items of information pertaining to performance indicators. The identification of categories of

information considered relevant and important was loosely based on (Hyndman & Anderson 1995) taxonomy framework which focused on a three stage inputs to output ratio. Categorisation of the types of information into performance groupings was completed in a manner that sought mutually exclusive categories. This was necessary to ensure the allocation of each information item drawn from the content analysis of the performance report was categorised unambiguously.

The final checklist of disclosure categories is shown in Table 1. This figure includes categories of performance information, together with the definitions, and/or criterion used in making the categorisation. As shown in table one, performance indicator dimensions are divided into eight categories: efficiency, effectiveness, objectives, strategies, quality, inputs, outputs and results. These five dimensions are as per the (Hyndman & Anderson 1995) model. Only four of these can be really termed performance indicators in the accountability sense of those measures. Objectives, strategies and inputs are really input or process variables. Quality, outputs and outcomes are components required to develop efficiency and effectiveness measures rather than being accountability measures in themselves. However the Federal departments annual reports analysed disclosed all the categories in Table 1 as performance indicators thus highlighting the difficulty of government departments identifying performance indicators.

**Table 1**  
**Categories of Australia's Government Departments**  
**Performance Indicators**

Performance Indicator Disclosure Categories	Definition/Criteria Used
Quality	Degree of excellence of a good/service.
Quantity	Number/ amounts of goods/services being administered
Cost	The amount of the goods/service which requires payment
Timeliness	The time taken to receive the goods/service
Efficiency	Ratio of inputs used to outputs achieved.
Effectiveness	Extent to which outputs or outcomes achieved meet restated targets, objectives or policy directives
Outputs	Actual goods or services produced or delivered by the programs or reporting units.
Outcomes	Extent or quality of impact upon clients or situation arising from outputs.

Hyndman and Anderson (1995)

### **Interviews with Selected Performance Indicator Preparers**

Interviews were conducted during February 2006, were scheduled for an hour and lasted between forty minutes and one and a half hours in length. The length of the interview depended on the detail provided by the respondent. Six Australian Federal Government departments were interviewed. These departments are coded as AF1, AF2, AF3, AF4, AF5 and AF6. The interviews were semi – structured with set questions in the form of a questionnaire consisting of three sections.

Section one of the interview questionnaire included twenty questions on accountability and of these questions, seventeen were open – ended requesting the respondents to express an opinion on accountability relating to their department. Section two was based on performance indicators. This section was comprised of 16 questions concerning the use and dissemination of performance indicators and of these questions, six were open ended. The questions also asked where the answer was yes “For what purpose” This allowed the respondent to include additional information on how they use the performance

measures within their department. Section 3 of the questionnaire was a general section allowing the respondent to add extra information they felt pertinent to the issues raised in the interview. This paper is concerned with examining the extent of the types of performance indicators disclosed and used by Australian Federal Government departments. Hence only the data analysis from section two of the interview questionnaire will be used.

## Results

### Disclosure of Performance Indicator Information

The extent of disclosure of the various categories of performance indicator information by Federal government departments is shown in Table 2. This Table indicates the number of performance indicators each Federal Department discloses in their 2003/2004 Annual Report.

**Table 2**  
**Disclosure of Performance Information**  
**By Australian Federal Government Departments**

Discipline	Efficiency	Effectiveness	Output	Outcomes	Timeliness	Quality	Quantity	Cost	Total PIs
AF1	0	0	0	0	0	1	0	0	1
AF2	14	52	1	0	1	0	0	0	68
AF3	1	18	6	2	4	4	0	0	35
AF4	0	0	109	0	0	0	0	0	109
AF5	0	15	0	0	0	47	124	110	296
AF6	21	17	5	0	5	0	0	7	55
AF7	0	12	0	14	0	0	0	0	26
AF8	1	1	1	30	1	1	1	1	37
AF9	0	28	0	0	0	0	0	0	28
AF10	0	3	5	4	5	9	1	1	28
AF11	0	7	0	1	1	0	10	16	35
AF12	0	0	1	1	1	60	0	37	100
AF13	10	10	50	30	0	0	0	0	100
Total PIs	47	153	128	52	18	122	136	172	818

Table 2 shows that department AF2 disclosed the highest number of effectiveness indicators (52), and department AF6 disclosed the highest number of efficiency indicators (21), this department also disclosed 17 effectiveness performance indicators. This table also shows that only 10 Federal government departments are disclosing effectiveness performance indicators (76.9%) and 5 Federal departments

(38.46%) are disclosing efficiency indicators in their Annual Report. This result is surprising because it was expected due the impact of the new 'Managerialism' and new public management within the public sector that the disclosure of efficiency and effectiveness would be higher by Federal departments. In an interview with the performance indicator preparer of this department commented that:

The performance measures that relate to the three output groups are quantitative in nature and are essentially concerned with issues of efficiency and productivity in delivering audit products. They measures quantity, timeliness and cost. These three output groups are performance audit services, information support services, and assurance audit services.

Departments AF2, AF3, AF8 and AF13 are the only other departments of the sample disclosing efficiency indicators with a score of 14, 1, 1 and 10 indicators disclosed.

An interview with the Performance Indicator Preparer of department AF2 revealed that

Efficiency indicators are very important as they give an indication of the success or failure of the service delivery of my department". My department provides a very important service to the community and therefore satisfying community needs and expectations are our priority.

Another comment concerning the lower levels of efficiency performance indicators was made by the performance indicator of department AF2:

Annual reports are not mandatory (for internal use). Only reports on financial performance are presented to top management for information.

Table 2 also shows that the item "Cost" has the highest number of disclosures (13.23%) within Australian Federal Government departments. Department AF5 is the only department out of those interviewed that report cost as a performance indicator. Cost is regarded as an old type of performance indicator and the question was asked to the interviewee as to why their government department was disclosing only cost indicators.

The response was

I have been measuring and reporting on my department's performance for 20 years and had no problems. The Australian Federal Government does not make it compulsory as to what performance indicators are being reported so long as my department is reporting performance. As long as reporting performance indicators remain voluntary I will report my department's performance as I have always done.

Table 2 also shows that department AF1 only discloses one performance indicator "quality". The reason for the reporting of only one PI was explained in an interview with the performance indicator preparer of this department:

We do not report performance indicators in the annual reports due to the nature of the services and programs we provide it is impossible to report performance indicators as our strategies and objectives are constantly changing. Our strategy today maybe different in a week or months time as situations beyond our control arises

Lastly, Table 2 shows that all of the sampled interviewees disclosed at least one type of performance indicator within the annual report. This result is reasonably high considering the reporting of performance is not mandatory in Australia in Annual Reports. However, in respect of Managerialism, the results show that Federal government departments continue to report the older type of performance indicators, that of quantity, quality, timeliness, cost, outputs and outcomes. These older types of indicators total 448 of a total of 919 performance indicators disclosed. One possible explanation for the low disclosure of efficiency and effectiveness indicators may be that government departments are still relatively inexperienced at disclosing these indicators. This assertion is supported by respondents comments made at the interview. A question asked the respondents whether their department provides training to assist in both the preparation and understanding of performance indicators. Only 2 departments of the 6 interviewed provide training and understanding of performance indicators for their staff.

Table 3 discloses the responses to question 2 of the interviewee questionnaire as to the extent performance indicators disclosed by each sampled Australian Federal Government department in their Annual Report. The responses are coded 1 which represents that a particular performance indicator is disclosed in that department's Annual Report and 0 represents that a particular performance indicator is not disclosed.

**Table 3**  
**Extent of disclosure of Performance Information**  
**By Australian Federal Government Departments**

Discipline	Efficiency	Effectiveness	Output	Outcomes	Timeliness	Quality	Quantity	Cost	Total PIs
AF1	0	0	0	0	0	0	0	0	0
AF2	1	1	1	0	1	0	0	0	4
AF3	1	1	1	1	1	1	0	0	6
AF4	0	0	1	0	0	0	0	0	1
AF5	0	1	0	0	0	1	1	1	4
AF6	1	1	1	0	1	0	0	1	5
Total PIs	3	4	4	1	3	2	1	2	20

The results from Table 3 shows that effectiveness and outputs performance indicators are the most disclosed (4 performance indicators disclosed) by the 6 interviewees. The least types of performance indicators disclosed by interviewees are quantity and outcomes (1 performance indicator disclosed).

The results are surprising given the public sector reforms and push for the disclosure of efficiency and effectiveness performance indicators. In response to this result the interviewer asked the question to those departments that do not disclose this type of performance indicator – AF1, AF4 and AF5 why they consider efficiency indicators not as important as effectiveness indicators.

The response from the interviewee at department AF4 was:

In my department it is more important to achieve our objectives than what method I used to achieve it. When I go to the Minister with my department's report she is only interested in seeing what my department accomplished

As can be seen from Table 3 department AF1 reported no performance indicators yet Table 2 shows that 1 quality type performance indicators is disclosed by this department. This discrepancy was asked to the interviewee of department AF1 and the response was:

At the time of publishing the annual report one major objective was focused on quality of service of this department. This is a rare occurrence as the nature of our programs and objectives makes it difficult to report performance indicators as our programs and objectives are constantly changing. For the majority of the times we therefore do not report performance indicators for external purposes. We do use other methods of reporting our performance for the Minister and thus our performance measures are reported for internal purposes only

### **Use of Performance Indicator Information**

Table 4 shows that the greatest use of performance indicators by Australian Federal Governments is on a monthly basis – 31 performance indicators are used on a monthly basis out of a total of 104 (29.8%). The least use of performance indicators occurs on a semi-annual basis – 17 performance indicators are used on a semi – annual basis by Australian Federal Government departments out of a total of 104 (16.3%). The results from Table 3 show that Australian Federal Government departments are preparing performance indicators but they are not actually using them in line with public sector reforms.

This revelation was confirmed in an interview with a performance indicator preparer of an important government department AF2:

We are provided with a number of objectives from government that we must meet. Our aim is to achieve these objectives. The majority of performance indicators in our annual reports are only prepared to show the public that we are providing performance indicators but we do not use them for any other purposes. We have a different set of performance indicators that we report internally that we use for the purpose of achieving the government's objective for our department.

**Table 4**  
**Use of Performance Indicators by**  
**Australian Federal Government Departments**

**Quality**

**Quantity**

	Total Dept's using PIs	Percent		Total Dept's using PIs	
Weekly	1	8	Weekly	1	8
Monthly	4	33	Monthly	4	33
Semi-Annual	1	8	Semi-Annual	1	8
Annually	3	25	Annually	3	25
Never Use It	5	38	Never use it	4	16
Total	13	100.0	Total	13	100.0

**Cost**

**Timeliness**

	Total Dept's using PIs	Percent		Total Dept's using PIs	
Monthly	4	33	Monthly	3	25
Semi-Annual	1	8	Semi-Annual	1	8
Annually	3	25	Annually	4	33
Never Use It	5	38	Never use it	5	38
Total	13	100.0	Total	13	100.0

**Efficiency**

**Effectiveness**

	Total Dept's using PIs	Percent		Total Dept's using PIs	Percent
Gt than Weekly	1	8.3	Gt than Weekly	1	8.3
Monthly	4	30.7	Monthly	2	16.7
Semi-Annual	2	16.7	Semi-Annual	2	16.7
Annually	2	16.7	Annually	3	25
Never Use It	4	30.7	Never use it	5	41.7
Total	13	100.0	Total	13	100.0

**Outputs**

**Outcomes**

	Total Dept's using PIs	Percent		Total Dept's using PIs	Percent
Gt than Weekly	1	7.6	Gt than Weekly	1	7.6
Monthly	5	38.46	Monthly	5	38.46
Semi-Annual	4	30.76	Semi-Annual	5	38.46
Annually	2	15.4	Annually	2	15.3
Never Use It	1	7.6	Never use it	0	0
Total	13	100.0	Total	13	100.0

Table 4 also shows that 9 out of 13 departments (69.2%) use efficiency indicators and 8 out of 13 (61.5%) departments use effectiveness type performance indicators to assist management decisions. In terms of the

older types of performance indicators such as quantity, quality, timeliness and cost, the results show that: 9 out of 13 (69%) departments use quantity type performance indicators and 8 out of 13 (61.5%) departments use quality, timeliness and cost type performance indicators.

Table 4 further shows that the greatest number of performance indicators used by Australian Federal Government departments is outcomes - 100% (all 13 sampled departments use outcomes to measure their performance). This result is confirmed by the 6 interviewees. The interviewees all spoke about the importance in the Australian Federal Government departments to achieving outcomes. The relative minister presents each department with a set of objectives to achieve for the coming year and then at the end of the time the minister returns to the government department expecting those objectives to be met hence outcomes. The Minister is not concerned with how the government department achieves their objectives; he or she only wants to know what is achieved. The government gives each Federal department a certain amount of funds to provide services to the community and in turn the department reports their achievement of meeting their objectives hence outcomes. The results from Table 4 show that Australian Federal Government departments are preparing performance indicators but they are not actually using them in line with public sector reforms.

## **Conclusion**

Since the introduction of public sector reforms of the 1980s there has been little research in the public sector literature examining the extent of disclosure of the types of performance indicators in the annual reports of Australian Federal Government departments. This study analysed 13 Australian Federal government departments performance related information by a content analysis of their 2003/2004 Annual Reports. Performance indicators were measured by their presence in the departments' Annual Report. In addition, 6 semi-structured interviews were conducted to determine the extent of disclosure of the types of performance indicators disclosed by Australian Federal Government departments.

The Office of the Auditor – General Western Australia argues that the two key indicators of efficiency and effectiveness are:

An essential component of the accountability process enabling people external to the organisation to assess the extent to which program or entity objectives have been achieved" (Office of the Auditor General Western Australia 1999), p.6)

The results from Table 2 showed that Australian Federal government departments are disclosing more effectiveness indicators than efficiency indicators in their Annual Report such as department AF2 disclosed the most number of effectiveness indicators (52) and 10 of 13 Federal departments (76.9%) are disclosing effectiveness indicators in their Annual Reports. In relation to efficiency indicators, Table 2 also shows that Department AF6 disclosed the highest number of efficiency indicators (21) and only 5 of 13 Federal departments (38.46%) disclosed efficiency indicators in their Annual Report. Further the most disclosed indicator was "cost" (172 indicators disclosed in Annual Reports). However, there are some Federal Departments not disclosing any efficiency or effectiveness indicators such as departments AF1, AF4 and AF12. These results show that while some Federal departments have embraced the Managerialism movement and are disclosing efficiency and effectiveness indicators, there are some Federal departments that regard other performance indicators more meaningful. Therefore further examination needs to be made to determine what factors influence the disclosure of the types of performance indicators that Federal government departments are disclosing in their Annual Reports.

The results in Table 3 showed that 4 of 6 (66.66) interviewees disclose effectiveness indicators more often in their Annual Reports. The least type of performance indicators disclosed is outcomes and quantity, 1 of 6 (16.66%) interviewees disclose this type of performance indicator in their Annual Report.

The interview results from Table 4 show that Australian Federal Government departments use performance indicators more often on a monthly basis. From the interviewees there was an impression given that the relative Federal departments embraced public sector reforms and Managerialism, however the results from this study indicate that there is no particular directive across Australian Federal departments to develop a standardised set of performance indicators for comparison between departments.

The overall results show that Australian Federal Government departments are preparing performance indicators on a regular basis but they are not necessarily using them to assist in management decisions. Future research could replicate this study and undertake a comparison with another OECD country that has also embraced public sector reforms such as Canada or the United Kingdom.

An important limitation to this study is that the measurement of disclosure levels of the different types of performance indicators has relied on an element of judgement by the researchers when undertaking the content analysis of annual reports. All disclosed PIs were allocated into a specific single category for scoring purposes, although there were cases in which the PIs may have fallen between two categories. In addition, the inclusion or omission of the PIs required some judgement, particularly disclosure of non - quantitative nature.

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