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SOCIETY INC.

Australasian Evaluation Society (AES) Inc.

Submission to the Joint Committee of Public Accounts and Audit Inquiry into Development of Commonwealth Performance Framework

April 2015

Introduction

The Australasian Evaluation Society (AES) would like to thank the Joint Committee of Public Accounts and Audit (JCPAA) for the opportunity to make a submission to the Inquiry into Development of Commonwealth Performance Framework

The AES is a member based organisation in Australasia for people involved in evaluation including evaluation practitioners and commissioners, managers, teachers and students of evaluation, and other interested individuals. It has 900 members involved in all aspects of evaluation and performance measurement, with many either undertaking work within or for the Australian Public Service.

The aims of the AES are to improve the theory, practice and the use of evaluation.

The introduction of the *Public Governance Performance and Accountability Act 2013* and its associated draft *Enhanced Commonwealth Performance Framework* is of great interest to the AES and its membership. The AES and its members have been long aware of the role that evaluation can play in supporting effective policy and program design, implementation and accountability. For the AES membership which includes both internal and external evaluators, the implementation of a new performance framework system for the Australian Government is of both great interest and high impact – for example already the AES is aware of a number of entities responding to the forthcoming performance framework by either investigating or reviewing how evaluation practice can contribute to accountability reporting.

The AES is also interested in ensuring that both the Australian Government and the wider evaluation community of practitioners are 'on the same page' in terms of how evaluation is conceptualised, commissioned and undertaken. Additionally, there is now several decades' worth of 'lessons learnt' within evaluation practice and literature regarding accountability and performance reporting, and the AES and its members' hope that this cultural, educational and technical knowledge can be effectively leveraged by the Commonwealth going forward.

Recognising that it is, and will continue to be, an ongoing complex and challenging task, the AES commends the progress made to date to introduce the new enhanced Commonwealth Performance Framework to improve performance governance and accountability reporting to the Parliament and the public. In particular, the AES supports the policy direction taken on:

- recommending the use of different ways to measure, assess and report on performance beyond the historic over-reliance on measurement and quantitative Key Performance Indicators (KPIs);
- accommodating the size, diversity and varying purposes of Commonwealth entities through a 'fit for purpose' approach;
- identifying the cultural, educational and technical challenges that can be expected in introducing a new framework; and
- providing a staged and iterative implementation of the Framework and the expectation that the Framework will be further developed over time.

This submission is offered as a formal response from the Board on behalf of AES members, and provide and suggestions to help assist with ongoing development. The AES would be happy to follow up with meetings or further input and support if desired.

Consistent with the aims of the AES, the comments provided are intended to:

1. Improve the use of evaluation, particularly for the purpose of accountability reporting to assist government decision-making, and inform the Budget process;

2. Outline the drivers of user-focussed accountability reporting that need to be aligned for the successful implementation of the Framework; and

3. Locate measurement within a performance management system.

The AES submission was developed by a Working Group comprised of AES members with broad experience in policy development, program design and implementation, audit, monitoring and evaluation, both within and for Government at Australian jurisdictional and international level. It comprises the following parts:

PART 1 The role of evaluation in and its contribution to a performance framework.
PART 2 Comments against the terms of the inquiry.
PART 3 Overview of previous AES submissions to the Department of Finance on the PGPA and the Enhanced Commonwealth Performance Framework.

The AES looks forward to being able to provide ongoing support to the development and implementation of the Enhanced Commonwealth Performance Framework. If the JCPAA wishes to discuss or inquire about any aspect of this submission, the AES is available to do so - please contact the AES Executive Officer at ████████████████ .
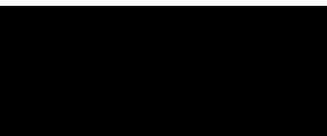
Dr Lyn Alderman

President
Australasian Evaluation Society
April 2015

Acknowledgements

The AES Board acknowledges the work of the AES Government Engagement Working Group (GEWG) in preparing this submission and the AES members who commented on the Framework.

PART 1. THE ROLE OF EVALUATION IN AND ITS CONTRIBUTION TO A PERFORMANCE FRAMEWORK

The performance information for accountability reporting comes from a program's performance management system. Program monitoring and evaluation are essential technical components of such a system.

While many definitions are used, monitoring and evaluation generally encompasses the systematic collection and analysis of information to answer questions, usually about the effectiveness, efficiency and/or appropriateness of an ongoing or completed activity, project, program or policy. The complementary relationship between monitoring and evaluation within a performance management system can be understood as:

> *Monitoring* – measures progress towards achieving a pre-determined government Purpose or Program Objective. This involves either direct measurement or, where direct measurement is not possible, using a set of 'indicators' to obtain information about changes to the important attributes of success. Indicator-based performance information usually provides only partial information upon which to form a judgement about the impact of a Program; and

> *Evaluation* - answers questions about whether government objectives have been achieved and the extent to which Program activities contributed to the entity's purpose. Through careful data collection (quantitative and/or qualitative) and analysis, evaluation incorporates monitoring and additional complementary descriptive performance information to make assessments, form judgements about success and inform decisions about future programming.

The evaluation profession has its strongest roots in social and educational program evaluation. However, it has also developed semi-independently in a number of other fields, including international development, industrial engineering, health, human services, policy studies, industrial and organizational psychology, information technology, and consumer product testing. Paralleling the rise in demand for evaluation skills across multiple sectors has been an increase – particularly in the United States - in the number of graduate programs where it is possible to major in evaluation. Most of these are currently housed in departments or schools of education, psychology, or educational psychology[1]. Evaluators need special empirical research skills along with a range of evaluative skills. The repertoire of empirical skills includes those used for social science research, with its emphasis on hypothesis testing, nonetheless must include more than those required for traditional social science research[2].

While evaluation is at times thought of as an 'end of' activity (commonly referred to as *summative* or *impact* evaluation), it is also a powerful tool in program design and implementation (referred to as *formative* evaluation). Evaluative inquiry therefore can be undertaken across the policy and lifecycle in order to:

- support the identification and measurement of need and/or best practice for a policy or program;
- make clear and strengthen policy and program conceptualisation and design (including what the expected key activities, outputs and outcomes are, when these are expected to occur

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[1] Davidson, E.J. (2007) *The Discipline of Evaluation: A Helicopter Tour for I-O Psychologists*. Western Michigan University. The Industrial-Organizational Psychologist

[2] Scriven, M. (2003) *Differences between Evaluation and Social Science Research*. Volume IX, Number 4, Winter 2003/2004 Issue Topic: Reflecting on the Past and Future of Evaluation. Harvard Family Research Project.

and in what sequence, and what data is needed to measure these);

- support implementation both through testing implementation fidelity as well as identifying opportunities for improvement during roll-out;
- inform ongoing program management through the identification and production of sound data and indicators; and
- identify the outcomes and impacts of the policy or program.

When it operates across the program and policy life-cycle, evaluation makes a significant contribution to an entities performance framework, contributing to the development of its underlying architecture, as well as contributing to the delivery of knowledge, evidence and performance information. This enables entities to ascertain and report on the level to which they are achieving their purpose. This contribution was noted by the National Commission of Audit, which stated

"*The absence of proper program evaluation and the proliferation of programs, grants and bodies are major contributors to Commonwealth inefficiency. Changing the way the Commonwealth does business with a greater focus on results is paramount.*"[3] [4]

More specifically, evaluation provides:

- a source of evidence for good practices, and lessons for improved program and policy design;
- a knowledge resource of strategic intervention designs which work;
- a means for ensuring accountability through focused reporting; and
- a key input in advocacy strategies to make the case for important public policy decisions. (Segone, Catsambas, Rugh & Karkara 2014[5])

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[3] National Commission of Audit, *Towards Responsible Government* Phase Two pg 3
[4] The Commission also noted: 'Conducting evaluations is not an end in itself. While evaluations are useful for ongoing programme management, the limited visibility of evaluation at the centre of government decision-making, the Budget process, indicates that even the evaluation currently being undertaken is not being used to its potential.' (Phase Two, pg 71)
[5] Segone, S., Catsambas, T., Rugh, T., & Karkara, N. (2014) *Advocating for Evaluation - A toolkit to develop advocacy strategies to strengthen an enabling environment for evaluation.* UNICEF.Available at http://www.mymande.org/sites/default/files/toolkit/UNICEF%20NY_Advocating%20for%20Evaluation_Web_1.pdf

PART 2. COMMENTS AGAINST THE TERMS OF THE INQUIRY

1. **Introduction**: Evaluation practice can contribute to accountability reporting, although it is widely recognised that the current system provides evaluation with limited visibility to the centre of government decision-making. For internal and external evaluators alike, the implementation of a new performance framework system has drawn their attention to how evaluation practice can contribute to accountability reporting. How can we support program manager tell their performance stories and glean greater insights about effectiveness, what works, and why? How can we support entities report aggregated data at the level of their Purpose by better combining available data at the activity or program level? How can we improve the quality and usefulness of monitoring and evaluation data that has been obtained from program and service delivery providers to be suitable for meaningful aggregation at a national level? When can program evaluations also be used for government decision-making, particularly for the Budget process? And importantly, how do we ensure that the provision of meaningful performance information is both cost-effective and accountable?

   Inevitably our discussion goes beyond technical topics. The greatest obstacles to performance systems are human and cultural, not technical. The AES perspective is that accountability needs to be user-focussed and recognise the institutional, financial and political obstacles to effective performance reporting that intersect with the measurement and other technical constraints. Comments are provided against the terms of the Inquiry with broader issues raised against the first criteria and the technical measurement issues discussed against its three sub-components.

> **1: Enhancing the effectiveness of key performance information under the framework**

2. **User-focussed reporting under the framework:** The AES recognises that the effectiveness of performance information should be judged on how useful it is to its intended users. The principal consideration of reporting 'high level' performance information is that it is easy to understand, answers questions about whether government objectives have been achieved and the expected value realised. Generally, performance reporting is more effective when its intended use is given prime consideration throughout its planning and coordination phases. The clearer the understanding of how the information will be used, the more likely that the process will be conducted in ways that enhance the likely utilization of both the information reported and the usefulness of the process itself. Rather than focussing on how to generate numbers, the *Improved Performance Methodology*[6] encourages entities to focus on really important performance questions and the priority information needs of the target audience. For decision makers operating complex programs, actionable knowledge and performance information that reduces uncertainty can be important. Principles for staying user-focussed include:

   - Remaining intentional about the purpose of reporting and responding to the priorities of the intended user and their questions
   - Prepare users for counter-intuitive findings
   - Communicate information succinctly, including using graphics and other visuals where possible

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[6] It is one of the foundation elements of the enhanced Commonwealth Performance Framework. The emphasis on 'enhanced flexibility is expected to substantially improve the quality of non-financial performance measures and the information they provide'. (Resource Management Guide 124 p7)

- Follow up with intended users to facilitate and remind them of the implications of the information to enhance use.[7]

3. **Align the drivers:** Improving a performance accountability system requires a coordinated approach to address both the demand side for quality performance information; and the technical challenges of producing quality data. Transitioning to the improved approach will require aligning the institutional, financial and political drivers of user-focussed accountability reporting.

Attachment A provides a graphical depiction of the drivers of user-focussed accountability system. This logic model suggests that explicit incentives for accurate and meaningful performance information need to be in place to motivate desirable behaviours and that they need to be seen to outweigh the benefits of avoiding meaningful reporting. Distinctions are made between the type of behaviours that will and will not be rewarded. The effectiveness of performance reporting is demonstrated when the information is used and this acts as a feedback loop to further improve the system.

4. **Institutional drivers**: The AES recognises that many entities lack the robust monitoring and evaluation system upon which performance accountability reporting relies and encourages the Committee to consider options for addressing the critical systemic challenges that are necessary for successful implementation of the Framework, including:

   o The importance of performance leadership and champions who are committed to evidence-based approaches to decision making
   o The maintenance of knowledge production and management systems (which ranges from information technology systems through to practices and infrastructure such as evidentiary repositories, Clearinghouses, strategic frameworks and data warehouses that enable entities and their staff to conceptualise and access required information)
   o The staff capacity that needs to be built in areas such as Information Technology, research and evaluation, conceptual and data analysis in order to acquire, analyse disseminate and utilize performance information
   o That there is accountability for developing performance management systems directed to learning and improvement. A performance culture, based on sound social science principles, where effectiveness is not assumed and poor performance is exposed and dealt with constructively. For this approach, using performance information as much for learning as it is for accountability can help strengthen an agencies' willingness to develop sound performance management systems *and* to report on the findings and insights that these produce. Reporting on the development of rigorous performance management systems, which emphasises program learning, should be encouraged
   o Effective communication strategies to ensure that the providers of performance information know what's expected and that mechanisms are in place to provide for review of the quality of performance measures and for checking of the accuracy of the measures reported
   o Desirable behaviours are reinforced through the provision of appropriate incentives and reward.

Some of the key dynamics and assumptions underlying a successful Enhanced Commonwealth Performance Framework as the AES perceive them are outlined in the logic model at Attachment A.

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[7] http://betterevaluation.org/plan/approach/utilization_focused_evaluation

5. **Financial drivers:** Creating performance information, its analysis, interpretation and presentation on an annual basis is expensive. The financial implications associated require pragmatic choices are made about what to focus on and this usually involves selecting a succinct and parsimonious set of indicators which achieves a balance in favour of data drawn from automated administration systems over the generation of new data. The scale of spending on a policy issue and its significance will have a bearing on the investment in its knowledge management system. In addition, user-focused reporting can change the cost-effectiveness proposition because the information is more likely to be used.

6. **Political drivers**: Like entities themselves, their programs and their interpretation of effectiveness are political creations and without a learning and improvement focus, performance reporting simply because a mechanism for taking credit for success or blaming for failure. Paradoxically, the primary users of accountability reporting are not inclined to investigate poor performance that could damage their reputation. Therefore, it's imperative that if genuine performance reporting is expected, its users must create the demand by conveying their expectations about the quality of reporting that they expect to see.

   The AES is of the view that for an enhanced performance reporting framework to succeed, it must be supported by an environment where the reporting of both what works - and what doesn't - is equally respected and supported. Entities and their staff must be not only be allowed to engage further with risk in developing and implementing policies, they need to be encouraged by key stakeholders such as the Parliament adopting an 'accountability by learning' perspective. Practically speaking, this means supporting entities and their staff by encouraging and rewarding them for openly acknowledging where both success and either non-success or issues exist, so these can be leveraged and built upon in the case of success and addressed in the case of issues or lack of success.

1.1: Performance measures that both foreshadow and subsequently assess the impact of government programs

7. **Performance management system**: Program monitoring and evaluation are the essential technical components of a performance management system. Although there isn't a single standard approach (and terms can be used interchangeably), the following series of choices are generally followed to provide robust performance information about the progress being made towards the objective and the subsequent assessment of the programs impact:

   a. *Scoping*, including setting the parameters of the performance management system and confirming its purpose. This should involve establishing clear links between the immediate needs of program managers for program learning and improvement and the information needs of government decision-making, including for the Budget process.
   b. *Program Theory and Program Logic*, including the results chain (also known as the 'causal chain'), for firstly clarifying how the policy, program or intervention is either known or is expected to work and bring about something worthwhile; and also testing whether it's actually plausible (refer to the next section for further information).
   c. *Key questions* which establish what needs to be known about performance, including about effectiveness, efficiently and quality.
   d. Selection of performance indicators and targets, data collection processes and tools that will be used to *monitor progress* towards intended results, based on the results chain
   e. Selection of the criteria and standards, and the methods that will be used to *evaluate the value of results achieved.*
   f. *Data collection methodologies* and *knowledge management.*

> g. *Data analysis and synthesis methodologies*, including analysing evidence to understand what has caused the observed outcomes. This analysis needs to properly assess alternative explanations and establish an accurate picture of the program's contributions, including their value and how they were achieved.
>
> h. Learning, Reporting and Dissemination Strategies to support the *use* of conclusions, recommendations and lessons about effectiveness (what works).

8. **Results chain:** Program Theory and Program Logic[8] inform the selection of performance measures which help to foreshadow and subsequently assess the impact of programs. Generally, program logic focuses on the process of implementation and program theory provides a modest interpretation of a relevant social science research theory. They set out the results chain (e.g. short-term, medium and long-term changes) that are expected to be observed and these can be used to identify relevant performance indicators and targets, data collection processes and tools.

   The process, broadly speaking, is to first consider the highest level of the program, the overall impact or result, and consider whether it is practicable to directly measure that result. If so, this is obviously a key performance indicator. However, because the impact is hard to measure, or is only to be realised after a number of years, it is sometimes necessary to step down the logic model to intermediate outcomes, outputs, processes and, at the extreme, inputs. At each level the question is asked whether there is a practicable way of measuring the outcome, output or process, and to check that there is a clear logical link from the measure to the final impact. In this way, measuring at, say, the process level will give an indication of future success provided that processes are sufficiently well validated that carrying them out as planned is likely to lead to success.

9. **Complexity-awareness:** Because the efficacy of performance measurement partly depends upon the cause and effect relationship between the program outputs and its results, it is worth paying attention to why performance measures (providing a direct measurement) are not always possible. Performance 'measures' to measure changes to the important attributes of success work well for:

   - Programs that deliver services, or roll out, replicate, or scale up tried and true strategies or transactional oriented interventions where the output delivered is a reliable indication of achieving the intended results; and
   - Interventions designed to bring about change where a linear theory of change is highly plausible and likely, if yet unproven.

   On the other hand, measures on their own provide little insight for:
   - Programs where cause and effect relationships are poorly understood, particularly 'innovative' interventions where the collective behaviour of groups to adapt to changed circumstances or how people will choose to use resources is yet to be established;
   - Interventions with adaptive management arrangements to make refinements and steer effectively in dynamic contexts; and
   - Programs that seek to influence social change or innovate to discover new solutions.

   These type of programs are considered '*complex*' and may be suitable for monitoring that uses non-numerical / descriptive indicators of the important attributes of success and additional, complementary descriptive performance information.

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[8] Attachment A provides an example of a logic model for an incentive based intervention that was developed for this submission to the Inquiry.

The flexibility granted under the *Improved Performance Methodology* better accommodates complex programs and reinforces the links between planning, monitoring and evaluation, implementation and performance reporting. It will important for entities to be allowed room to trial better ways of using non-numerical/ descriptive indicators and for exemplar cases to be identified to guide other entities.

10. **Impact assessment:** Information about the impacts produced by an intervention - positive and negative, intended and unintended, direct and indirect, come from an impact evaluation which establishes what has been the cause of observed changes (the 'impacts'). Other interventions and changes occurring before, during or after that can alter results achieved should be identified and investigated in the assessment. If an impact evaluation fails to systematically undertake causal attribution, there is a high risk of incorrect findings which can lead to incorrect decisions.

   Performance measures for assessing the impact of government programs should:

   - Focus on the elements of the program logic and program theory that are important, even if it's not easy or possible to measure them directly it precisely;
   - Include unintended impacts and information about the context and quality of implementation;
   - Reduce opportunities for data corruption and misrepresentation;
   - Enable appropriate comparisons whether that involves comparison groups, before and after comparisons or modelling counterfactuals; and
   - Use a range of data in the synthesis.

   However an impact assessment should only be undertaken when its purpose is clear and intended users of the information have been identified. Prioritizing interventions for impact evaluation should consider:

   - the relevance of the impact to the organisational or development strategy
   - its potential usefulness, including for accountability
   - the commitment to using its findings
   - the availability of resources
   - the limits of randomisation
   - timing - when conducted belatedly, the findings come too late to inform decisions. When done too early, it will provide an inaccurate picture of the impacts (i.e. impacts will be understated when they had insufficient time to develop or overstated when they decline over time).

11. **Contribution analysis and performance story reporting:** Rarely can a performance measure speak for itself. Instead, emphasis should be placed on supporting program managers to interpret the data and tell the 'performance story'. *Contribution analysis and performance story reporting* (outlined in RMG 131) is an appropriate approach to using performance information to foreshadow and subsequently assess the impact of government programs. This evidence-based narrative approach to performance reporting should not be viewed as a distinct monitoring or evaluation tool or approach, just one that places an even stronger focus than usual on:
   - Clarifying the program logic/ theory and results chain (refer to 7b and 8 above); and
   - Analysing evidence to understand what has caused the observed outcomes (refer to 7g above).

   This analysis is needed to be able to properly assess alternative explanations and establish an accurate picture of the program's contributions, including their value and how they were achieved. The deeper analytical engagement by program managers that is required for the

Contribution analysis and performance story reporting approach may help to improve the overall effectiveness of performance reporting.

> **1.2: Criteria that performance information must satisfy, to enable performance comparisons across Commonwealth entities and ensure auditable performance information**

12. **Criteria for performance measures:** Many guidelines of different governments and NGOs, and also several academic papers have attempted to define criteria for performance measures – of which the most common is the SMART set of criteria. However, it is almost impossible to satisfy all criteria at the same time. A recent AES conference paper[9] synthesised a range of sources in order to identify commonly used criteria for performance measures. This exercise produced a set of criteria for performance measures intended to be used, at least in part, for accountability purposes, including that measures should be:

    - Relevant: A measure can be very well defined, however unless it says something relevant about performance then it is not useful
    - Measurable: A pre-requisite is that the measure is, indeed, measurable – that it results in a number or at least a well-defined qualitative assessment
    - Clear: A measure should be clear and well-defined. This encompasses at least an outline of how it is to be calculated, and the desirable direction in which it should be heading.
    - Accurate: This encompasses validity, lack of systemic bias, and precision, and that the measurement responds reasonably quickly to changes in underlying performance.
    - Complete: Taken as a whole, the measures cover all significant aspects of performance.

13. **Comparisons:** The Committee seeks comparisons across Commonwealth entities. The reason for this is understood. However, AES considers that it is more important that measures reflect the purpose of an organisation, leading to performance measures varying considerably across Commonwealth entities. Performance information should answer fundamental questions about whether government objectives have been achieved and how worthwhile they have been. User-focussed accountability reporting is useful where it provides actionable knowledge and reduces uncertainty about the value of the results being achieved.

    Comparison across Commonwealth entities is feasible where entities have very similar internal or corporate processes however this is not the level at which accountability reporting should be focussed. Because entities each have their own government objective against which performance is reported, the issue over comparison across entities is a diversion and largely counterproductive.

14. **Auditable performance information:** A performance management system involves reliable knowledge management and robust monitoring and evaluation based on systematic processes and adherence to an evaluation logic described earlier (refer to 7 above). An evidentiary trail of the processes will ensure that performance information is auditable.

> **1.3: Reporting of high level, quantitative key performance information across Australian government**

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[9] Smith, Graham (2015) *Are performance measures in Australian Governments getting DUMBer or SMARTer?,* Conference paper (unpublished), abstract available: https://cdn.auckland.ac.nz/assets/business/about/seminars-events/2015/February/SMITH%20Australian%20governments.pdf.

15. **High level, quantitative key performance information:** This is a challenge. It is recognised that in some circumstances, including high level cross-Government objectives, performance is difficult to measure quantitatively and it takes a long time to reach consensus on what would be reasonable to report.

16. **Flexibility:** The AES recognises that traditionally the measurement paradigm has been deeply embedded into accountability reporting and the AES applaud the enhanced flexibility as a foundation elements of the enhanced Commonwealth Performance Framework. This flexibility is expected to substantially improve the quality of non-financial performance measures and the usefulness of information provided. For entities which have been finding KPIs to be an inadequate tool for accountability reporting, this new flexible approach enables them to choose from a wider range of monitoring and evaluation approaches to start presenting more meaningful performance information.

    The AES finds that program managers want to use performance information to influence policy, program design and implementation decisions and strive to report with credibility. However, there needs to be some rigour and structure about narrative assessments. Performance reporting based on performance story reporting should be prepared in such a way that the evidence used is clearly laid out, and the processes used to reach the conclusion are transparent, meaning that the overall assessment is well argued and capable of being independently reviewed. Strategies to emphasise the importance of credibility in performance reporting and help temper this natural tendency towards self-congratulatory or self-flattery approaches include:

    - Expectations for the quality of accountability reporting are conveyed to entities
    - The organising framework for the performance story reporting is the program logic, program theory and results chain;
    - Reporting should incorporate an analysis of evidence about what has caused the observed outcomes;
    - Reliable processes are in place to identify improved performance reporting;
    - Entities take a coordinated approach to addressing the critical systemic challenges that exist within the real-life political context of accountability, including through creating strong internal performance cultures where effectiveness is not taken for granted;
    - Entities build essential technical capacity in performance monitoring and evaluation across the program life-cycle;
    - Formal recognition processes reward desirable behaviours; and
    - Regular independent evaluations are conducted.

2. Enhancing the effectiveness of performance documentation under the framework
including annual reports corporate plans and Portfolio Budget Statements

17. The AES is supportive of the respective proposed rules, functions and content of, and inter-relationships between, the Portfolio Budget Statements, Corporate Plan and Annual Reports.

Enhancing the effectiveness of the Public Governance, Performance and Accountability Act 2013 rule and Department of Finance Resource Management Guides for the Commonwealth performance framework

18. The Department of Finance should be commended for undertaking the range of consultation processes that it has to date. Developing the Enhanced Commonwealth Performance Framework is a technically challenging task with impacts for a range of stakeholders both internal and external. It is pleasing to see the evolution of proposed draft guidance documents and how these have developed through these consultations.

19. **Further work:** RMG 131 signalled a shift towards *Contribution analysis and performance story reporting*. This approach addresses many of the challenges with performance reporting although questions about its application at a high level, and on an annual accountability basis require further work to ensure that it can be successfully operationalised. RMG 131 could include several exemplars and further practical information about how to undertake this approach.

Commonwealth entity requirements concerning implementation of the performance framework

20. **Capacity building:** The AES appreciates that implementation of the PGPA within Government agencies and funded entities will require substantial ongoing capacity building. Professional development which may be needed could include:
   - Executive level master-classes and mentoring to support performance leadership and developing a performance culture;
   - Access to high level technical expertise on the process of developing performance information;
   - Training modules for program and policy staff on information and knowledge production and management systems;
   - Participation in sessions at the relevant forums focussing on the implementation of the Framework;
   - Research and publication on the progress of the Framework; and
   - Discussion on the potential benefits of an Australian Government Evaluation Policy.

Australian and international models

21. **Improving the quality of performance measures:** The AES has observed, when comparing performance measurement regimes across various jurisdictions, that the quality of performance measures tends to be better where there is more rigorous review of these performance measures, and lower quality where agencies are permitted free reign to design their own. In other words, the mantra of performance measurement, 'what gets measured, gets managed' applies to the discipline of performance measurement itself. It is recognised that the Auditor-General has the power to audit performance measures, however there is not the requirement, as in several other jurisdictions, for routine auditing, as part of regular financial statement audits, of budget-related performance measures.

Any other relevant matters

22. **Harmonisation of 'Performance' concepts across government:** Two central government agencies have been discussing 'performance' with different meaning and intention:

   - For the PGPA, 'performance' is concerned with 'program performance in the context of agency effectiveness in achieving its objectives; and
   - The Australian Public Service Commission (APSC)'s 'high performing agency' and associated performance framework[10] relates principally to staff performance and highly-motivated staff. The various background documents empathise performance at the micro level of the individual agency or officer.

What has been missing is recognition of the two approaches and establishing links between them by referencing performance described in annual performance statements to the "high performing agency" material from the APSC.

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[10] http://www.apsc.gov.au/projects/performance-framework

Part 3 Overview of previous AES submissions to the Department of Finance on the PGPA and the Enhanced Commonwealth Performance Framework

The AES has previously made submissions to the Department of Finance through its consultation processes regarding the PGPA, its associated rules and the Enhanced Commonwealth Performance Framework. The following summarises the thrust of these:

- **Opportunity to enhance performance management**: The AES recognises that traditionally the measurement paradigm has been deeply embedded into accountability reporting and we applaud the Department of Finance's efforts in pursuing the highly innovative *Improved Performance Methodology*[11]. For entities which have been finding KPIs to be an inadequate tool for accountability reporting, this new flexible approach enables them to choose from a wider range of monitoring and evaluation approaches to start presenting more meaningful performance information.

- **Active role for evaluators**: The AES welcomes the opportunity that this methodology presents for internal and external evaluators to take a more active role in performance accountability reporting and to contribute evaluative thinking and techniques to performance measurement, analysis, performance assessment and performance management. Performance management starts with inherently sound conceptualisation, design and implementation of public policy and programs, as well as the identification, collection, analysis and reporting of relevant and reliable information (whether qualitative or quantitative in nature). Evaluative activity can provide strong support for both. The APS already possesses some evaluative expertise and capacity, as indicated by the AES members who are in the APS, and the membership of the APS Evaluation Practitioner Network.

- **Need to develop leadership and system to support change**: The AES recognises that improving data quality within a Performance Accountability system requires a coordinated approach to address both the technical challenges of producing quality data and the systemic challenges that exist within the real-life political context of accountability. While the focus of this submission is to provide feedback on the technical aspects of the *Improved Performance Methodology*, the AES encourages the Department of Finance to continue to engage in discussions on how to address the critical systemic challenges that are necessary for successful implementation of the Framework, particularly performance leadership and champions, information and knowledge production and management systems, cultural change and capacity building.

- **Establishing monitoring and evaluation functions in the accountability reporting system:** The AES recognises that performance accountability reporting involves presenting a succinct and parsimonious set of performance information and its assessment in order to answer fundamental questions about whether government objectives have been achieved. While information used for accountability reporting is derived from an entity's monitoring and evaluation system, it does not represent the totality of performance information available through this system. The challenge for the Commonwealth Performance Framework includes sharpening an entity's performance accountability responsibilities within its monitoring and evaluation system, and strengthening its monitoring and evaluation practices for this purpose.

- **Building capacity and supporting cultural change**: AES also recognises that many entities lack the robust monitoring and evaluation system upon which performance

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[11] It is one of the foundation elements of the enhanced Commonwealth Performance Framework. The emphasis on 'enhanced flexibility is expected to substantially improve the quality of non-financial performance measures and the information they provide'. (Resource Management Guide 124 p7)

accountability reporting relies. Transitioning to the innovative improved methodology will require capacity building and cultural change.

- **Accountability for developing performance management systems directed to learning and improvement:** The AES supports the Department of Finance's intention to encourage entities to adopt a risk based approach to management and encourages the Department to consider encouraging a culture of 'accountability by learning' as this could help strengthen agencies' willingness to develop sound performance management systems *and* to report on the findings and insights that these produce.

The AES also encourages the Department of Finance to incorporate accountability for developing rigorous performance management systems, which emphasises program learning and improvement, into the new Framework. Expecting entities to report on the progress of their programs' performance management system appears essential, given the intent of the PGPA and acknowledging that some entities have a history of neglecting their performance management and accountability responsibilities.

Logic Model
for aligning the drivers of user-focussed accountability reporting

Interventions

1. Expectations for the quality of accountability reporting which initially foreshadow and subsequently assesses the impact of government programs and the systems that underpin it are conveyed to entities.

2. Reliable processes are in place to identify improved performance reporting

3. Entities take a coordinated approach to addressing the critical systemic challenges that exist within the real-life political context of accountability, including through creating strong internal performance cultures

4. Entities build essential technical capacity in performance *monitoring and evaluation* across the programme life-cycle

5. Formal recognition processes reward desirable behaviours

Parliamentarians make use of reported performance information

Entities capacity for performance management and evaluation is improved.

Entities accept that desirable efforts to improve accountability reporting will be reliably recognised

Entities are confident that the benefits of meaningful accountability reporting will outweigh its costs and risks

Entities accept the legitimacy of the expectations and how accountability reporting will be used

The probability of receiving a negative response to improved accountability reporting is low.

The probability of receiving positive recognition for inappropriate accountability reporting is low.

The probability of receiving positive recognition for improved accountability reporting is high.

Characteristics of desirable and undesirable performance management systems and accountability reporting are identified

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Assumptions

A. Parliamentarians, as the prime users of accountability reporting performance information, are clear about the benefits of robust performance information and evaluation, how they'll use it and how they'll support efforts to improve the quality of entities performance systems, knowledge products and accountability reporting.

B. Entities are motivated to behave in ways that are consistent with the principles of good performance reporting.

C. Clear and realistic objectives are in place

D. Because the efficacy of performance information depends on what is already known about the cause and effect relationship between the program outputs and its results, entities can choose from a wider range of monitoring and evaluation approaches under the *Improved Performance Methodology*.

E. Entities focus on the most important performance questions and priority information needs of the Parliament and public:
   • What performance information will be most illuminative about the value of the results to participants and the Australian community?

F. Feedback loops reinforce sustainability of system improvements