

REPORT OF PROCEEDINGS BEFORE

PUBLIC ACCOUNTS COMMITTEE

INQUIRY INTO STATE PLAN REPORTING

At Sydney on Monday 28 April 2008

The Committee met at 10.00 a.m.

PRESENT

Mr P. E. McLeay (Chair)

Mr N. Khoshaba
Ms J. L. McKay
Mr A. J. Roberts
Mr J. H. Turner

GRAEME CHARLES HEAD, Deputy Director General, Department of Premier and Cabinet, 1 Farrer Place, Sydney, affirmed and examined:

CHAIR: In what capacity are you appearing before the Committee?

Mr HEAD: I am one of the deputy directors general in the department. Routinely I look after the performance review function of the department. Since January I have been, for a short term, looking after the Premier's delivery unit as well.

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege and you are generally protected from legal or administrative action that might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. Would you like to make a brief opening statement before we proceed to questions?

Mr HEAD: I will be very brief because I am aware that the department has provided a reasonably detailed submission to this process. The points I would like to make are that 2007-08, the current financial year, really represents the first full year of operation of the State Plan. You would be aware that there is a commitment to report annually on progress and performance against State Plan targets. We would anticipate that the report on the first full year's activity will coincide with the general schedule for annual reports for this year, and it will cover the 2007-08 financial year.

You are aware that there are 34 clear priorities in the plan and about 60 measurable targets that rely on just shy of 100 performance measures—99 to be exact. Two-thirds of the measures used in the State Plan are based on existing international and national benchmarks. That is very important, because it allows for comparison both locally and also with equivalent jurisdictions overseas. About one-third of the measures used in the Plan are collected or reviewed outside of government by the Australian Bureau of Statistics or other independent bodies. You would also be aware that there has been a commitment to annual auditing of the State Plan by the Auditor-General.

Probably the last thing I want to say is that where measures have not been available because of the new nature of a particular intervention, there is quite active work underway to develop robust measures. Of course, one of the hallmarks of the State Plan process has been the engagement with the community in the development of the Plan and reporting back on the progress of the Plan, and also in discussing broadly with key stakeholders meaningful indicators for progress in key areas. We would see that continuing as and when new performance measures are developed.

CHAIR: Could you outline the different forms of performance reporting in the State Plan and who they are aimed at?

Mr HEAD: The general principle is to have as wide an engagement as possible, and the fact that we have an overarching plan for the State and a number of key goals within that plan. The commitment to annual reporting reflects that there is a general expectation, because of the way annual reports processes work, that processes in government reported annually. It is probably fair to say that many members in the community are not interested in reading a large, comprehensive report, but they may well be interested in indicators that relate to a particular agency that they deal with or a particular area that they have contact with in government. So, increasingly, web-based information services respond to the way people research things. It is also true that lead agencies with State Plan obligations will refer to State Plan issues in their annual reports. At the recent stakeholder consultation in December last year there were fact sheets indicating progress to date. We are trying to get out to as much of the community as possible concise chunks of information that respond to their information needs.

CHAIR: You made reference to the annual report, and your submission refers to next year. Is it the general principle of "next year", or are you envisaging a financial year period, or are you talking about outside the annual reporting cycle?

Mr HEAD: My understanding is that the reporting cycle will mirror the annual reporting cycle. So "next year" refers to a report in the next financial year of the current financial year's activity, and that is the first full financial year of State Plan operation. Even though the State Plan report is not covered by the annual reports (departments or statutory bodies) legislation, it is nevertheless a good idea to have the report come out within the same cycle. And, of course, any auditing by the Auditor-General and his subsequent reports to Parliament occurs within whatever schedule he adopts for that.

CHAIR: Will they report to the Parliament?

Mr HEAD: The Auditor-General will report to the Parliament, but my understanding is that this will be a publicly available report. It is not required that it is tabled in Parliament, but it will be publicly available.

CHAIR: Will the annual report link expenditure to State Plan results?

Mr HEAD: I think one of the commitments in the State Plan is to progressively line up budget processes with State Plan priorities—and certainly the annual report would make a commentary on progress in doing that, the extent to which it has occurred and is reflected in future budget allocations. The first annual report will refer to the 2007-08 financial year and the commitments relating to the alignment of budgets refer to 2008-09 onwards. But I believe it is likely that the report will include a commentary on that process and how it will ensure that alignment in future years.

Ms JODI McKAY: When you say the report will be publicly available, how will it be publicly available?

Mr HEAD: Generally these days, annual reports are produced in fewer hard copies than they were 10 or 15 years ago but are available in PDF versions on the web, either chapter by chapter or as a full document. The State Plan is a little different; it is not an agency annual report, so I think we would be continuing the trend to date. Certainly, we would be providing comprehensive information to key stakeholders who have had a lot of contact with the process. The Premier's delivery unit has always been cognisant of the requirement to respond to the needs of different stakeholder groups in bite-sized chunks of information. We will continue the trend of producing fact sheet summaries on key elements of the report and making them available through the web. There is probably a reasonable data list of interested contacts—people who have made submissions and so on. We would publicly promote the availability of the information when it is ready.

Ms JODI McKAY: You mentioned that agencies' annual reports will be linked to the State Plan goals. To what extent will that occur?

Mr HEAD: They are not formally linked. The point I was making is that, where a lead agency is significantly involved in State Plan activity through its own activities, I would expect a fairly detailed commentary in those annual reports as well. Of course, that means that people who are principally looking for information in an agency annual report or annual report summary will have some reference to it in the agency's activity as well as any specific references produced in the State Plan annual report.

Ms JODI McKAY: But it will not be formalised as such; it will be up to the agency?

Mr HEAD: Yes, it is up to the agency, but, of course, because the State Plan is about priorities it would be unusual for a lead agency driving a very significant program not to have that as a significant area of commentary in its report. But you are quite right, it is not part of the formal checklist of requirements for agencies.

Ms JODI McKAY: You also mentioned the role of the Auditor-General in auditing the accuracy of the measures in the State Plan. I understand that the Auditor-General has recommended that he should have a role in auditing the completeness, reliability and comparability of performance indicators. What role do you see the Auditor-General having?

Mr HEAD: It is my understanding that the Auditor-General will have that role. Data verification and the integrity of data in relation to these sorts of overarching plans are extremely important. Public confidence in the integrity of the data and also feedback to us on the reliability of performance measures is an important part of continuous improvement in terms of the quality of information available to both agencies to assess their performance and also the public and stakeholders interested in monitoring that performance. I understand that the Auditor-General's recommendations in relation to that are acceptable and that that is the role envisaged for him in that process.

Ms JODI McKAY: As well as the Auditor-General, will any other body have an auditing role?

Mr HEAD: Not in an overarching sense. However, many of the measures are measures that are collected through other agencies such as the Australian Bureau of Statistics, which have their own quality assurance and quality control mechanisms with regard to data. There is a high degree of reliability related to the choice of many of the data sources in the first place. Of course, the goal of the entire exercise is to make the right choices about data sources and the right level of scrutiny of that data. That is the role the Auditor-General has envisaged, and that is entirely appropriate.

Ms JODI McKAY: What confidence can the public have that the measures included in the State Plan are the right performance indicators?

Mr HEAD: A lot of work has gone into identifying the measures. As I said, about two-thirds of the measures are the accepted international measures or benchmarks. Where there are no existing measures available, the Government is developing new measures in consultation with a range of expert stakeholders, including the Australian Bureau of Statistics. It is true that with some goals and areas of activity there is less experience in developing performance measures. This jurisdiction as well others would be challenged in the same ways around those areas. There is a lot of work going on to look at international experience in some areas where there are not well-developed measures. I am involved in some of that work through the performance review unit, which leads the department's involvement in the customer service goal under the State Plan.

Mr ANTHONY ROBERTS: Many submissions to the inquiry discuss the need for performance information that can identify progress with respect to specific social groups or specific regional areas. There is always a concern in this House—and I speak particularly on behalf of my rural and regional colleagues—that there is a lot more to New South Wales than Newcastle, Sydney and Wollongong. The Cancer Council stated in its submission that "fairness and equity measures should be incorporated at all areas of the State Plan ... to ensure that programs are not merely directed to the easiest to reach (and usually the most advantaged) populations". How does the State Plan reporting address this need to promote equity of outcome and the delivery of services to areas of greatest need?

Mr HEAD: One of the key points to start with is that it is a State Plan, not a plan for the urban centres of New South Wales. Some of the goals specifically deal with issues of significance in rural and remote communities. The data collection process will focus on determining the accuracy of the information across the entire State. It is true that there are particular methodological challenges sometimes in reporting data from across the entire State in terms of its accuracy for very small communities. However, those challenges are long understood and well recognised by people who do this kind of work.

There has also been a commitment through this process to provide specific information on regional issues and on progress with the State Plan region by region throughout the State. During the development of the State Plan I attended some of the regional consultations in the Upper Hunter and that issue was raised. We will be addressing it in the reporting. It is not a report back on the State Plan as it applies in Newcastle, Sydney or Wollongong; it will deal with regional issues as well.

Mr ANTHONY ROBERTS: Is it viable for the measures in the State Plan to include a greater level of detail for strategic population groups outside Newcastle, Sydney and Wollongong? My colleagues representing rural and remote constituencies say that their constituents have the feeling that they are being left behind.

Mr HEAD: This year's June report will cover the first full financial year of operation of the State Plan and it is not out yet. I anticipate that it will cover many of those issues comprehensively. The 99 measures that support the 60 targets have been carefully chosen not only to tell the story about performance in cities. They are specifically tied to the overall goal and the targets underneath that goal. Some of those goals deal specifically with issues in regional New South Wales. So, I expect over time that, as is always the case with these exercises, we will get a greater degree of precision and potentially greater regional precision in the way some of the data is presented.

Mr ANTHONY ROBERTS: A number of the targets call for improvements against a set measure. However, there is no set level for improvement. What is the reason for not quantifying the level of improvement?

Mr HEAD: I could not give an answer to that off the top of my head, but I am happy to take it on notice. I was not directly involved in all the measurement development. Frequently when establishing a benchmark for activities and a goal for improvement, particularly in an area that is perhaps under-researched or under-studied, one can set some kind of arbitrary goal or rate of improvement. However, that does not necessarily act as a meaningful guide if the optimal rate for that improvement is not well understood.

Mr ANTHONY ROBERTS: I am happy for you to undertake to provide a fuller answer. Is it anticipated that more specific targets will be developed over time?

Mr HEAD: It is certainly the case that where there are gaps in the performance measures available to report on specific targets those gaps will be plugged. I suspect it is also the case that over time, with greater experience in measuring of some these things, there may be some refinement as well. The important thing is that there is a clear set of priorities and targets and a reliable set of performance measures. That is where I think the Auditor-General's review each year is quite important, because he will be making comment on both the integrity of data and also presumably the reliability of indicators as more evidence comes in.

Mr ANTHONY ROBERTS: We all agree that any plan must have a number of key performance indicators and measures. What progress has been made in developing appropriate measures where none yet exist and is their development on track to be completed by the time frame set out in the plan itself?

Mr HEAD: There is significant activity around developing performance measures where none were set. I indicated that I have a responsibility within the department for S8, which is the customer satisfaction area of the plan. For example, we have done a significant amount of work over the past six months looking at international experience and developing the framework for reporting reliably on levels of customer satisfaction. Similar processes are underway where there are data gaps or unavailable measures in all other parts of the plan. The goal is to have a complete set of performance measures in place as quickly as possible. However, it is true to say that measures are largely in place for most of the key targets.

Mr NINOS KHOSHABA: What is the process of appointment of the two individuals from outside the Government to advise the Cabinet committee on the State Plan performance? Who are they and what input have they been having?

Mr HEAD: I will take most of that question on notice because it is slightly unusual for public servants to be questioned on the operation of Cabinet committees. Of course, one of the commitments in the plan was to have two independents on the committee, and there are. I will seek advice on providing information about the operations of the committee in terms of the frequency of its meetings. It is an unusual model, although it is appearing in some other jurisdictions. However, beyond what has already been said publicly about the operation of the committee, it is probably not appropriate for me to comment further.

Mr NINOS KHOSHABA: How often does the Cabinet committee meet?

Mr HEAD: I will seek advice.

Mr NINOS KHOSHABA: Is there any form of public reporting from the committee?

Mr HEAD: I will take those questions on notice, only because it is an unusual area and not something that public servants are generally asked to comment upon in these sorts of inquiries. It is also true that it is an unusual model given that it involves independents.

Mr NINOS KHOSHABA: What has been the demand for performance information on the website?

Mr HEAD: Again I will take that on notice. I did attempt to get an update measure of the number of visits this morning, but unsuccessfully. So, we will provide some detail on that. Of course, that is a bit of a proxy. Often, the people who use websites like this are intensely interested in the issues so we can give you the raw data on the number of visits but we will not be able to give you anything much more refined about what that represents in levels of community interest.

CHAIR: And what proportion does not come from public servants. But it is fair to say that when it came out there were a lot of hits early on but a lot of that was people like us wanting to see how that affects us.

Mr HEAD: I suppose half a dozen hits every week are from me.

CHAIR: Is it your home page?

Mr HEAD: No. I think there is a huge level of interest in this. I attended some of the conversations with stakeholders in December last year and I think as people become more aware of specific initiatives within the State Plan, there has been a lot of stakeholder in engagement along the way. People were very interested in the progress updates in December and they are very reliable, accessible snapshots of activity around key areas of performance for the public sector. So, I think many people are finding them useful. Certainly there was a lot of positive anecdotal feedback at those sessions about the usefulness of the State Plan data in terms of other people's information needs.

Mr NINOS KHOSHABA: While we are on the subject of the website, can you come back to us as well with regard to any plans to enhance the website and whether there will be more detailed information accessible via the website specific to social groups or regional areas?

Mr HEAD: Okay, I am happy to do that.

Mr ANTHONY ROBERTS: Can we also find out with respect to the accessibility of that website—a lot of people in regional and remote areas do not have the same level of access to high-speed broadband and various things like that—to see whether the website is not so complicated or it needs so much information technology or broadband width to download information to it?

Mr HEAD: We are very conscious of those things. I think it is very simple to find the State Plan. You search New South Wales Government on Google or one of the other search engines. You go to www.nsw.gov.au, which is equivalent to what each of the State governments has. It is a very logical web address. The State Plan is on the home page. Importantly, it is downloadable through a series of smaller PDF files, so people do not have to download the entire document, they can go to an area specific to their interests. Of course, that helps in not having to open 60 or 80-page documents on the website. This is something that government agencies have been acutely aware of in providing web-based resources. I am not sure whether we can provide you with any specific data on the urban-regional split in visits to the website but I will look at that.

CHAIR: The main focus of this inquiry is not to look at the where and the what, we think it is excellent, but we are looking at where to from now. What are the future reporting mechanisms? We want to make sure that the future data, reliability and consistency are right and that you are on the right track. A big part of our focus is what happens in 2009 and beyond. Could you, for the record, give us a brief overview of what was the original community consultation process—just a brief overview—and from but process where did you get your ideas from and what lessons have been learned already?

Mr HEAD: As you are aware, the State Plan goes into some considerable detail about the consultation in its development. Importantly, the consultation, including regional consultation, did not end at the point that the original plan was produced. As I have already indicated, there was a process in December last year involving about a hundred key stakeholders, inviting them to comment on progress. Importantly, the Government is committed to periodic reviews of the State Plan, at a cycle of every two to three years, and I would expect, given the nature of the plan and the history of detailed community consultation in its development and measuring its performance, that we would see a continuation of stakeholder involvement. That includes regional stakeholders.

By way of example, I did one of the consultations in Singleton when the State Plan was being developed. There was a multiphase process with the community, meetings with all the local councils in the area, attended by a senior Minister as well as a senior public servant, as well as facilitators working on the consultation. Then, meetings with key stakeholder groups and then meetings with a large, randomly selected group of people from the community. Each of those discussions informed the views of the State Plan team as well as the senior public servants and senior Ministers who were engaged in the process. I found it extremely valuable. I was running the Sydney Catchment Authority at the time so I was not as aware of the detailed issues in the Upper Hunter. Certainly the community was very engaged in the process. They liked the process and the feedback was that that kind of engagement was going to be very important for the future success of the plan. So, I would expect to see a continuation of good community engagement processes along the way.

CHAIR: So, with the review every two to three years, would you anticipate a similar level of community engagement?

Mr HEAD: What community groups will always tell you in regard to consultation is that they want targeted, efficient consultation. I think we will be looking at what are the areas where there has been solid progress, trying to make sure in framing where to next that there is a good level of engagement with stakeholders—as the member for Lane Cove has pointed out, given the specific needs of regional and rural communities, making sure there is an extremely good level of engagement in those communities. Areas where the Auditor-General has made comments about lack of progress or we feel goals are not being met, sometimes you would have a different and more focused consultation about what is getting in the way of progress and whether or not the targets are correct, whether or not the performance measures are giving you reliable information, but I think there has been a very high level of commitment by the Government to very detailed consultation. There is a recognition in our unit that that is going to be part of the success of the State Plan, and I expect to see it continuing.

CHAIR: You are talking about almost ad hoc or outside the bigger review process?

Mr HEAD: No, I am talking about consultation as part of that review process but also ongoing. The reality is that the agencies that are leading the 34 priorities in the plan have themselves mechanisms for engaging stakeholders in program design, program delivery. I think the review of the State Plan needs to take proper account of those things. It is not ad hoc although it is not tidy. It needs to engage with stakeholders around the areas—

CHAIR: I meant more as opposed to a one-off review.

Mr HEAD: Where there is a formal periodic review there will be a specific element of that exercise, which is around consultation with stakeholders, and there will be other forms of consultation undertaken by individual agencies but also periodically by ourselves if there are developments of new measures, particularly where those measures are novel, where there is not a lot of good international experience, and we want to test the views of stakeholders about the acceptability of those measures.

CHAIR: South Australia has its South Australian Community Engagement Board, which has community leaders to maintain consultation with the strategic plan. Obviously recently Kevin Rudd had his 2020 of 1,000 top Australians. Are there plans for looking at those kinds of things leading from those experiences, particularly the South Australian model?

Mr HEAD: I do not think there are any fixed views at this stage. The process as it unfolds, particularly when the first periodic review of the State Plan occurs, it is really through that process

that we will examine our own consultative mechanisms, but presumably people who are interested in the State Plan will have some ideas if they want to test out through that process as well. All of the jurisdictions have slightly different ways of doing this. The involvement of the Cabinet committee in New South Wales is significant, particularly with two independent people giving their advice to the Government on progress. The involvement of the Auditor-General in assessing performance, all of these are about making the process very transparent and assuring the community the information that is provided is reliable. But it may be that the community is becoming accustomed through some of these other processes to different ways of doing things and government always has to adapt to those things.

CHAIR: We may have a television show, *State Plan*.

Mr HEAD: I think I am too old for guest appearances on television programs.

CHAIR: Is there anything you wish to add before we close?

Mr HEAD: No, I think that covers everything. I will provide the additional information I have taken on notice.

(The witness withdrew)

JAMES REGINALD MITCHELL, Divisional Councillor and former State President, CPA Australia Limited, 61 Riverview Road, Earlwood, 2206, sworn and examined:

Mr MITCHELL: I represent CPA Australia in various matters, including the election of a board of directors. Professionally I describe myself as semiretired and I hold a position on a number of government boards and do consulting-type work within government mainly on audit committees. It is a privilege to come into this building because I chair the Audit Committee for Parliament. I am the independent chair.

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege and you are generally protected from legal or administrative action that might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and be an offence under the Parliamentary Evidence Act 1901. Would you like to make a brief opening statement before we proceed to questions?

Mr MITCHELL: I am happy to make a statement. You have a formal submission from CPA Australia that was signed off by the Director of the New South Wales Division dated 13 December 2007. It might be helpful if I make some comments on how we came to formulate those views. I start by saying thank you, Chairman, and the Committee, for allowing CPA Australia the opportunity not only to make a formal submission but also to run through some of the issues in that submission at this hearing. For the record, CPA Australia represents over 31,000 business, finance and accounting professionals in New South Wales. Internationally we are more than 119,000 members. Of that 31,000 in New South Wales, around 8 per cent of those members work in the public sector. I formally table a copy of CPA's recent year in review for 2007.

Document titled "New South Wales Division Year in Review 2007 by CPA Australia" tabled.

To formulate our response to the Committee and to what we regard as an important inquiry, CPA Australia invited its members who are involved within the public sector to be part of a focus group to discuss the issues raised in your terms of reference. We noted that the New South Wales Government introduction of a State Plan at the end of 2006 had been an important step forward in making government agencies not only more focused but more accountable. However, with the State Plan having been in place for just over a year, we felt it would be premature at this stage to assess the effectiveness of the measures.

In our formal submission we have discussed how we believe the measures should be assessed in the future and what factors need to be considered to ensure adequate and appropriate reporting. CPA Australia strongly recommends that comprehensive performance measures be put in place, covering all areas of agency operations. We believe that there needs to be a balance between the measure and the context to ensure that the right outcomes are met. There is always a risk that an emphasis on one measure could negatively affect delivery of a portion of the State Plan by focusing much of an agency's energy in one area and therefore failing to deliver in another area.

CPA Australia notes in the formal submission that the setting of performance measures should be seen as an evolving process which will expand over time. The introduction of the performance management budgeting system this year will certainly have, we believe, an impact on State Plan reporting. We recommend that under the new performance management budgeting system it will be essential that the measurements across agencies be consistent to determine how there is a comparison between agencies.

In regard to all sections of the not-for-profit sector, it is CPA Australia's view that non-financial reporting has become as important as financial reporting. The not-for-profit sector includes those areas within government that are not profit based. It also includes areas outside of government which also work on a not-for-profit basis. CPA Australia believes, as I said, that non-financial reporting has become just as important as financial reporting and mechanisms to measure non-financial criteria need to be put in place.

We believe that it may be appropriate for the non-financial key performance areas to be subject to a form of independent review to ensure that they are appropriate as well as accurate. I am happy to take questions on that particular issue because it is an area where I have had some involvement. As we move forward the New South Wales Government should have a commitment to reviewing the State Plan and this would include reviewing targets and measures. New South Wales has ever-changing circumstances and the plan should be regularly reviewed and updated to reflect this. Thank you again, Mr Chairman, for the opportunity and I am happy now to try to answer any questions that you may have.

CHAIR: We appreciate your quite detailed opening statement, the fact that you made an opening submission and your ongoing cooperation and relationship with the Public Accounts Committee. What was your organisation's involvement in the development of the State Plan, if any?

Mr MITCHELL: I am happy to take the question on notice because if I were to answer straight off, I would say that I do not think we were asked about the development of the State Plan. In the back of my mind that may be not correct and I am happy to respond later.

CHAIR: I thought you were with some of the stakeholder groups. Does your organisation have a view then generally of the adequacy of the consultation that was involved with the community?

Mr MITCHELL: No, we do not, but we certainly believe that the State Plan is a great step forward. Irrespective of who is in government, it is important that planning be undertaken in a professional way and it appears, sitting on the sideline, that that has happened. It appears that there has been consultation, but other than that I cannot comment.

CHAIR: The plan does commit to a review every two to three years and the Government has said that there will be a review in 2009. Do you have a view on how the CPA would like to be involved in consultations in the review in 2009?

Mr MITCHELL: We would be happy to provide comment on the review. We would want to see some of the recommendations that I referred to in my opening comments and in our formal submission considered as the State Plan moves ahead as well, so we would be happy to be involved.

Ms JODI McKAY: I note that you are unsure of whether you were involved in the stakeholder consultation that occurred in the formulation of the plan, but looking specifically at the performance measures, do you have a view on the process used to develop those measures and whether that is best practice?

Mr MITCHELL: I am not aware of the process so I cannot make a comment about that.

Ms JODI McKAY: Are there recognised best-practice processes for developing measures of that kind?

Mr MITCHELL: Let me talk to you about those. Obviously as others come to provide evidence they will say similar things. I note that in your agenda you have the Auditor-General coming this afternoon. No doubt he will refer to matters that he has already included in reports to Parliament. My background has been within the public sector and I spent a long time in the Audit Office. I was Deputy Auditor-General for seven years and in that role I undertook a whole range of other responsibilities, including liaison with audit offices not only in Australia but also across the Pacific in the United Kingdom and in Canada. Some of the best models are in Canada. I was not privileged to visit the models but from what you can read the models are there: models for setting performance targets and having them audited.

Some of those best models have been taken up in other Australian jurisdictions and that is what the Auditor-General, and the previous Auditor-General, has encouraged this Parliament to do: to take up a model that has been operating for more than 10 years in Western Australia and, for a lesser period than that, in the government of the ACT where the auditor-general has a role in attesting not only to financial statements as the primary role and the secondary role is to undertake performance audits, but also in those two jurisdictions the auditor-general has a role in attesting to the accuracy and

the appropriateness of performance indicators across agencies. While that is a lot of work, it is important work.

I hark back to my opening comments, that it seems to me as we look at a set of financial statements for a government or a government agency sometimes the statements—and it is hard for me to say this as an accountant—are irrelevant. It is more important to look at how the agency is operating to see whether it is achieving its targets, irrespective of what the bottom line says or what the balance sheet says. I talked generally about the not-for-profit sector. CPA Australia has a view that in that sector—and this is the sector we are talking about—it is important to have good performance indicators consistent across agencies from year to year and one way you will get that is to have an independent person attest to accuracy, validity and appropriateness. I would be disappointed if the Auditor-General this afternoon does not say similar words.

CHAIR: The Auditor-General has used words that include "completeness", "reliability" and "comparability" as opposed to "accuracy"?

Mr MITCHELL: "Appropriateness" is another word that I would encourage him to use. Going back 10 years to when the New South Wales Audit Office looked at a range of annual reports for this very reason—to do some research—we could see that across years performance indicators seemed to change. So if we were having a good year in one area we would use that performance indicator and then in another year—I have not got hard detail on that—but that is the general type of thing. That is why it is not only important to use my word "accuracy" but "appropriateness" as well. If a performance indicator is the right or appropriate one this year then surely it would be appropriate as we move ahead.

Ms JODI McKAY: You spoke about the Canadian model. I bring you back to the merits or otherwise of an independent audit committee such as the South Australian model. What are your views on that?

Mr MITCHELL: I am not sure that I have looked at the South Australian model. This Parliament, and its operations, has an independent audit committee and I am chair of that. We look at matters financial, we look at matters relating to the administration of Parliament where there risk areas, and we do a range of liaison with those who work on models about that. We work with the Audit Office in their audit and we work with the internal auditors. I am not sure that a non-Parliamentary committee should be involved in looking at that. I think that it would be more appropriate for a committee of Parliament. If you have an audit committee made up of parliamentarians that is a very different model. I am not sure which is the South Australian model.

Ms JODI McKAY: With the specific task of the State Plan?

Mr MITCHELL: Yes. That could be another role for the Public Accounts Committee.

Ms JODI McKAY: A final question from me in regard to transparency. Do you think that the current set of performance measures allows for sufficient transparency?

Mr MITCHELL: From what I have seen, and from what I have been working with, the answer is yes; they seem to be working to be open about how agencies are performing. It is a great step forward when the first words you read in a press release—after the name of the Minister, of course, which is important—is how the item that is being spoken about relates to the State Plan, almost chapter and verse. I think that is a great step forward because it is tying members of Parliament and Ministers, more importantly, into the plan.

Mr ANTHONY ROBERTS: As the landscape of Government changes not only within its own framework but also the non-government sector and the community as part of the State Plan, can I direct your attention to non-government organisations [NGOs]? Given the role of the non-government sector in providing a lot more services on behalf of the Government, how best could the non-government sector be included in developing performance measures?

Mr MITCHELL: That is a very good question and it takes me back some time because in the past the Auditor-General had sought powers of audit into NGOs. That was at a time when less

money was flowing from the consolidated fund to NGOs than currently. The Auditor-General was then seeking to be able to audit the flow-on of government funds. At the same time the Auditor-General was seeking also to audit all local government for the same reason. I think I am saying, yes, there should be some mechanism. CPA Australia did some work on a project of reviewing grants within Government. It looked at the grants situation from both the recipient and the grantor organisation. I was not involved in that but I know of the work. That was work across the whole of Australia with input into that because it is an issue not just in New South Wales but all governments are moving that way. I am not sure that I have answered your question.

CHAIR: I know that auditor-general's often have this dogged pursuit of chasing the dollar—

Mr MITCHELL: Yes.

CHAIR: I think Mr Roberts is talking not about the money but about the fact that this does not report on their targets—

Mr MITCHELL: I understand the question is to seek my views on whether or not the NGOs should have some kind of input into State Plan reporting.

CHAIR: Yes.

Mr MITCHELL: If the question is put as bluntly as that then the answer is yes—for that same reason of chasing the dollar. This is where the dollar is being spent and if the dollar has gone out to look after children in preschool then we need to know is it \$500,000 or \$200,000 and how well has that money been spent.

Mr ANTHONY ROBERTS: I know you have touched on this but CPA's submission notes the risk of any one measure that could negatively affect delivery by focusing much of an agency's energy in one particular area and fail to deliver in another. Does CPA have any opinion on how this risk would be managed?

Mr MITCHELL: It is an age-old risk. I understand it will be difficult to manage because you will always have that political necessity to have the ability to change direction. The Ministers I have worked with—this is in the period before the overall State Plan—had that ability. I am not sure I would want to take that away because there are times when a Minister needs to react to issues that are not necessarily within the State Plan. So it is a political or sometimes immediate reaction to something that has happened that had not been thought about. I would not want to take that away or to build someone into a plan that was absolutely fixed and say as that is not in the plan we do not do it. You need to have the ability to move. I am not sure that I have answered that question either. Would you like to rephrase it or shall I have another crack at it?

Mr ANTHONY ROBERTS: You have hit it right on the head. It is a problem that has been around for a long time. It is how you get the mix right?

Mr MITCHELL: Yes.

Mr ANTHONY ROBERTS: Do you think the mix is right?

Mr MITCHELL: Is the mix right? I am not sure I can answer that question but how to? The Minister has prime responsibility and the Premier has looked to bring a State Plan through the Parliament to try and ensure that as far as Ministers are able they stick to the plan. That is a great objective but it needs to be a little bit flexible at times. Any plan needs to be flexible.

Mr NINOS KHOSHABA: Your submission notes the need for results both negative and positive to be made available to stakeholders. Do you consider that the current reporting mechanisms fulfil this need and, if not, what other reporting would you like to see?

Mr MITCHELL: I am looking forward to the reporting in relation to the State Plan. It is in that area that I think the Parliament could be best served and we are looking for honest reporting. That is why we do not care whether it is positive or negative but stakeholders need to know—and members

of Parliament being part of that need to know no matter on which side of the House they sit. So what I am saying is that CPA Australia would look to having robust reporting within the State Plan framework.

Mr NINOS KHOSHABA: Your submission also recommends that all agencies be responsible for setting appropriate measures to meet the State Plan objectives. Firstly, what do you envisage here? Secondly, are these measures in addition to those in the State Plan or are they in results and services plans?

Mr MITCHELL: Certainly the State Plan has objectives. CPA Australia was hoping that underneath those objectives there are some measures that are pre-determined as to how success or otherwise is going to be determined. So they need to be fairly measurable objectives, wherever possible. That is not going to be always possible.

Mr NINOS KHOSHABA: Whom do you believe these measures should be reported and made available to?

Mr MITCHELL: If the measures are reported, they should be made available as widely as possible. If they are included in a report that is tabled in Parliament, that is as wide as we can get.

CHAIR: You said you are looking forward to the annual report. As to the validity of ongoing reporting, the website is continually updated, agencies have their results and services plan and their own reports. It is one thing to have a voluminous stock take in the annual report. Is there value in this ongoing updating of reporting?

Mr MITCHELL: Yes, ongoing, and that should be in yearly intervals. So it should not only form part of reporting against the State Plan but within each agency it should form part of their annual reporting. I think that is fairly much covered now. I am not sure, but if I were in an agency and I had five objectives within the State Plan, I would be wanting to have them clearly indicated in my annual report—if it is not a requirement of law. But I would want to have them there and also as to how well I went against them. I understand reporting to Ministers is part of the contractual arrangements of chief executives. If I were a chief executive I would want to say, "Yes, we have made a good job of three of those, we need more resources in the fourth and we failed the fifth one", or whatever.

CHAIR: When you talked about non-financial targets for non-government organisations, you said that they would need to be validated. Who would validate them? Do you get accountants to validate them?

Mr MITCHELL: My model is to have the Auditor-General do the validation. That is the model in Western Australia with the Auditor General there, Des Pearson. I undertook a peer review of the Western Australian Audit Office. When the Auditor General there first introduced the auditing of key performance indicators within agencies, which was allowed and required by law, his staff said it was too difficult. He said that previous auditor generals had agreed with them. His reaction was, "Yes, it is difficult but we are going to do it and eventually we will get it right", and that is what he told the Government. He has moved on from that role and he is now the Auditor-General in Victoria. So I wait and see what will happen there. I understand that the legislation in Victoria does not allow him currently to undertake that role.

CHAIR: Was he able to use internal staff? Are there other social engineering firms or accountancy firms that do it? If there is a requirement, you need workers to do it. Who does it, given that the Auditor-General contracts out 70 per cent of the work anyway?

Mr MITCHELL: That is right. It is seven years now since I left the Audit Office and the previous seven years in that role I was Deputy Auditor-General. Yes, at that stage, a lot of the Audit Office work, mainly in the financial audit area, was contracted out, mainly because there is that peak of work coming in August-September-October. I understand that is continuing, but the Auditor-General has some staff who undertake performance audits and their background is very different. Some have a finance background; some of them, I am proud to say, are members of the CPA. Others have a background in teaching, nursing, economics, business administration and managing government organisations. I am not sure what he does now because I am not there, but in the past onto

that core group he has added other expertise. What I am saying is that Parliament trusts the Auditor-general to attest, to sign off on the accuracy, truth and fairness of financial statements. It is not very much a further step to say, "Let's trust the Auditor-General to do a good job on attesting to other just as important measures, but non-financial measures."

Ms JODI McKAY: If I heard you correctly, you said that measurements across agencies need to be consistent. Could you clarify that, please?

Mr MITCHELL: A good example is in the education sector. If you are looking at universities, the key performance indicators should be fairly similar across the universities. That is just one example.

Ms JODI McKAY: You are talking about a specific agency or department?

Mr MITCHELL: I am talking about specific agencies and I am talking about sectors within agencies.

Ms JODI McKAY: Not comparing agency to agency?

Mr MITCHELL: There are times when it would be difficult to compare an agency in the education sector with an agency in the transport sector. But certainly within sectors it is very easy.

CHAIR: Thank you. Mr Mitchell, would you like to make closing statement?

Mr MITCHELL: No. I would just say thank you one more time.

CHAIR: We appreciate our ongoing relationship with CPA Australia. We very much value the assistance you provide us. You are probably the number one appearance at our enquiries. We also value the other services you provide to us, including liaison and advice. Thank you for your time today.

(The witness withdrew)

ALISON PETERS, Director, Council of Social Service of New South Wales, 66 Albion Street, Surry Hills, and

SAMANTHA EDMONDS, Deputy Director, Policy and Communications, Council of Social Service of New South Wales, 66 Albion Street, Surry Hills, affirmed and examined:

CHAIR: I welcome the representatives of the Council of Social Service of New South Wales. Thank you for appearing today to provide evidence to the Public Accounts Committee inquiry into State Plan reporting. I draw your attention to the fact that your evidence is given under parliamentary privilege and that you are generally protected from legal or administrative action that may otherwise result from the information you provide. I also point out that any deliberate misleading of the Committee may constitute contempt of Parliament and an offence under the Parliamentary Evidence Act 1901. Would you like to make a brief opening statement before we proceed to questions?

Ms PETERS: I would like to make a few brief comments. First of all, the Council of Social Service of New South Wales [NCOSS] welcomes the opportunity to appear before you and also the opportunity to make a submission. We will, in fact, be relying on our submission and in particular the annexure we attached to it "Measuring up a framework for Government social performance reporting in New South Wales". We would, however, be prepared to take questions on notice where we are not able to respond immediately today. In opening I would like to say that NCOSS has generally supported the State Plan. We see that social outcomes as well as economic and environmental outcomes are the core business of government. Therefore, we welcome a plan that brings those three areas together. For NCOSS the issue is one of equity. We stress that equity is an important outcome for NCOSS and its members. We also would stress to the Committee that the State Plan provides a longer-term focus. We see that as being important as well.

In our submission we have outlined the principles we believe are appropriate for selection of indicators. I would like to stress a couple of points about those. First of all, there needs to be baseline measures so that you actually know where you are coming from before you get to where you want to go. It also allows for progress to be charted either way. We also would make the point that while averages are important as indicators, it is also important to have specific indicators, sometimes referred to as floor targets, for different spatial or population groups. We see this as being important because averages, of course, can be affected by moving the upper end of the spectrum as opposed to perhaps addressing the disadvantaged that the plan is seeking to overcome.

We would point out that the Government has contact with the non-government organisations in this State through the Working Together for New South Wales and we believe that this document sets out a useful framework for engagement with non-government organisations in this whole process. We would also point out something that was not raised in our submission but we feel needs to be pointed out: that the Council of Australian Governments [COAG] process is also starting to look at a range of measures and indicators, and in some cases these overlap with some of the indicators in New South Wales.

We believe it is important that, for simplicity if nothing else, indicators as much as possible be consistent, but we would say too that it is important that the New South Wales indicators identify the New South Wales priorities as identified in the State Plan. At least COAG allows a process where there is discussion between and amongst governments at different levels as to how they might measure indicators. I just raise that as something we are aware of, since we put in our submission, is becoming of more importance.

CHAIR: In your submission you also reflected concern that some performance measures were too broad to provide effective information on progress. Can you outline these concerns for the Committee?

Ms PETERS: One of the things we say in our submission is that indicators need to be capable of describing fairly simply but that in some cases that simplicity may in fact lose a lot of detail about what is actually happening. Again it goes to the point we make about averages in some cases: that averages can sometimes highlight that things are happening but they are happening in the

wrong areas and with the wrong targets; the wrong groups of people are benefiting and therefore the bottom is not being affected. To us, the State Plan is about raising the bottom and ensuring equity in the process. So we are concerned that in some cases some of those indicators, which we have identified in the submission, are probably too broad and may not necessarily get to the detail that would show good outcomes for the people whom the activities are targeted towards.

CHAIR: Are there specific sections of the community for whom you think specific performance measures would be significant, or are there demographic groups that should be included when the Plan is revised?

Ms PETERS: We identified three target groups with respect to which we felt, in particular, there needed to be indicators. They were Aboriginal and indigenous people, people with disabilities, and people from culturally and linguistically diverse communities. We also point out that in some areas it is also important to look at other target groups. It may well be young people, it may well be older people, and women is a group that was identified in our submission as well. There are other particular groups. For example, with regard to health, there are some populations where particular disadvantage means that they are in need of greater focus in terms of programs, so it would be important to look at those particular population groups to see whether or not the work in that area was in fact making a difference for those people.

CHAIR: How would they be identified—within the subset of recommendations, or do you think there should be specific targets around them? For example, should they be included in the health strategies? Where do you think they should be identified?

Ms PETERS: In terms of the State Plan, they could be done in either way. However, given that the State Plan sets indicators and targets, one way in which that could possibly be used is what has happened in the United Kingdom, for example, with its social exclusion targets—or social inclusion targets, depending on how you term it—where they look at averages and then they look at floor targets for particular groups. Data is collected across the community and then is collected for particular population groups across the range of their performance indicators. I think that is the approach that NCOSS has advocated for more broadly with respect to all government reporting but specifically for the State Plan.

CHAIR: They collect the data and then report it through the demographics?

Ms PETERS: In that way you are seeing whether or not the programs are making a difference for particular groups as well as for the population more generally.

Ms JODI McKAY: Your submission mentions a preference for the Auditor-General to be involved in verifying the performance information in the State Plan. Can you tell the Committee why you support that, and where do you believe there should be a role for an audit committee, particularly as it relates to the areas of equity, which you have brought before the Committee this morning?

Ms PETERS: NCOSS stated in our "Measuring Up" report the need for any indicators on social performance to be independently verifiable. We see that the Auditor-General, because of the independence of that office, is an appropriate organisation to do that, without setting up something new that may be doing that. There is a need for a range of measures as to how you report and identify these things. We think the Auditor-General has the capacity to look at those in an independent way. We see this as important because we think it builds public trust in the system and as a result the community feels more engaged with the State Plan, regardless of whether they may or may not have wanted particular things in it or not in it. That process of independent verification is important to go to validity and public acceptance of the documents.

Ms JODI McKAY: In your opinion, would the involvement of the Auditor-General be sufficient, in terms of that transparency and accountability? One of the issues we have explored is the model in South Australia, which is an independent audit committee effectively. We are interested to know what you would regard as the best outcome.

Ms PETERS: We noted the model used in South Australia. We note also that it takes a little while to set up those sorts of processes and in some ways to give them the same credibility that the

Auditor-General currently has. That is not to say that the Auditor-General could be the only process, but in terms of one that is immediately available, clearly the Auditor-General's Office stands out. There are of course other ways, and they should be complementary. The South Australian model has been quite well accepted by the community, as I understand it, but it has taken a little while to set it up, to get the necessary expertise to hit the ground running, so to speak. I think those sorts of things are important to take into account when you are looking at how you might audit and report and provide transparency to the reports that come out of something like the State Plan.

CHAIR: Have you been colluding with the certified practising accountants?

Ms PETERS: I have been accused of colluding with all sorts of people in my past, but probably not with the accountants. But it is important. The Auditor-General has an expertise in government processes that a more community-based process does not. I think they dovetail quite nicely together, so you get a more formal auditing of the process, but I also think it is important to get a perspective from the community. They work quite well together. But we certainly do see a role, without a doubt, for the Auditor-General in this process.

Ms JODI McKAY: The Auditor-General has, in his own words, spoken about the role he could play in regard to the completeness, reliability or compatibility of the indicators. The Chair also mentioned the certified practising accountants, which spoke about the appropriateness. What is your view on those descriptions in regard to the role the Auditor-General could play in assessing the indicators?

Ms PETERS: They are certainly important descriptions. Indicators need to be able to tell a story. They need to be simple but at the same time robust. Clearly, the Auditor-General has some expertise in determining that we are in fact comparing apples with apples, and that indicators are consistently measured over time and are reliable. Other processes may take a little while to get up to speed on some of those indicators. In the first instance we would say that the Auditor-General has that capacity now and that should be taken advantage of—we see that as a benefit. That is not to say that we do not think there is a role for more community engagement with the State Plan or for engagement with stakeholders such non-government organisations, which are doing a lot of work in complementary areas.

Mr ANTHONY ROBERTS: Thank you for appearing before the Committee and I congratulate the Council of Social Service of NSW on a great submission. You spoke about the compact between the government and non-government sectors. In your opinion, how engaged is the non-government sector with the State Plan process and how could we maximise that?

Ms PETERS: The sector was quite engaged with development of the State Plan process. However, since its release in November 2006 it is fair to say that we would not view ourselves as being as engaged. Part of that may have been the necessity of government departments and agencies sitting down to determine how it would work in practice. Most of the member organisations we represent would suggest it has been a little haphazard since that time. That is one of the reasons we have indicated in our submission that the Working Together for New South Wales compact is a useful way to re-engage the sector in that process.

The sector welcomed the plan when it was announced and made some comments about things we felt should have been included but were not. However, we recognise that the plan was brought together with significant community consultation, and that was something the sector valued. We also saw this as a starting point and that there would be processes down the track. We get regular updates about how the State Plan is going, but in terms of our being involved and working that out, at this point I would say we are not as engaged as we would like to be.

Mr ANTHONY ROBERTS: I have raised this question before with respect to moving out into rural and remote communities and you raised the issue earlier. It is important that any New South Wales plan does not leave the most vulnerable behind. We have discussed South Australia's community engagement process before, and I would like to go back to that. What elements of that ongoing community engagement process would you consider as useful to take up in New South Wales?

Ms PETERS: I understand South Australia has a regular process of consultation with the community about that State's equivalent plan. One element is a clear desire to go to the community rather than to have the community come in to Parliament House in Adelaide. That has worked particularly well. My perception is that South Australia has always recognised the fact that it has a very small and quite dispersed population. Over the years the South Australian Government has made it a practice to ensure that it travels a fair bit. We believe there is more need to go out to the community, and that has not been evident in many government practices in this State. That cuts across governments of all persuasions. That is partly because of the concentration of the population within the Newcastle/Sydney/Wollongong basin.

The Council of Social Service of NSW has frequently spoken about regional disadvantage. We make great efforts to ensure that all of our consultations pay particular attention to remote and rural locations and that we take them into account in drafting submissions for a wide variety of matters. That is certainly important. However, one can be as isolated in central Sydney as one is in some remote communities. In fact, I think distance sometimes brings people together in ways that provide community resilience that we think is very useful for those communities, leaving aside their other disadvantages that sometimes do not exist in the metropolitan area.

One of the things we have recommended is that when the community is consulted that that process be as broad as possible—in fact, as broad it was in bringing together the plan. Government went to communities throughout the State and moved outside of the CBD into other parts of Sydney. It also looked at different ways people could participate. There was extensive use of technology as well as the traditional town hall community-style meetings. Different people respond to different types of engagement. Something as important as the State Plan needs to take all of them into account.

Mr ANTHONY ROBERTS: Without leading you, are you saying that the Council of Social Service of NSW supports the South Australian style of community engagement board?

Ms PETERS: We recognise that it has worked particularly well in South Australia. We are not opposed to the development of those sorts of boards. They would be quite useful in any process. However, the difficulty is ensuring that the board does what it is meant to do and gets out into the community. That is the key issue. It is less about having a structure and more about the outcome. The outcome is important.

Mr ANTHONY ROBERTS: Now we get to the \$64-million question. To keep the board relevant and to enable it to service and work well within the State Plan, apart from the Council of Social Service of NSW, who would you like to see on that board?

Ms PETERS: I am going to be quite controversial. It does not necessarily have to be the Council of Social Service of NSW, although as the peak non-government organisation we represent a broad range of organisations. Of course, the problem is that in an attempt to include every interest we would have a committee that was too big to be useful in some respects. If this committee were to make that recommendation and the Government were to go down that track, it should ensure that the groups the State Plan is designed to assist are represented in some capacity, whether that be through advocate organisations such as the Council of Social Service of NSW or the many other organisations that fulfil that role dealing with different groups or direct representatives themselves is a matter for the committee. That is the key.

The State Plan talks about improving things for everyone in New South Wales. However, it is clear that there are some groups that are not doing well now who need to be the focus of attention. The success of the State Plan will depend on how they view it as opposed to how the average person views it. It goes back to the point I made earlier about the difference between averages and specific targets—we need both to measure difference.

Mr NINOS KHOSHABA: Are there any pitfalls with other State plans that you would recommend New South Wales avoid?

Ms PETERS: It is a little hard for me to answer specifically at the moment. I could take that question on notice and provide some further information. It is clear that other States are a little further down the track. I guess our submission goes to their good points. One of the key lessons from all that

has been that these sorts of documents need to be long term. They are dealing with problems that will not change in 12 months, a four-year election cycle or the like. They will take some time. That is one of the key lessons we have observed from looking at other States. The process needs to be robust enough to last beyond the normal sort of government programs over four or five years. Sometimes it will take a generation to see significant change. That does not mean it should not be done.

Mr NINOS KHOSHABA: Your submission notes the important role of non-government organisations in delivering services. Can you suggest an effective way to incorporate the non-government organisation sector in reviewing and reporting against the State Plan?

Ms PETERS: I refer back to my previous answer about the Working Together for New South Wales compact. We see that as a very useful framework in ensuring that non-government organisations are engaged in the process.

CHAIR: Can you describe that framework?

Ms PETERS: It talks about respect and responsibility for each other's roles. So, on the one hand government respects that non-government organisations do not simply deliver services under contract but that they also have their own aims and objectives. In our case, for example, that is to advocate on behalf of disadvantaged communities wherever they are in New South Wales. The framework notes that it is an interdependent relationship but recognises that there needs to be capacity building in non-government organisations with government support so they are able to take up that independent voice.

To some extent, the framework is very much based on government making the decisions but with the advice and input of non-government organisations, and that we continue not only to deliver important human services for government but also to make suggestions about where there could be improvements and perhaps where we think government is going in the wrong direction. That is an important part of the framework. As I said, the framework sets out principles based on respect, but it is also about providing support to non-government organisations so that they can play that role. That involves capacity building, funding and sharing information. Although we get information about where they are, it tends to happen in an annual reporting cycle as opposed to being involved in understanding what the data means along the way as well. They are some of the things we think are important.

Many people think Working Together for New South Wales is about the Council of Social Service of NSW and some other peak organisations and government at a peak, statewide level. However, it talks about the principles flowing through, whether it be within government programs or in different geographical areas. It sets out a framework that allows it to operate at a peak level, but also decentralised to suit local circumstances.

CHAIR: What is your process in government? Is that for working with human service agencies or is it through negotiation with Treasury?

Ms PETERS: Negotiation with Treasury?

CHAIR: That is my point. Are you talking about this as a model for the State Plan?

Ms PETERS: We believe it is a model that you would apply across any government programs and is certainly entirely consistent with the State Plan. Working Together for New South Wales was formally signed by the then Premier, Bob Carr, and the forum of non-government agencies, which NCOSS is the chair of, which is an organisation of statewide peak organisations and statewide service delivery organisations—there are about 80 organisations—to represent the broad human services NGOs. That is the background of where it came from. The formal process, I have to say, has probably not worked out as either side imagined it. We tend to relate to the human services and justice CEOs cluster, to give them their full title, which does not include Treasury.

However, having said that, the principles within here, because they are about respect and understanding of each other's roles, are eminently capable of being worked in whatever environment. So, whether it be about budgets or whether it be about the State Plan, or particular programs within

government agencies, then this framework is capable of supporting a robust relationship that from the non-government sector point of view allows us to draw attention to issues, provide solutions, and provide what we would hope is constructive criticism along the way so we can jointly work on some of the issues identified.

CHAIR: With the first round of community consultation and subsequent rounds of community consultation, obviously it was not just about government and peak bodies, there was a lot of direct citizen engagement and random sampling of people in town hall meetings, as you referred to before. Do you feel that it is a healthy model to go back to, random sampling as well, for future reviews, and obviously not discounting the role of peak bodies?

Ms PETERS: I previously made the comment that it is important to find out what is happening to the average person. So, random sampling clearly is the way to get statewide, if you like, ordinary person's view on what is happening. However, I make the point again that with something like the State Plan clearly there are priority areas that have particular targets, whether they be by location or by population group. It is important to also ensure they are included in any particular process. We say that is important. In the example I gave before, averages can be changed by improving what happens at the top end and it may do nothing at the bottom end, which is what you need to create wellbeing and shared prosperity in this State. In that process we are finding out what people might think about the plan; it is a perfectly valid way to do it. However, we say you have to be somewhat specific as well for each of the priority areas to ensure that the people at the bottom are seeing some improvement as well.

CHAIR: There are three steps to the immediate where to from here with the State Plan. We have the ongoing reporting, which is done by websites and ministerial press releases and government policies and plans. The second is the annual review, which will happen sometime next year. The third component is the major review that will happen sometime in 2009. In relation to the first part, about the ongoing updates of websites, is there anything in your considered opinion that anyone is missing out on? Does the website meet all the criteria? Is the font big enough? Are there any immediate failings? When it comes to the next round, the major review, I want your view on the first model that you said was successful. Should we repeat that again or should we refine it? I suppose, first of all, are we missing anything obvious? Are there any absolute failings? I am not talking about the targets, I am talking about the practicalities. I know you identified targets that are failing.

Ms PETERS: I think it would be fair to say that the State Plan is a document for insiders, and I include NCOS and the organisations we represent as being insiders. We know about it, we base our submissions on it, et cetera.

CHAIR: It is good to have a road map.

Ms PETERS: It is good to have a road map. I do not know whether the ordinary person in New South Wales would have a clue about it. They might have seen something about it, they might even have been polled about it in the early days, but in terms of what it means, I do not think the average person who might be without public transport or who might be waiting on a hospital waiting list or looking for some other services is necessarily thinking about it in terms of state planning priority areas. So, to that extent the current reporting on the website and the like is perfectly adequate for the people who are using the document.

Having said that—and I take your point that it probably did not come out clearly in our submission—our concern is that in developing where to from the State Plan document to what we might do to achieve some of the targets, I do not think the sector would believe it has been involved as it should have been or could have been. We take some responsibility for that. We probably have not been poking bureaucrats enough about that. Both Samantha and I were at a conference that ACCOSS, our national body, put on about social inclusion a couple of weeks ago. The lovely term used was awkward squad. There is a role for people to be prodding. I think it is fair to say that we have not done that enough but I think it is also fair to say that we do not believe government and government agencies have involved us enough as well. So, both of us are perhaps a little unsure what our role is and we would like to take that.

It is for that reason that this year NCOSS is hoping to have a conference about the State Plan and how the non-government sector can and should be engaged in the State Plan. As I said, we see the State Plan very much as a long-term document. So, that engagement is important not just at major review points but at every step along the way. It is a little late four years down the track to say we got that wrong. If we identify that, we should be saying it all the way through or finetuning how we work with that. In some cases a lot of work has been done and I think government and government agencies and the non-government sector are learning as they go along.

In the major review, the one thing that was quite clear is that the process the Government went through to develop the State Plan was well received by the sector. Yes, there may have been quibbles about who did or did not get invited to various town hall meetings but there was a sense that there was a genuine attempt to get a very broad perspective on what was important and which was then seen to be reflected in the State Plan. Based on that, we would say that that sort of process would be entirely appropriate for a major review of the State Plan.

CHAIR: Would you like to make any closing statement?

Ms PETERS: No, thank you.

(The witnesses withdrew)

(Luncheon adjournment)

ROBIN BANKS, Chief Executive Officer, Public Interest Advocacy Centre, Level 9, 299 Elizabeth Street, Sydney, and

BRENDA BAILEY, Policy Officer, Public Interest Advocacy Centre, Level 9, 299 Elizabeth Street, Sydney, affirmed and examined:

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege and you are generally protected from legal or administrative action that might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and be an offence under the Parliamentary Evidence Act 1901. Would you like to make a brief opening statement before we proceed to questions?

Ms BANKS: Thank you for the opportunity to appear before the Committee in support of our submission. Just as a little bit of background, the Public Interest Advocacy Centre [PIAC] is a relatively old—25 years old—policy, advocacy and legal centre based in Sydney but working both on State and national public interest issues. We are particularly concerned to develop and participate in promoting approaches by government and by all sectors that achieve outcomes that are in the public interest, with a particular focus on ensuring that those who are marginalised and disadvantaged are not negatively impacted by government or other programs and policy development. Those concerns, I think, are reflected in our submission. However, more broadly, our submission focuses, as you would be aware, on ensuring that the plan has built into it effective mechanisms for ensuring positive outcomes. One of the major points of our submission is the way in which targets and measures are developed and how useful they are.

The other significant concern we have is to ensure that the Government's plan effectively engages community and the community sector in the way in which the plan is implemented but also how the plan is evaluated and measured. The non-government sector, of which we are a part, is a major provider of services in this State and certainly is concerned to ensure that it can work effectively with government on implementing the plan. One of the areas we are particularly keen for the Government to address is how it will engage with our sector on implementation but also on having a say in how effective the plan has been. Thank you.

CHAIR: Your submission highlights the need for balance between setting measurable targets and outcome based strategies. What do you think can be done to help achieve this balance?

Ms BAILEY: I thought I would respond to this issue by giving an example. It is a matter of ensuring that the outcomes and the targets that are set to achieve those outcomes in the process of review can determine whether that is actually creating any additional problems. For example, at PIAC, we have a project assisting young people who have had contact with the juvenile justice system. The ones we assist are those who have been unlawfully detained or arrested out of date bail conditions or warrants that have been withdrawn. For example, you will see in the outcomes of the State Plan this very good intention to prevent reoffending but because that seems to be the responsibility of the police, the targets to attain that, the effort to do that and the review of the outcome of that in the long term will be counterproductive.

There have been recent press reports—and I believe it has been confirmed by the Minister concerned—that the juvenile justice centres are overcrowded. Kids are sleeping on the floor, particularly at weekends, which is another problem with recent amendments to the Bail Act. As a result, police are achieving their specific target of stopping reoffending by focusing on those who are current offenders but the long-term outcome, according to recent reports, for example the Australian Institute of Health and Welfare reports that the younger a child enters the system, the more likely they will reoffend and have periods of detention. If the police do not use their discretionary powers about warnings and notices to appear but instead take them straight to detention, you will have a long-term outcome of those children being repeat offenders for a lot longer period, if that makes sense.

CHAIR: Yes.

Ms BAILEY: The measures need to be in keeping with the targets and those links with other services because usually the younger the child, the more likely the form of crime they are going to be involved in will be crimes of survival because of domestic violence because there is no Department of Community Services [DOCS] assisting over the age of eight, so DOCS will not take them in if they need care and protection. Those linkages with those services and the other targets needed in other areas are not linked in with that police target of stopping reoffending, even though in the short term you might find it has reduced it by 10 per cent, so you can tick it off; you have achieved that outcome. That is an example.

CHAIR: Is this related to the problems that you identify as individualised or are we talking about something else?

Ms BAILEY: It is leading on to that. Instead of looking at the individual, we are going to target the child who has reoffended and taking the focus away from keeping them locked up as long as possible by having programs that are interrelated so it takes into account programs about domestic violence, programs about providing support for children to meet bail conditions and so on. For instance, the recent young offenders report that was released and the Government response referred to what has been evaluated as being a very good program in terms of supporting young people to stop reoffending, but it failed to also say that it was a pilot program. It is only targeting those young people who have reoffended and it has a budget of less than \$1 million for the whole State and even at the time of writing, I believe that a couple of those programs have closed down.

If you look across the programs and as an example—I will not bore you with the details—I thought: what would I expect to see across the programs in terms of targets that departments and services have to meet in order to solve these young people's issues? Off the top of my head I came up with 10 and I would be struggling to find those targets across the board for that complex issue.

CHAIR: Do you think we need more indicators in the State Plan? Is that what you are suggesting? If an issue is complex, do we need to come up with more indicators that we are measuring as opposed to it being stand-alone?

Ms BAILEY: The indicators are not there to measure. For example, one of the indicators of entering juvenile justice with young children is the number of placements. So, where is the indicator within community services that says we need to reduce the number placements for children in care? And those children are not in care because of juvenile justice issues they are in care because of a breakdown in their family situation. Where is the action plan leading to that? Where is the action plan that takes children from being in care to being independent?

A recent report from an academic at Griffith Universe working for the CREATE Foundation found in their sample that less than 50 per cent of young people actually knew that DOCS had a unit that was responsible for transitional care and that they should have a plan to help them transition to independence. Where is the indicator within this planning process that shows that 50 per cent of children who are unaware that a plan should exist, is improved?

CHAIR: If I can take you back to the plan, the Government has particularly used language that the community has come up with so you may not agree with the words themselves but there is a target, for example—and I think you have highlighted it in your submission—which is to reduce the proportion of the New South Wales population who perceive problems with louts, noisy behaviours, public drunkenness or with dangerous, noisy, hoon drivers—

Ms JODI McKAY: Page 32.

CHAIR: Are you suggesting that kind of target is too broad and we should have targets that cause these outcomes?

Ms BAILEY: I am asking where is the evidence for the plan to support that perception to change? For that perception to change then there has to be a number of programs to support that and it seems to me that the simplistic version will put behavioural control orders, for example, on children whereas the evidence, from my understanding in the United Kingdom, and particularly in Scotland, is that five years after those control orders are placed on young children they are more likely to be in jail

or adult prison's because during that time the orders are so restrictive that most of the time they cannot even attend school because of non association orders.

The same thing is happening with Aboriginal children today because of the kinship ties. If the court orders that they cannot associate with someone they are actually moved to another country town without parental control, without kinship ties and without parental responsibility so they cannot attend school. It is looking more at what is the evidence to support that and not seeking very simplistic measures to fill that measure which is reduced perception. You can reduce perception very easily by taking a group of kids and putting them somewhere else in another town.

CHAIR: You do not necessarily have a problem with the targets as defined in the State Plan but it is a question of how to achieve them?

Ms BANKS: Certainly there are a number of ways you could achieve the targets, some of which would be quite proactive about supporting young people into more appropriate behaviour and giving them support to maintain education and all of those are the things. You could also potentially achieve them through much more restrictive mechanisms. I guess what seems to be absent is how do you achieve the targets rather than necessarily the targets being wrong. The other issue around the targets is that some of them are quite specific. The one you have just indicated is not very specific; in fact it is an incredibly broad target about perception. Better media or a different sort of media spin on what is going on in the community, of course, could perhaps address perception. So you may not change anything other than people's perception.

CHAIR: Whereas the target for lowering the rate of—

Ms BANKS: Smoking, for instance, is quite specific. It seems in some areas there has been a lot more attention given to quite refined or defined targets and in other areas is much more sweeping.

CHAIR: But you acknowledge in your own submission that these are complex?

Ms BAILEY: Yes, that is right and having the police as the lead agency means that you are framing the problem already in terms of the law and order issue.

Ms BANKS: Certainly if you compare, say, the rights, respect and responsibilities area with delivering better services—if you look at the health area of delivering better services it is much more focused on preventative strategies, it seems to me, and certainly the targets seem to have a much more preventive focus, whereas in this area of the plan it seems to be potentially more punitive and not really looking at the underlying causes of problems. So you get quite different feelings reading different parts of the plan. It is very inconsistent across those different measures.

Ms BAILEY: But the outcome and the way it is worded is important and to the lead agency it is as well, because how you frame that as an issue is going to determine the responses. So while I might be giving very specific and detailed examples that the plan does not get down to it is a result of how that measure is framed.

Ms JODI McKAY: Going to your opening statement where you talked about how the plan engages with the community sector and the non-government organisations [NGO] and the importance of that. I think you phrased it as a question as to how the Government will engage with the community sector and the NGOs. I am interested from your perspective how you think it should be done.

Ms BANKS: It is a good question to put it back. Certainly we have been involved in looking at the Compact that the Government has signed with the NGO sector—the Working Together Compact. We think that is a good basis for how Government should engage with this plan. I guess the opportunities that we see as clear opportunities for Government to be working with the sector are within the context of the plan but more broadly the health of the New South Wales community. Working with the community to identify emerging issues and emerging responses to issues because the community sector is often a very effective place to develop new mechanisms or ways of responding to issues that perhaps were not so clear when this plan was developed.

Certainly the sector could be quite useful in working with the Government on refining some of the measures and the targets but also to identify gaps in the plan. Certainly there were some that we were involved in commenting on before the plan was finalised around indigenous justice outcomes and justice more broadly that have not made it into the plan. Issues that are pretty significant I think for at least rural communities, and also for some urban communities, around trying to ensure that young indigenous people are getting the support they need to keep out of trouble and the criminal justice system. But then also there is an absence in the plan of support around the way the justice system operates, things like the role of community legal centres and legal aid in supporting people, the way in which the court processes work and how we might improve those over the term of this plan.

The NGO sector, or community sector, has a lot of experience certainly in our part of it—the community legal centres sector—in looking at different ways for the justice system to operate more effectively to try and divert people from the criminal justice system into more effective, and hopefully, preventative mechanisms. Certainly we would like to see opportunities to be working closely with the Government on all of those. I think we have a very good working relationship with the Attorney General's Department around some of those issues. We have done a lot of work with the department around homelessness. I think it is those sorts of relationships that are not at all transparent in the plan and it would be good to see the Government putting some focus on how it can work with us and we think that is possible.

Ms JODI McKAY: Is there a model that you would put forward in terms of achieving that?

Ms BANKS: As I say, I think the Compact that exists is a good starting point. The reality is the sector is very diverse, as is government. Different parts of the sector will work with different parts of government in different ways. I do not think there is a single model but certainly mechanisms that enable the sector to be consulted and then to go back to consult with its constituents, so it is not a closed-shop arrangement. It is not a situation where somebody like me is consulted but I am not permitted to have a conversation outside that process. It is very important that it is an open consultative process rather than one that cherry picks from a few organisations.

CHAIR: In general do you see the State Plan as an improvement?

Ms BANKS: I certainly think it is a positive step forward having long-term planning around a range of key issues. You would hope that most people would see it that way.

CHAIR: Were you involved in the consultation?

Ms BANKS: Peripherally. Certainly we were on some specific issues we work on. We certainly gave input around homelessness and we are part of the New South Wales Legal Assistance Forum and we, with the rest of the forum, put forward some comments on additions we thought were important to the plan—some of which appeared and some of which have not. We do not expect all of our views to be reflected absolutely.

CHAIR: But you felt you were given the opportunity to participate in it and your sector generally felt that there was concern and consultation?

Ms BANKS: I certainly think there was a sense that the opportunities were there. The difficulty that will always arise for our sector—and it certainly arose with this process—is the limited resources the sector has available to take a step back. Particularly when you are doing direct service delivery to very needy people, having that capacity to step back to reflect on the longer term is often a challenge for our sector. Organisations like the Public Interest Advocacy Centre are in a pretty privileged position I think from that point of view. We are large certainly within community legal centres.

I will say the tight time frame of the plan makes it harder for smaller NGOs to engage and I think any further consultation around this needs to be more targeted. I think if you were doing this again, my main comment would be that it would be really useful for the Government to be specifically targeting areas where the smaller NGOs are more dominant because it is much harder for them to actively engage unless you come to us. It was a good opportunity that hopefully we can learn from for next time.

CHAIR: The whole basis of the inquiry is not necessarily to make value judgements on what has happened but it is a given that in 2009 and beyond there will be more fundamental reviews of what is a good methodology for future reporting. We want to ensure that the current framework is okay, and recommend if there are any changes to be made, but really we are talking about future consultation processes. What you are advising us is very valuable and I offer you the opportunity to elaborate further if you would like. Given that the Government has said in 2009 there will be a significant review and an annual report but in the meantime the website will be updated and the other tools which accompany that, how would you see the Government making the most of your skills and insight?

Ms BANKS: By very much targeting groups that have direct experience with communities, particularly marginalised communities, and not just an invitation to attend a forum but actively going out and seeking to sit down with people and ask their experience in terms of the way the plan has played out in their communities. It has to be quite targeted if it is going to be effective because, as I say, many small NGOs and those in the more remote areas of the State will find it much harder to be proactive in engaging in the review process.

The other thing is looking at how you give people the skills to engage in that process more effectively. I guess articulating a process that asks some specific questions around the effectiveness of the plan from the point of view of organisations, but also enabling processes that give people time in a forum to talk through and hear from others in their same sector about their experiences. It can trigger thinking that people might not otherwise have.

CHAIR: A large part of the first step was the random sampling of citizens. Do you know if the target clients of your members—I do not necessarily mean your service providers but their clients—have had any input into this process?

Ms BANKS: I am not aware of the groups that we work with most commonly having been involved in those processes. I think it is worth saying that often those processes can pay lip-service unless people are given some skills development or capacity building to go into a process—

CHAIR: The first morning was the education process and then the afternoon was—

Ms BANKS: That sort of thing is an important part of enabling people to participate effectively. But I am not aware of any of our constituent groups being involved.

Ms BAILEY: There is also the issue of it being done at that general level, at the top end. The statewide action plans are still being developed and implemented and there should be a capacity for that discussion or conversation to continue for specific groups as well. It is good having that cross-section, doing that random sampling but there are specific groups which are going to be in more need of government assistance, if you like, and whether those needs are reflected within those measures.

For example, one of the action plans is about increasing retention rates in schools but is that going to require talk to specific groups that are involved in educating children with disabilities or Aboriginal children or other groups? Are you going to get the indicators you need for those specific population groups when the general population do not have a child with a disability and it is not necessarily going to pick that up? Yes, you will meet your retention rates but with those children that are in need of education and have a disability, if that has not changed, what improvements have you made for those most vulnerable in the community?

CHAIR: Obviously, at the moment the plan sets the targets and it is up to the agencies to then work within those targets?

Ms BAILEY: Yes, which is why you need that involvement as well.

CHAIR: Are you suggesting that the plan should clarify targets more specifically? For example, instead of increasing the school leaving age, there should be subsets to allow an increase in the school leaving age for students from culturally and linguistically diverse backgrounds from the average of year 10.5 to year 11?

Ms BAILEY: You should be able to see it somewhere in the structure of your planning documentation, if it is not at that higher level. Whereas, with the list of planning documents we have here, it is not necessarily the case that we would find them all here. I think you would struggle, with the examples I was given before with the youth issue—and I know that is a very specific and small issue—to find your action reflected in that. The State agencies are looking at the big picture; they are looking at, in the education example, how they can increase retention rates. Unless there is some kind of follow-on plan that is endorsed and recognised by the Government—that your retention rates might be the same but you have increased by 50 per cent the retention rates of Aboriginal children or children with disabilities—surely that is a success. But for the Government who is reporting on the high-level ones, it is going to look static.

CHAIR: Is it about the targets, or is it more about having the other plans listed?

Ms BAILEY: It depends what is in those plans, and what you are reporting on. If the Government is relying on those top-level ones for reporting for their public distribution of information, you are not going to look as good as you should be looking if you are not explaining and communicating to people the good work that is possibly being done because those targets are somewhere deep down in the bottom of the level planning somewhere.

CHAIR: As I said, we are not necessarily looking at the targets themselves; we are talking about the quality of the targets. Would you agree? We are asking about what you are measuring, not about the blunt instruments?

Ms BAILEY: Yes, I guess so. In looking at the plan, it raises a lot of questions. If you are looking at the top level or the broadest level of your statistics and saying "Increase 75 per cent of such and such" but there is nowhere in this document that says 75 per cent of what, or what the level is now. This is a bit off the track from our issues, but someone has given me a figure that an agency that is meant to be increasing public transport has 10 years to increase trips to the CBD to 75 per cent. Nowhere is it mentioned that that is actually 72 per cent now. So, over 10 years you only have to increase it by 0.33 per cent. A number of questions arise from the documentation in the reporting of those broad figures—simple things like: Is it 75 per cent of what? What is it now? Over what period does that mean you are going to increase it by? Is it really a useful target?

Ms BANKS: But certainly the quality of the targets is important from our point of view, and also how they are evaluated and the level of independence in that evaluation process.

Mr RUSSELL TURNER: In your studies and travels have you seen any reporting process that you should refer to us that could be of assistance?

Ms BAILEY: Do you mean of other agencies or other countries?

Mr RUSSELL TURNER: Yes, of other agencies or other countries.

Ms BAILEY: I did not prepare information on this to bring with me. But there are other countries that include more qualitative data. I think with the consultation and new reporting, there certainly should not be reliance on that. The education example is possibly another example of the fact that relying on those broad figures does not tell you the story. The people who can give you that other story are the people implementing the services. Having that consultation in your measurement and including the qualitative data as well as those percentages would be of benefit as well. It is not difficult to find other countries and organisations that do that, but I have not brought any references with me today.

CHAIR: In your submission you talk about role of the Auditor-General as overseeing reporting arrangements to ensure reports are based on accurate and current data. At the moment the plan says the Auditor-General will report on accuracy. Do you think he should also report on reliability, availability and completeness?

Ms BANKS: Certainly it would be useful having that sort of independent reporting on a broader range of issues. Some of the work the Auditor-General has been doing more recently around

social program evaluation is quite relevant to this plan, so the work that was done last year on homelessness, the work that is currently being done on evaluating the joint guarantee of service and how well that has been implemented, I think the Auditor-General is quite well placed to give that broader evaluation beyond simply accuracy. They certainly have the expertise, or they are building it within that office, and I think it would be useful as a second process, an independent process that supports confidence in the plan and the implementation of it.

CHAIR: Do you wish to add anything for us to consider? We have your submission, which is very helpful.

Ms BANKS: Would it be useful if we provided other international examples?

CHAIR: Yes, if you have recommendations on best practice.

Ms BANKS: We can certainly provide, perhaps not a recommendation on best practice, but some examples of other practices we think might be useful.

(The witnesses withdrew)

PETER CHARLES ACHTERSTRAAT, Auditor-General of New South Wales, P.O. Box 12, Sydney, and

ANTHONY THOMAS WHITFIELD, Deputy-Auditor General of New South Wales, Audit Office of New South Wales, Level 15, 1 Margaret Street, Sydney, sworn and examined:

CHAIR: I thank the representatives of the Audit Office of New South Wales for appearing today to provide evidence to the Public Accounts Committee inquiry into State Plan reporting.

Mr ACHTERSTRAAT: Thank you for the opportunity, Mr Chair.

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege and you are generally protected from legal or administrative action that might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute contempt of the Parliament and an offence under the Parliamentary Evidence Act 2001.

Mr ACHTERSTRAAT: Mr Chair, I indicate that I will have to take my leave at 3.55 p.m.

CHAIR: The Committee will do everything within its power to ensure that is facilitated. Would you like to make a brief opening statement before we commence questions?

Mr ACHTERSTRAAT: Certainly. Mr Chair, every agency, whether it be a public body or private corporation on the stock exchange, likes to measure its performance. They can do that in financial terms or in societal terms or in any sort of terms. Invariably, they will develop priorities, proposed outcomes, and then they will have measures, key performance indicators, to see how they are going. It is not the role of the Audit Office to question a priority that has been set by a government of the day or by Parliament. So if there is a priority, such as better transport, better homes, et cetera, it is not the role of the Audit Office to question that because that is more a policy issue. When it comes to determining how that priority is being achieved, often agencies will establish a key performance indicator or a measure. There are two dimensions to that: what is the appropriateness of the measure and what is the accuracy of the measure? I will go to the Western Australian experience in minute.

If, for example, a government of the day or the State Plan sets a priority such as an effective transport system, it is not for the Audit Office to determine whether that is an appropriate priority or not. Even the people responsible for the priority will then set targets. One target, for example, might be consistently meet public transport reliability for trains, ferries and buses. Two questions arise: Is that an appropriate target in relation to the priority? If the target is measured, how accurate is that? Returning to the appropriateness, the target here when we drill down says something along the lines of 92 per cent of buses and trains will arrive on time. If one is going to look at the appropriateness, one might say: Is train arrival on time an appropriate target? Is 92 per cent an appropriate target? Is on time defined as within four minutes or within six minutes? In the past it has been within four minutes. Now it is within six minutes in relation to meeting national consistency.

Once a target has been set, for example, 92 per cent of trains to be on time, the department or the agency will give indications as to how they are going. There are three sorts of ways they are measured. One is data can come directly from an external source, such as, the Australian Bureau of Statistics. Secondly, the data can come from manual tabulation in that agency. For example, there could be someone at the train station measuring every time a train comes in. Thirdly, there could be systems in place to automatically capture the data. Our recommendations in our previous reports relate to the comparability of the data. We are suggesting that if indicators are developed, they should be ones that could be compared to other jurisdictions. We also refer to the reliability of the data, which means we need to have them audited by an independent agency so that they are reliable and the public can see that they are transparent. In relation to completeness—the third thing we spoke about—there are two aspects of that.

One side of it would be completeness in relation to if the budget or the State Plan says there are going to be three measures and then when they come out there are only two measures, then that is not complete. Secondly, other people might talk about completeness in relation to the original target

itself. That is a general opening comment, Mr Chair. In Western Australia, of course, they look at the appropriateness of the indicators. I am not aware of any others, except maybe the Australian Capital Territory verges on that. But in the past the New South Wales Audit Office has not looked at the appropriateness of key performance indicators. In relation to the accuracy, we have generally accepted what the agencies have said and had an overview look at their systems.

CHAIR: What would be achieved by auditing completeness, reliability and comparability? Why is the Western Australian model better? Are you suggesting that the Western Australian model is better?

Mr ACHTERSTRAAT: No, I am suggesting it is different. The Western Australian model is able to look at the appropriateness of an indicator. My view is that the targets have been published here and the role of the Audit Office should be looking at the accuracy of any information which is published in relation to those targets. So if the target is 92 per cent of trains on time, the Audit Office should look at the data that goes into establishing that 92 per cent, either the systems or the manual approach or the arithmetic accuracy. As to when we do that, whether we do all that in the first year or the second year is another question. I am not suggesting, Mr Chair, at this stage that the Audit Office has a role in changing the 92 per cent to 91 per cent or, indeed, adding any extra targets at all.

It may well be after a couple of years of the State Plan we might be asked to add our own views on what is an appropriate measure—not actually the metric, but the measure. Say, for example, the target is an effective transport system or a safe and reliable transport system. If all the indicators only refer to the reliability and not the safety, then the Committee may ask us in a couple of years, "Have you got any suggestions on how we can complete the measures so there is one in relation to safety?" Our view for the first year has been for the Audit Office to accept the targets that have been published and for us to have an active role in ensuring that any data put up against those targets is transparent and accurate. We are not suggesting that we adopt the Western Australian model at this stage.

Mr WHITFIELD: The original question was what would be achieved by auditing the data. The answer to that question, as with any audit, is that the outcome is to provide assurance to independent parties, be that the Parliament, shareholders or whoever. Auditing the key performance indicators as to their completeness, reliability and comparability will give the reader assurance that they have been produced accurately, not "made up", and that there is some substance behind the numbers. Therefore, reliance can be placed on those numbers in a decision-making process.

Mr NINOS KHOSHABA: What burden would be placed on the Audit Office and government agencies if the office conducted such audits? Would that be likely to require additional resources?

Mr ACHTERSTRAAT: Yes, it would require additional resources. We put in an estimate this time last year on the assumption that we would be doing some auditing of the State Plan. At this stage it has not been firmed up as to the precise nature of the auditing we will do, so the level of resources at this stage is unknown. I think the figure was \$500,000.

Mr WHITFIELD: We put in next year's budget \$500,000 to cover the anticipated audit requirements. As the Auditor-General said, we have been working with the Department of Premier and Cabinet to get an understanding of what needs to be audited. As members would appreciate, the key performance indicators in the State Plan come from a variety of sources. Some come from third parties, be it the Productivity Commission or the Australian Bureau of Statistics, and others are internally generated by the agencies.

In our discussions with the Department of Premier and Cabinet we have said that in the first audit we would initially focus on the internally generated key performance indicators and primarily on their accuracy, not necessarily the systems that support them. The reason for taking that approach is that at present a number of the agencies are still bedding down the systems. We understand that the first report on the State Plan will be in respect of the year ended June 2008, which I think is intended to be reported on in conjunction with or just after the total State accounts are prepared. So initially our view was that we would audit them for arithmetic accuracy and trace them back to the source data, but without doing any substantive or detailed audit. In the second year, we would look at auditing the

systems behind them, having given the agencies time to bed down their systems. That would give us some comfort about the reliability of the systems producing the figures

In respect of the information coming from the Australia Bureau of Statistics and the Productivity Commission, in many cases that information initially stems from the agencies themselves. So, there would be some difficulty in simply accepting that because the agencies may not have provided accurate data. If we could then look at the systems producing that information and get comfort from those systems we would be able to comment on them. The other issue with those two types of information is that we are not sure what sort of seasonal adjustments or whatever the Productivity Commission or the Australia Bureau of Statistics may make to the raw data.

Mr ACHTERSTRAAT: In relation to the second part of the question and the cost to the agencies, much of the data might be automatically generated by the Productivity Commission, so the agencies are already providing it. However, there will be other situations where a new metric has been established, so there may be extra costs to agencies at the margin to tabulate the data. However, given that it is strategic data, many of the agencies would be already measuring something like this.

CHAIR: And presumably putting that in their State Plan reports.

Mr ACHTERSTRAAT: Yes.

Ms JODI McKAY: Am I right in saying that you would have expected to have had your role in the measurement aspect confirmed by now?

Mr ACHTERSTRAAT: We were expecting a little more certainty around exactly that we are auditing. Our role in doing the audit has been established and that is clear.

Ms JODI McKAY: In relation to the accuracy?

Mr ACHTERSTRAAT: Yes. The next step is to work out exactly what that means; that is, of the 29 or so indicators, which ones we will be looking at and which ones are automatically generated by the Productivity Commission. We are also working with the Department of Premier and Cabinet to determine our precise role in that regard.

CHAIR: You will be pleased to know that Mr Graeme Head, the Deputy Director General and Acting Executive Director General of the Premier's Delivery Unit, said this morning that the recommendation you made relating to examining completeness, reliability and comparability has been accepted and it is intended that you will look at those issues instead of simply accuracy.

Mr ACHTERSTRAAT: Given that this will probably be a referral audit, the next step will be for us to receive a letter from the Treasurer of the day indicating that the audit should be done and providing the exact terms of reference. When we talk about "completeness", there are two different ways that word can be interpreted. If someone is to audit the completeness of data, that may mean determining whether all the figures are in the report. If the target was to measure the on-time reliability and safety and they measured only one, the report is not complete. That is one way of looking at completeness and it relates to accuracy. The Western Australian model demonstrates another approach. It states that if one is to measure an effective transport system one should have the following 10 indicators. That is a different concept of completeness and it is probably not the one to which we were referring. We were referring to the completeness of the actual figures. However, we have worked well with Mr Head's area and look forward to fleshing out our role.

Mr ANTHONY ROBERTS: Thank you for taking the time to appear and for the wonderful work you do. You have mentioned the Western Australian model. It is very important that the auditing of a State Plan shows completeness, reliability and comparability. However, it should also show a level of transparency that the State Plan is being undertaken in a proper manner.

Mr ACHTERSTRAAT: Absolutely.

Mr ANTHONY ROBERTS: I believe, as do many people, that the State Plan is not simply about money but also about people. Unless we can audit some of the key performance indicators and

ensure they are correct and on track, we lose it a bit. I note that in Alberta the Auditor-General played a role in reporting on non-financial performance information. You noted that in your 2006 report. The Alberta Auditor-General's non-financial performance information included the observation that the credibility of the performance information is enhanced through that process. Am I right in saying that you think that a similar process would be beneficial in New South Wales?

Mr ACHTERSTRAAT: Absolutely. In relation to credibility and so on, as the Deputy Auditor-General said, if figures are audited by an independent source such as the Auditor-General, that enhances credibility and with decision making and helps people realise areas in which improvement may need to be made or where things are travelling quite nicely. You have drawn a distinction between financial and non-financial. Again, we agree that while traditionally the role of an audit office is to audit the financial situation of an agency, we believe we can play an important role in auditing the non-financial side of things, as long as they meet the criteria of the key performance indicators—they are specific, they are measurable, they are relevant and timely, et cetera.

Say, for example, the triage results in relation to a hospital. They are non-financial but I think 100 per cent of people in category one have to be seen within two minutes, or something, and 85 per cent within 10 minutes. We could certainly in our second year audit the systems behind that and make sure they are accurate. Also, in relation to recidivism, the number of persons returning to custody, again that is not a financial measure. It is a clear indicator of performance and I think we could play a vital role in auditing, in the first year, the arithmetic accuracy of the data that goes in and in subsequent years the systems behind that to determine whether there are appropriate systems to collect that data.

CHAIR: You have a few people who agree with you. We heard evidence from PIAC, NCOSS and the CPA, all this morning, recommending that your office do these non-financial compliance audits, and they very strongly argued that way.

Mr ACHTERSTRAAT: As long as they are aware of the fact that we will be auditing, not setting policy.

CHAIR: Yes. As peak bodies they prefer to set the policies. In doing that, you talked about the resources you would require to do it. You contract out some of your work for financial audits?

Mr ACHTERSTRAAT: Correct.

CHAIR: Are there any private firms that do this quality assurance of performance indicators?

Mr ACHTERSTRAAT: We are not aware of any private firms that audit the equivalent of a State Plan. It may well be that various departments, either in New South Wales or elsewhere in Australia, as part of their internal audit process, have an independent review of the accuracy of their KPIs, but I am not in a position to say whether and to what extent various agencies may robustly test their KPIs. I do not think there is any obligation under the Public Finance and Audit Act for an agency to have an external review of the accuracy of their KPIs, but many may do that, either through internal audit or external. Tony, are you aware of any?

Mr WHITFIELD: No, I am not aware of any that use private-sector firms.

CHAIR: Are you aware of any best practice or guidelines set by anyone?

Mr ACHTERSTRAAT: In relation to the setting of—

CHAIR: Performance audits or KPIs?

Mr ACHTERSTRAAT: SMART is the acronym that most people use for an appropriate KPI.

CHAIR: It stands for?

Mr ACHTERSTRAAT: Specific, measurable, achievable, relevant, timely. That is one set. But having said that, we are not in a position to turn around and say the targets that are in this year's State Plan should be changed because they are not SMART. That might be something we are asked later down the track. We are considering doing a better practice guide on KPIs, just as we have done a better practice guide on fraud prevention and agency amalgamation. So, that is one over the next 12 months that we may look at. We have done a performance audit in relation to the Office of the Director of Public Prosecutions, where we have called for a more robust suite of key performance indicators, and we have done a fair bit of work in that area, and we thought we might leverage off that to create a better practice guide.

CHAIR: Given that there are other States with State Plan equivalents, are there any others that have the guide or a user model?

Mr ACHTERSTRAAT: I am not aware of any.

Mr WHITFIELD: I am not aware, apart from Western Australia, where they audit the KPIs and are required to comment on their arithmetical accuracy and appropriateness, and the Australian Capital Territory, where they comment on their arithmetical accuracy. I am not aware of any other audit office that audits State Plans. In fact, the KPIs in Western Australia and the Australian Capital Territory are not the whole of the State Plan, just individual KPIs are set for particular agencies.

CHAIR: So they are not reported in their State Plan?

Mr WHITFIELD: To my knowledge, no.

CHAIR: What is the difference with South Australia, the publishing agent model in South Australia, where it has independents and others on its committee, and it has an audit committee of the processes?

Mr ACHTERSTRAAT: You are talking about an individual agency or the State?

CHAIR: No, that is for their State, South Australia.

Mr ACHTERSTRAAT: I am not in a position to comment on that.

Mr WHITFIELD: I am not familiar with that at all.

Ms JODI McKAY: One of the issues we have tussled with today is in relation to NGOs in the community sector, not only engaging them in the process but also the measurement aspect. It is very complex, obviously, but do you have a view on that?

Mr ACHTERSTRAAT: In relation to the NGOs helping to set the target or in relation to—

Ms JODI McKAY: Measurement of the target. Once the priorities are set, just in feeding into the measurement?

Mr ACHTERSTRAAT: Say, for example, if a priority is set that poverty will be reduced, or something, and then the NGOs might come up with some suggested measures of that—

CHAIR: Well, they do the service delivery.

Ms JODI McKAY: So they are receiving government money to help agencies meet their priorities, so engaging them in the process of then measuring the effectiveness or otherwise of the investment.

Mr ACHTERSTRAAT: From my point of view, the more people who can have input into the target the more ownership there will be in the community. At the end of the day it should not necessarily be a vote as to what it should be, the Parliament would have to decide the most appropriate measures. I imagine the NGOs would have service level agreements with the department saying we will provide a certain number of disability places or respite care or something like that, and they could

probably leverage off those service level agreements to come up with meaningful targets. I am not an expert and I have not given it a lot of consideration but I would suggest if the NGOs are in the field they will be worth listening to when it comes to developing targets.

Mr WHITFIELD: If I could perhaps add a few words. One of the ways you could consider doing it is, if the NGOs are receiving government grants usually there is an acquittal process that requires some form of certification by the auditors that the money was received and spent. You could build into the agreement that there is a reporting requirement to report on the particular KPIs and get the NGO's auditor to certify those KPIs that could get reported back through to the agency that gave the grant to be built into that agency's KPI and through to the State Plan.

Mr ANTHONY ROBERTS: What has come out today, very much so, is particularly looking at the non-financial performance. We do not want the State Plan to become another "No child shall be living in poverty by 1990" or whatever it was. It is important to have that ability to audit. We are not a bank. While you can keep track of the money, it is important to set non-financial KPIs that we as a Parliament and the people of New South Wales can keep track of that to make sure that those delivery levels are being met and those KPIs are being successfully met.

Ms JODI McKAY: Also, they are feeding into the State Plan to determine the accuracy of the measures in the State Plan—a very important sector.

Mr ACHTERSTRAAT: Yes.

CHAIR: Would you like to make any closing statement?

Mr ACHTERSTRAAT: No, just to thank you. We are looking forward to working with the Premier's Department to take it to the next step and get a referral as to exactly what is expected.

(The witnesses withdrew)

(The Committee adjourned at 3.40 p.m.)