

Public Sector

Performance

Indicators

1993-94



Part A:

Progress since

1990-91

Part B:

Developing

Satisfactory

Indicators

OFFICE OF THE AUDITOR GENERAL
WESTERN AUSTRALIA

SPECIAL REPORT



EXECUTIVE SUMMARY

Introduction

Reporting of audited performance indicators by management has become a fundamental part of a new approach to accountability based on assessing what public sector agencies do and how well they do it.

Public sector performance indicators provide information on the efficiency and effectiveness of programs designed to address issues of public interest. These issues include the quality of our food, water and air; public safety and health; and many other environmental, social and economic issues. As a result, performance indicators are of considerable importance to Parliament, agencies and the Western Australian public.

Performance indicators are also an important tool of management. In a recent independent survey of the agencies audited by the Auditor General, 76 per cent of the responding agencies either agreed or strongly agreed with the statement that “performance indicators are a useful means of considering efficiency and effectiveness in all organisations”.

This review describes the present standard of performance indicators reported by 294 Western Australian public sector agencies in 1993-94 and the progress made in developing performance indicators since 1990-91.

Standard of 1993-94 Performance Indicators

The review found that 18 per cent of agencies (listed on page 18) reported efficiency and effectiveness indicators which were all relevant to their objectives and appropriate for assisting users to assess performance. These agencies accounted for 37 per cent of the State’s public sector expenditure.

A further 53 per cent of agencies have demonstrated their ability to develop satisfactory performance indicators for at least some of their program objectives. These agencies are responsible for nearly half (47 per cent) of public sector expenditure. It is important that these and the remaining 29 per cent of agencies (which account for 16 per cent of expenditure) develop their indicators to the standard required.

Progress Made Between 1990-91 and 1993-94

The standard of performance indicators in the public sector has improved considerably in recent years. Between 1990-91 and 1993-94, there has been a significant reduction in the proportion of agencies that either failed to report indicators or reported indicators of a very limited standard.

The proportion of agencies that have achieved relevant and appropriate indicators for some, but not all, of their program objectives, has increased four-fold from 13 per cent to 53 per cent, reflecting the substantial effort being made by the majority of agencies. Furthermore, there has been a six-fold increase in the proportion of agencies that have achieved ‘all relevant and appropriate’ performance indicators (from 3 to 18 per cent).

Certain types of agencies have been more successful than others in developing satisfactory performance indicators. For example, statutory authorities were three times more likely to have developed relevant and appropriate indicators than departments whereas little progress has been made by hospitals.

Factors Impacting on Progress

A variety of factors have been identified which influence the development of performance indicators including :

- clear objectives which focus on client needs and intended results;
- integrated and reliable management information systems within agencies;
- agencies being subjected to considerable external scrutiny;
- Chief Executive Officers taking a personal interest in driving the development of agency indicators;
- organisational cultures that emphasise the achievement of objectives, self-evaluation, and staff participation and consultation;
- agencies using performance indicators in their own strategic planning and management; and
- staff having the skills to develop satisfactory indicators.

Overall, it can be concluded that significant progress has been made over the last three years in the standard of performance indicators reported by public sector agencies. It is recognised that the development of satisfactory performance indicators is a gradual process that spans several reporting periods. Moreover, it is an evolutionary process, and most agencies will continue to refine their indicators over time.

However, many agencies still have a considerable amount of developmental work to do on their performance indicators. Those agencies which have made substantial progress to date are to be commended for the improvement in accountability achieved.

Future Intentions for the Audit of Performance Indicators

In the light of the findings of this Special Report, it is intended that:

- Parliament will be provided annually with a list of the opinions issued on the performance indicators reported by each individual agency;
- In 1994-95, the current approach of issuing a mixture of audit assessments and formal audit opinions of key indicators will be continued; and
- In 1995-96 the issuing of audit assessments will cease and unqualified or qualified formal audit opinions will be issued.

Recommendations

To facilitate the continuing evolution of performance indicators it is recommended that:

- **Program objectives for public sector agencies should be clear, measurable and focussed on the needs of, and the outcomes desired for, their customers;**
- **Public sector agencies should report performance indicators that are relevant to program objectives and both sufficiently comprehensive and in a form which is appropriate for assisting people external to the agency to assess the agency's performance; and**
- **The Treasury and Public Sector Management Office should further develop support services for those agencies which need guidance in developing their performance indicators**

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PART A: PROGRESS IN THE DEVELOPMENT OF PERFORMANCE INDICATORS BY PUBLIC SECTOR AGENCIES

INTRODUCTION

The Context of Government Spending and Accountability

During recent years there has been a world wide trend among elected representatives, the public, and the media to focus on accountability for performance in the public sector. In an environment in which the demand for public services is increasing, but the availability of resources is limited, it has become increasingly important to assess what public sector agencies do and how well they do it.

In order to deliver relevant and quality services on time and within budget, agencies require flexibility (within legislative constraints) in determining their operations. Two complementary principles have evolved to address this need for flexibility:

- let the managers manage; and
- make the managers accountable.

The results orientated approach to management requires that the outcomes sought by Government are clearly specified and responsibility is assigned for their achievement. Public sector managers can then be held accountable for the extent to which these outcomes have been achieved. Mandatory reporting of performance indicators by management has become a fundamental part of this new approach to accountability.

The Value of Performance Indicators

Public sector performance indicators provide information on the efficiency and effectiveness of government programs. These programs, in turn, are intended to address certain issues in the public interest such as: the quality of our food, water and air; public safety and health; and many other environmental, social and economic issues. As a result, performance indicators are of considerable importance to Parliament, agencies and the Western Australian public.

The following examples illustrate the ability of performance indicators to provide information on just a few of the many issues addressed by the Western Australian public sector (see Appendix 1 for further examples).

Food Quality - The Dairy Industry Authority of Western Australia presents performance indicators showing the quality of farm milk and dairy produce.

Water Quality - The Water Authority of Western Australia reports the quality of Perth's drinking water in relation to National Health and Medical Research Council guidelines.

Physical Safety - A variety of agencies report on the community's physical safety at home, at work, and on the roads. For example, the Police Department reports on how safe people feel at home, in the city and on public transport. The Department of Occupational Health, Safety and Welfare publishes indicators on the rates of occupational injuries and diseases. The Commissioner of Main Roads provides indicators on the standard of our roads and road fatality rates.

The Environment - Performance indicators measuring the quality of our environment are presented by the Department of Environmental Protection and the Swan River Trust. These indicators report lead, carbon monoxide, and ozone levels in Perth's air; and the quality of the Swan-Canning waterways.

Shelter - The State Housing Commission (Homeswest) publishes indicators on the extent to which the provision of public rental housing is meeting demand. They also monitor whether their rental program is targeting people in need.

Public Sector Efficiency and Economy - All public sector agencies need to account for the efficient use of public resources. Performance indicators relating to efficiency are one tool for monitoring and reporting public sector efficiency. For example, Port Authorities publish cargo handling efficiency indicators; the State Energy Commission of Western Australia provides information on the efficiency of generating electricity; and the Western Australian Electoral Commission presents information on the efficiency with which elections and referendums are conducted.

Performance Management Framework

A program performance management framework (Figure 1) has been applied in various forms to public sector operations in many parts of the world. The key elements of a performance management framework are:

- Clear definition of an objective with a focus on the intended results;
- Allocation of resources to address the objective; and
- Assessment of performance based on the extent to which the objective has been achieved and the efficiency with which the allocated resources have been used.

Performance indicators form an integral part of the framework. Four broad types of indicators are used: economy (or cost); workload; efficiency; and effectiveness.

In the past, agencies have concentrated on reporting indicators which have illustrated the cost of their programs and the amount of work done. Although these indicators can show the economy of operations and how busy an agency has been, they give little understanding of the extent to which the resources consumed or the work undertaken have contributed to the efficient achievement of an agency’s goals. Efficiency and effectiveness indicators focus on achievement which is the most important aspect of performance.

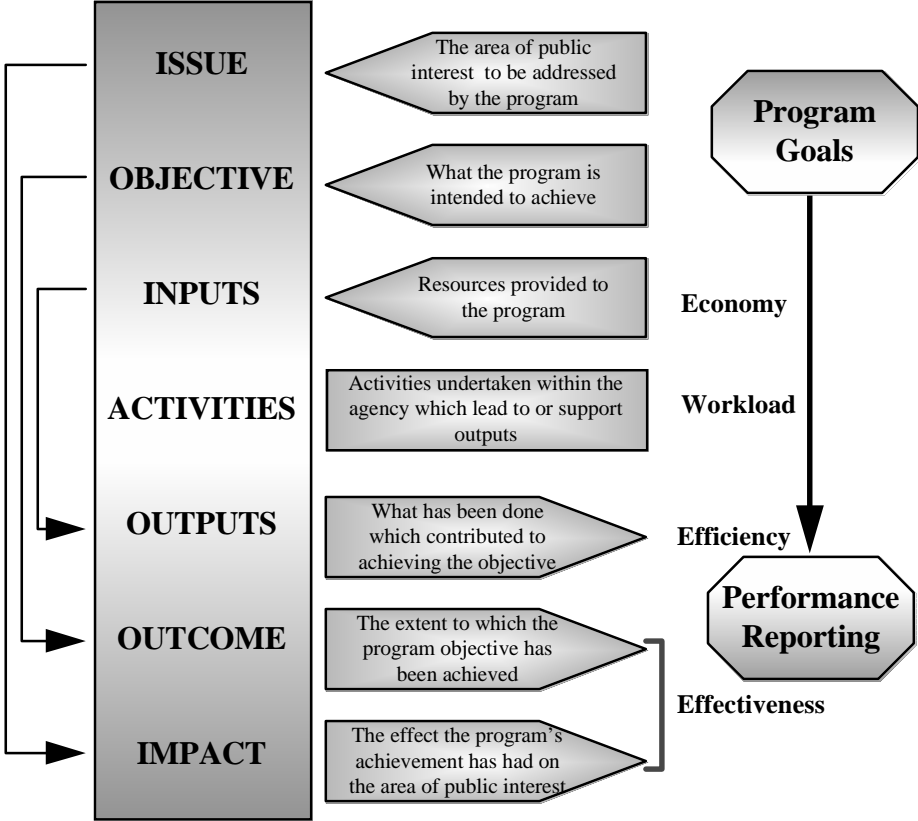


Figure 1. Public Sector Performance Management Framework

Hierarchy of Performance Indicators

The performance management framework can be, and often is, applied at all levels within an organisation. This leads to a hierarchy of performance information which varies from details about an individual task, to overview information about performance at the program level (Figure 2). In general terms, the small amount of higher level information is of interest to the widest range of people, both inside and outside an organisation, whereas the large amount of lower level information is primarily of interest to the organisation’s staff.

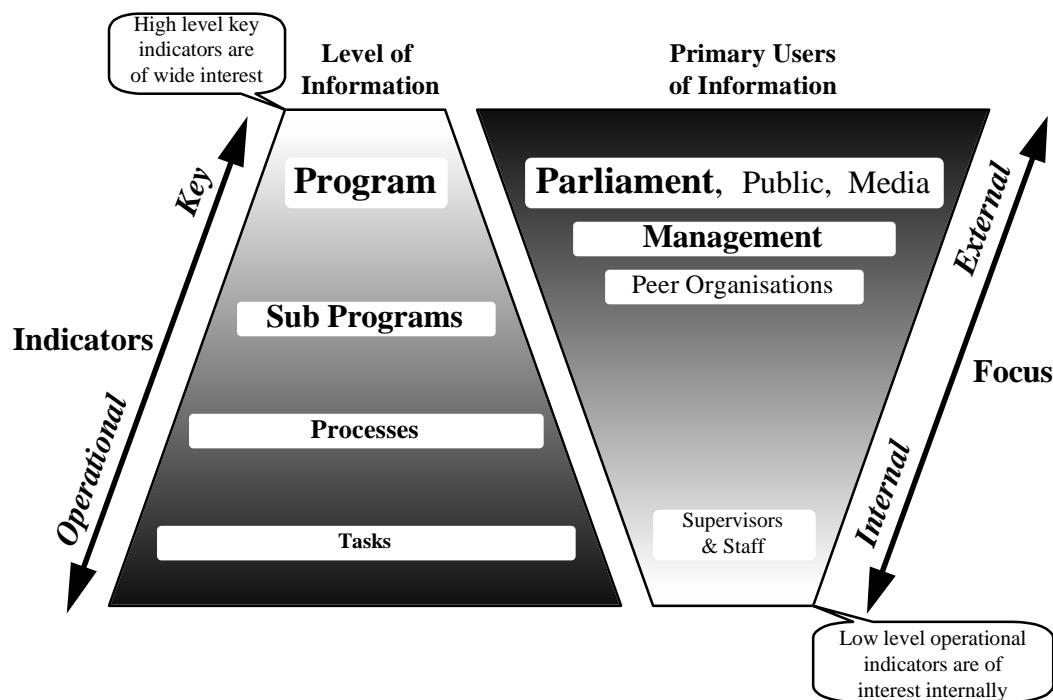


Figure 2. Performance Indicator Hierarchy

Key Indicators

Within Western Australia, all public sector agencies are required to report, in a separate segment of their Annual Report to Parliament, key indicators of efficiency and effectiveness for each of the programs they undertake. These indicators are an essential component of the accountability process, enabling people external to the organisation to assess the extent to which program objectives have been achieved. Performance indicators are of particular interest to Parliament, those members of the public with an interest in the program, the media, and to peer organisations. These indicators are audited by the Auditor General.

Operational Indicators

In an effectively managed organisation, performance information is vital at all levels. Lower level *operational* indicators monitor workload and resource deployment and benchmark the many processes and tasks which contribute to an overall program. Other operational indicators monitor the “health” of an organisation’s human, financial and physical resources. Such indicators have an internal focus and are primarily of interest to the management and staff of the organisation concerned. Although agencies in Western Australia are obliged to include some of these indicators in the Report on Operations section of their Annual Report, operational indicators are not audited.

The Role of the Auditor General

Requirement to Audit Performance Indicators

The requirement for Western Australian public sector agencies to report audited performance indicators was introduced by the Financial Administration and Audit Act 1985 (FAAA). A brief history of performance indicators in Western Australia is outlined in Appendix 2 of Part B.

The FAAA came into effect in 1986 and, under its attendant Treasurer's Instructions, required agencies to produce key indicators of effectiveness and efficiency for each program objective. The Auditor General is required to audit these indicators and to form an opinion on whether the indicators are "*...relevant and appropriate having regard to their purpose and fairly represent the indicated performance*".

It is important to note that the Auditor General is not required to comment on whether the indicators are the most relevant or the most appropriate for the program area. It is also important to note that his opinion relates to only to the standard of the indicators reported, and not to the standard of performance reported by those indicators.

Initial progress in the development of indicators by public sector agencies was slow. For a number of years, Auditors General were of the view that the stage had not been reached where the indicators had been sufficiently developed to enable them to form the opinion required under the legislation.

After a review of the standard of indicators agencies produced in 1990-91, it was concluded that sufficient progress had been made for the Auditor General to commence issuing "assessments" of the indicators reported the following year. These assessments provided information on which indicators were satisfactory and why others required further development. In 1992-93 and 1993-94 formal audit opinions have been issued for those agencies which produced key indicators which met the requirements of the legislation. The Auditor General has continued to issue assessments to agencies with less satisfactory indicators.

Review Scope

This review describes the present standard of performance indicators reported by 294 Western Australian public sector agencies in 1993-94 and the progress made in developing performance indicators since 1990-91. The analysis is based upon a comparison of the standard of public sector indicators in 1993-94 against the standard in 1990-91.

The 1990-91 data were derived from internal Office of the Auditor assessments of the indicators reported by agencies with reporting dates falling between July 1, 1990 and June 30, 1991. The 1993-94 information is derived from the assessments or opinions of the Auditor General issued for indicators reported by agencies with reporting dates falling between July 1, 1993 and June 30, 1994.

Review Approach

Classification of Indicators

The 1990-91 and 1993-94 performance indicators were assessed using the characteristics for relevance and appropriateness outlined in Part B of this report. Each agency was then placed into one of five categories, reflecting the overall standard of their performance indicators. The categories are:

- All Relevant and Appropriate;
- Some Relevant and Appropriate;
- Require Further Development;
- None Relevant or Appropriate; or
- No Indicators Reported.

These categories are defined as follows:

All Relevant and Appropriate - All of the performance indicators presented by these agencies were relevant to the stated objectives and appropriate for the purpose of assisting users external to the agency to assess performance.

Some Relevant and Appropriate - These agencies had one or more performance indicators that were relevant and appropriate. However, not all the indicators presented meet this standard. This category recognises that many agencies have developed satisfactory indicators for some, but not all, of their programs.

Require Further Development - Agencies in this category presented performance indicators of varying quality. All of their indicators required further development before they could be considered relevant and appropriate. This category includes workload indicators, indicators that were not quantified, or indicators that did not fairly represent indicated performance.

None Relevant or Appropriate - These agencies reported performance indicators of a very limited standard. The indicators were neither relevant nor appropriate for the purpose of assisting users external to the agency to assess the agency's performance. These indicators included both judgemental and subjective statements.

No Indicators Reported - These agencies did not report any performance indicators.

Associations with Agency Characteristics

The number of agencies in each category was used to show the standard of public sector indicators, and to illustrate any changes that occurred from 1990-91 to 1993-94.

In addition, the data for 1993-94 was examined in relation to:

- agencies' total actual expenditure for the financial year ending between July 1, 1993 and June 30, 1994. The nature of this information varied depending upon whether the agency reported on an accrual accounting basis (which includes various provisions) or a cash accounting basis; and
- the broad type of agency (department, statutory authority, or hospital and other health service unit).

PUBLIC SECTOR PROGRESS IN DEVELOPING PERFORMANCE INDICATORS

Standard of 1993-94 Performance Indicators

An overall picture of the standard of public sector performance indicators in 1993-94 is given by Figure 3a (294 agencies were assessed). Figure 3b shows the proportion of state expenditure that is spent by the agencies in each category.

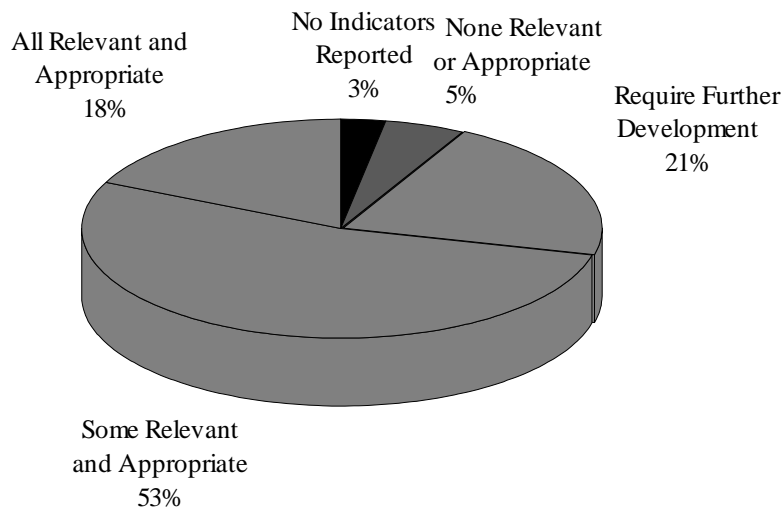


Figure 3a: Overall Standard of Performance Indicators Reported by 294 Agencies (1993-94)

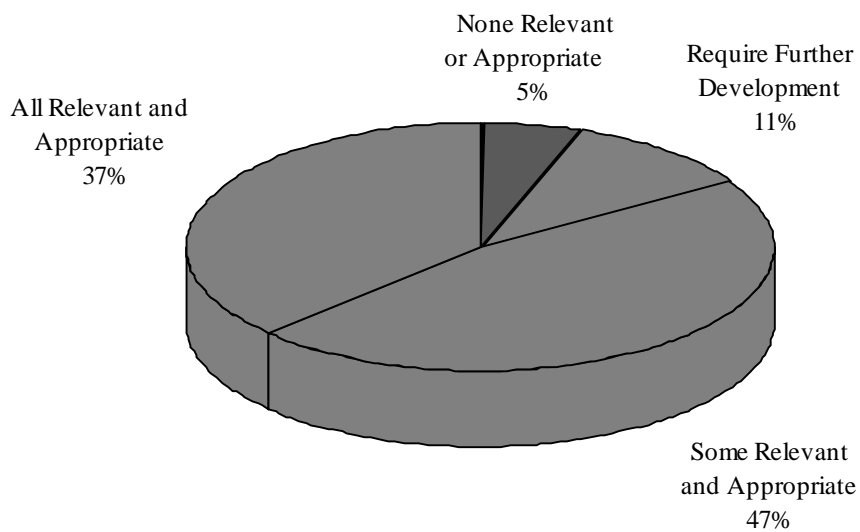


Figure 3b: Approximate Proportion of State Expenditure by Agencies within each Category (1993-94)

Note: the No Indicators Reported category is not shown in Figure 3b as it only accounts for 0.2 per cent of total expenditures.

Figure 3a, together with Figure 3b, illustrates the relationship between the standard of agencies' indicators and their total expenditure. They show that whilst 18 per cent of agencies had all relevant and appropriate indicators, these agencies actually accounted for a much greater proportion of public sector expenditure (37 per cent). Those agencies with some relevant and appropriate indicators have demonstrated their ability to develop satisfactory performance indicators for at least some of their program objectives. Given that these agencies are responsible for nearly half (47 per cent) of public sector expenditure, it is important that they develop their remaining indicators to the standard required. Similarly, the 29 per cent of agencies that reported no indicators, indicators which were either not relevant and not appropriate, or indicators which require further development, will need to improve their indicators before they become properly accountable for the outcomes of their programs, and their share of expenditure (16 per cent).

Certain types of agencies have been more successful than others in developing satisfactory performance indicators. For example, statutory authorities (excluding health service units) which comprise almost half of the public sector agencies and account for almost half of the expenditure were three times more likely to have developed all relevant and appropriate indicators than departments.

Only 12 per cent of departments have developed all relevant and appropriate indicators but almost 40 per cent of the State's expenditure is accounted for by departments which have yet to develop indicators which meet the requirements. And while health service units and hospitals account for approximately eight per cent of the State's expenditure, less than one per cent of them have all relevant and appropriate indicators.

Progress Made Between 1990-91 and 1993-94

Figure 4 provides a summary of the progress made in the standard of public sector performance indicators over the period 1990-91 to 1993-94. This figure shows the percentage of agencies in each of the five categories for 1990-91 and 1993-94.

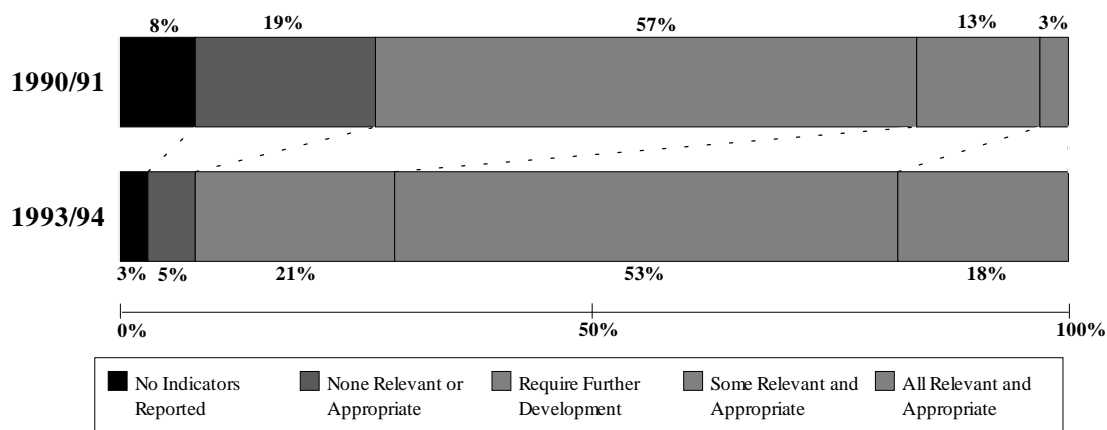


Figure 4: The Progress Made in Each Category (1990-91 to 1993-94)

Figure 4 demonstrates that the standard of performance indicators in the public sector has improved considerably in recent years. Between 1990-91 and 1993-94, the number of agencies that failed to report indicators has reduced substantially from eight per cent to three per cent. Most agencies are now attempting to produce performance indicators.

The number of agencies with indicators that were of a very limited standard (none relevant or appropriate) has also decreased, from 19 per cent to five per cent. In addition, the number of agencies reporting indicators which 'require further development' has also decreased from 57 per cent in 1990-91 to 21 per cent in 1993-94.

The number of agencies that have achieved relevant and appropriate indicators for some, but not all, of their program objectives, has increased four-fold from 13 per cent to 53 per cent, reflecting the substantial effort being made by the majority of agencies.

Finally, and perhaps most importantly, is the six-fold increase in the number of agencies that have achieved 'all relevant and appropriate' performance indicators (three per cent to 18 per cent). Agencies within four areas of government have been very successful in developing 'all relevant and appropriate' performance indicators. These are: community infrastructure; primary industries; government management; and government services. Table 1 lists the agencies that have achieved 'all relevant and appropriate' indicators in 1993-94.

Examples of Agencies That Have Made Significant Progress Since 1990-91

Agencies that provided no indicators in 1990-91

The *Industrial and Commercial Employees Housing Authority* has the objective of providing suitable accommodation for essential commercial and industrial employees where necessary outside the metropolitan area. In 1990-91 it did not submit performance indicators.

For 1993-94, the Authority developed a range of effectiveness indicators. These indicators show in graphic form the relationship between the level of demand for housing and the Authority's ability to satisfy this demand. The Authority also reports indicators for the average length of time that an applicant has to wait to obtain housing, and the suitability of the accommodation to the needs of the applicant. The agency has also developed efficiency indicators showing the five year trend in the movement of the average cost per unit of housing, and in the average maintenance cost per unit of housing.

Agencies with no relevant or appropriate performance indicators in 1990-91

The *Animal Resources Authority* has the objective to supply stable uniform, specific pathogen free animals. In 1990-91 the authority supplied unquantified judgemental statements as measures of performance. For example, one indicator provided was the statement - "Over the 1990-91 financial year the Authority has been able to supply clients with the animals that they have required". Agency indicators should be providing sufficient information to enable users to make this judgement for themselves.

For the 1993-94 year, the Authority surveyed its customers to determine their level of satisfaction with the animals produced. Other effectiveness indicators show the percentage of the animals produced which met the required standards of being specific pathogen free and genetically uniform. Finally, new efficiency indicators show the unit costs of producing different types of animals.

Agencies with indicators which required further development in 1990-91

The then *Environmental Protection Authority* presented a mixture of workload measures and judgemental statements in 1990-91, and at times represented performance at the sub-program level, rather than providing key indicators of efficiency and effectiveness. For example, the agency was reporting on the number of proposals they received, the amount of advice they provided, and the number of technical series documents they had published.

For 1993-94, the Department of Environmental Protection has developed some effectiveness indicators which are considered to be relevant and appropriate to their objective: “to ensure, with the Western Australian community, that our environment, with the life it supports, is protected for now and into the future”. For example, it now has indicators that show the level of pollutants in the atmosphere, show the trends in these levels over time and compares them to the acceptable levels set down by World Health Organisation, or the National Health & Medical Research Council.

In 1990-91, Western Australia’s four *universities* were producing a set of indicators that related to peripheral programs or support activities, and not to their primary purposes of teaching and research. For example, their indicators included student load targets, and indicators of equity.

For 1993-94, the universities have developed a variety of indicators of effectiveness and efficiency that relate to their primary functions of teaching and research. These include surveys of students, surveys of employer satisfaction with graduates, undergraduate course completion rates, higher degree completion rates, the university’s ability to attract competitive research grants, and recurrent expenditure per effective full time student unit.

Agencies with some relevant and appropriate Indicators in 1990-91

For the financial year ending June 30 1991, the *State Housing Commission* (Homeswest) reported some indicators relating to the quality of service that were considered to be relevant and appropriate to their objective - “To offer a comprehensive range of products and services designed and adjusted to meet changing customers needs”. However, Homeswest also reported a number of indicators which were considered to be indicators of support functions rather than key indicators of performance. Examples of this include the number of staff over the last 4 years, the number of employees by gender, lost time due to injuries; and capital works expenditure.

For 1993-94, Homeswest have reported a set of effectiveness and efficiency indicators that are considered to be relevant and appropriate to its revised primary objective - “To assist Western Australians, who are constrained through low incomes or other reasons from obtaining housing in the private market, to gain access to appropriate and affordable housing”. These new indicators include a customer satisfaction survey, waiting times for accommodation, applications compared with allocations, administration cost per home loan, and average construction cost per unit.

In 1990-91, the then *Ministry of Education* was reporting effectiveness indicators that were considered to be relevant and appropriate to the Ministry’s primary purpose of student learning. The Ministry reported on the competency of students in year 3, 7, and 10 in relation to their expected levels of performance in literacy, writing, reading and numeracy. The Ministry, however, was not reporting any efficiency indicators at that time.

For 1993-94, the *Education Department of Western Australia* has improved the presentation and notes for their existing indicators and have developed additional effectiveness measures dealing with access, relevance and excellence. In addition, they now report efficiency indicators such as expenditure per student by level of schooling, and student teacher ratios. Unfortunately the Department’s information systems which underpin some of these indicators still require further development.

Western Australian agencies with satisfactory performance indicators in 1993-94

Developing relevant and appropriate performance indicators requires a considerable investment of time and effort. Table 1 shows a list of the 54 agencies which, in the opinion of the Auditor General, reported performance indicators for 1993-94 that were “*relevant and appropriate having regard to their purpose and fairly represented the indicated performance*”. It is important to note that although the indicators produced by these agencies are considered to be satisfactory, they may still be the subject of continuing improvement.

Agencies with Satisfactory Performance Indicators in 1993-94

<i>Albany Port Authority</i>	<i>Official Corruption Commission</i>
<i>Animal Resources Authority</i>	<i>Parliamentary Superannuation Board</i>
<i>Bunbury Port Authority</i>	<i>Perth Market Authority</i>
<i>Bunbury Water Board</i>	<i>Port Hedland Port Authority</i>
<i>Busselton Water Board</i>	<i>Quadriplegic Centre Board</i>
<i>Coal Industry Superannuation Board</i>	<i>R & I Holdings</i>
<i>Commissioner of Main Roads</i>	<i>Rural Housing Authority</i>
<i>Construction Industry Long</i>	<i>State Government Insurance Commission</i>
<i>Service Leave Payments Board</i>	<i>State Government Insurance Corporation</i>
<i>Country High School Hostels Authority</i>	<i>The Anzac Day Trust</i>
<i>Dairy Industry Authority of Western Australia</i>	<i>The Carnarvon Banana Industry Compensation Committee</i>
<i>Dampier Port Authority</i>	<i>The Grain Pool of W.A.</i>
<i>Department of Local Government</i>	<i>The Library Board of Western Australia</i>
<i>Department of State Services</i>	<i>The Poultry Industry Trust Fund Committee</i>
<i>Esperance Port Authority</i>	<i>The State Energy Commission of Western Australia</i>
<i>Fremantle Cemetery Board</i>	<i>The State Housing Commission</i>
<i>Fremantle Port Authority</i>	<i>The Western Australian Egg Marketing Board</i>
<i>Geraldton Port Authority</i>	<i>The Western Australian Government Railways Commission</i>
<i>Gold Corporation</i>	<i>Totalisator Agency Board</i>
<i>Government Employees' Housing Authority</i>	<i>Valuer General's Office</i>
<i>Hedland College</i>	<i>Water Authority of Western Australia</i>
<i>Industrial and Commercial Employees' Housing Authority</i>	<i>Western Australian Alcohol and Drug Authority</i>
<i>Law Reform Commission of Western Australia</i>	<i>Western Australian Coastal Shipping Commission</i>
<i>Legal Contribution Trust</i>	<i>Western Australian Electoral Commission</i>
<i>Lotteries Commission</i>	<i>Western Australian Meat Marketing Corporation</i>
<i>Metropolitan Cemeteries Board</i>	<i>Western Australian Potato Marketing Authority</i>
<i>Office of Seniors' Interests</i>	<i>Western Australian Treasury Corporation</i>
<i>Office of the Auditor General</i>	

ISSUES AND RECOMMENDATIONS

Factors which have Impacted on Progress

Based upon the experiences of the Office of the Auditor General in auditing performance indicators, in conjunction with the international literature and the two case studies presented in Part B; a variety of factors have been identified which influence the development of performance indicators. These include:

The Importance of Objectives

As outlined in the introduction to this report, a key element of a performance management framework is the development of clear objectives which focus on intended results. The importance of having achievable, measurable and outcome-focussed objectives has become abundantly clear as the audit of performance indicators has progressed over the past three years. Many of the agencies which have made progress during this period have done so only after they have revised their objectives to improve their clarity of focus on the outcomes sought.

The differences in objectives may also help to explain the variation observed between the progress made by statutory authorities in comparison to departments. Departments often administer a collection of legislation and a variety of public service or government activities. As a result, their overall reason for being may remain ill-defined. In contrast, the enabling legislation of statutory authorities often provides an unambiguous statement of the agency's purpose. As a result, authorities usually have more clearly focussed objectives, which in turn facilitates the development of their performance indicators.

Information Systems

A second factor which appears to be of significance, is the availability of information systems and the importance the agency's culture places on the information they collect and retain. The agencies which use full accrual accounting have well developed information systems, and have usually developed a culture which places considerable importance on monitoring management information. These information systems provide agencies with a firm base to support the development of their indicators. Agencies which have historically used line item oriented cash-based accounting systems are often unable to relate information about inputs to resultant outputs and consequently have considerable difficulty in developing efficiency indicators.

Attitude of Senior Management

Edith Cowan University have recently undertaken a survey of senior management within those agencies audited by the Auditor General. Eighty-five percent of the 161 responding agencies either agreed or strongly agreed with the statement that 'performance indicators can be used for strategic planning in my organisation', and 76 per cent of 160 respondents agreed or strongly agreed with the statement that 'performance indicators are a useful means of considering efficiency and effectiveness in all organisations'. Eleven percent were neutral to the second statement while the remaining 13 per cent either disagreed or strongly disagreed. If senior management see no merit in them, it is unlikely that performance indicators will be accepted within the agency.

Historical Preoccupation with Inputs and Activities

Most public sector agencies have historically concentrated on reporting their inputs, the efforts associated with the establishment of new initiatives, or reporting on the activities which they have undertaken. It is only recently that agencies have turned their attention to objectively assessing the effectiveness and efficiency with which their work has been performed. Many agencies lack both the skills and the information base with which to make such assessments.

The state's many hospitals provide an example. Most have maintained their traditional focus of measuring inputs and processes, and it is only recently that some have begun to report how effectively and efficiently they have contributed to patient welfare and health outcomes.

Involvement of the Auditor General

One factor which appears to have been significant in the recent progress is the provision of assessments or opinions by the Auditor General. Agencies are required to include these assessments in their published Annual Reports and the increased level of public scrutiny which results has provided a strong incentive for some agencies to improve. The Office of the Auditor General has also been a clearing house for information about performance indicators and has helped agencies to consistently interpret the legislative requirements.

Other Factors

Other factors which appear to influence the development of satisfactory performance indicators include:

- the nature of the agency being such that it receives a high level of external scrutiny (for example by Ministers, central government departments and other interest groups);
- effective corporate planning within agencies that contributes to the development of clear, measurable program objectives that focus on customer needs;
- agencies using performance indicators as tools in their planning and operational management;
- Chief Executive Officers taking a personal interest in driving the development of agency indicators;
- agency cultures that emphasise and support the achievement of objectives, self evaluation and staff participation and consultation;
- agencies committing sufficient time, effort and resources to the development and continuous improvement of their indicators; and
- agency staff having the skills to develop satisfactory indicators.

Conclusion

Overall, it is concluded that significant progress has been made over the last three years in the standard of performance indicators reported by public sector agencies. It is recognised that the production of satisfactory performance indicators is a gradual developmental process that may stretch over several reporting periods. Moreover, it is an evolutionary process, and it is likely that most agencies will continue to refine their indicators over time.

However, many agencies still have a considerable amount of developmental work to do on their performance indicators and some would benefit from further guidance. Central agencies could further develop the support they currently provide by:

- clearly communicating the conceptual framework and qualitative characteristics for successfully integrating performance indicators with other management reforms, policy initiatives, and public accountability requirements;
- facilitating the development of schemes whereby agencies which are experiencing problems developing their indicators can call upon the services of experienced public servants with strong skills in this area.

It is of particular concern that a very small number of agencies consistently fail to provide any performance indicators what so ever.

Those agencies which have made substantial progress to date are to be commended for the improvement in accountability they have brought about. A more determined effort is required from the remainder.

Future Intentions for the Audit of Performance Indicators

In the light of the findings of this Special Report, it is intended that:

- Parliament will be provided annually with a list of the opinions issued on the performance indicators reported by each individual agency;
- In 1994–95, the current approach of issuing a mixture of audit assessments and formal audit opinions of key indicators will be continued; and
- In 1995-96 the issuing of audit assessments will cease and unqualified or qualified formal audit opinions will be issued.

Recommendations

To facilitate the continuing evolution of performance indicators it is recommended that:

- **Program objectives for public sector agencies should be clear, measurable and focussed on the needs of, and the outcomes desired for, their customers;**
- **Public sector agencies should report performance indicators that are relevant to program objectives and both sufficiently comprehensive and in a form which is appropriate for assisting people external to the agency to assess the agency's performance; and**
- **The Treasury and Public Sector Management Office should further develop support services for those agencies which need guidance in developing their performance indicators**

PART B: FACTORS IMPACTING ON THE DEVELOPMENT OF PERFORMANCE INDICATORS

INTRODUCTION

The Importance of Performance Indicators

Measuring performance permits public officials, citizens, and program managers to assess the quality, quantity, efficiency and effectiveness of services. Performance indicators are important for two main reasons:

- they facilitate performance reporting, and hence are an essential aspect of ensuring accountability; and
- they aid internal agency management.

Performance Reporting

Ministers, Parliament, and the general public have an interest in knowing, indeed a right to know, whether or not the public sector they fund is doing a good job. By definition, accountability requires answering for performance. Performance information is thus required to properly meet accountability and reporting requirements. In addition, Parliamentarians have a responsibility to pursue performance information from public sector agencies to assist themselves in making informed decisions about resource allocation. Other external users of performance information can include elected officials, the public, private businesses, bond rating organisations, and the media.

As part of the legislative framework governing public sector accountability, the Financial Administration and Audit Act 1985 and Treasurer's Instruction 904 require annual reports to provide information which will enable users to assess the performance of public sector agencies

Public sector guidelines for developing performance indicators have generally focused on their capacity to aid internal management, and their role in ensuring accountability. In practice, performance indicators can be used for a variety of purposes including to:

- encourage public sector agencies to focus on the needs of their customers;
- guide improvements in the design and implementation of public sector programs;
- hold public sector managers accountable for program performance;
- make informed Government policy decisions;
- recognise achievements and motivate public sector employees;
- assist in determining and justifying budgets;
- identify best practices that lead to superior performance (benchmarking)
- monitor contractors and other funding recipients; and

- stimulate the public to take a greater interest in governmental activities.¹

Internal Program Management

Program structures and goals help managers and staff in the public sector to answer the question ‘why am I doing what I’m doing?’. The information from performance indicators assists them to answer other questions such as ‘how well am I doing it?’ and ‘can I do it better?’.

Managing government programs is a complex task that involves the design, control, assessment, and adjustment of operational systems. Performance measurement provides the basis for program assessment. Public managers employ a variety of assessment methods, including:

- financial data to indicate resource allocation;
- historical information to show trends and changing needs;
- periodic reviews or evaluations of program achievement;
- client surveys to understand perceptions of performance; and
- the use of performance indicators to monitor achievement on an ongoing basis.

The Characteristics of Satisfactory Performance Indicators

The purpose of performance indicators is defined in Treasurer’s Instruction 904 as being *to provide information which will **assist users to assess performance in discharging the objectives established for the agency.*** Key indicators of two aspects of performance are required for each program objective:

effectiveness indicators - illustrating the extent to which the agency has achieved its objectives. For many public sector agencies, these indicators are presented at two levels: *impact* indicators, which show the overall situation of the policy issue the agency’s program is intended to influence; and *outcome* indicators which show those achievements which are a direct result of the agency’s efforts.

efficiency indicators - relating the resource *inputs* (financial, human, physical or time) to the agency’s *outputs*. This input/output relationship places the focus on the results an agency has achieved (the key products or services the agency delivers to its customers), rather than the processes by which those results are achieved.

In each case, the efficiency and effectiveness indicators should be:

relevant - having a logical relationship to the users’ needs including the relationship to clearly defined objectives which define what is to be measured. Relevance is assessed in relation to the objectives stated in an agency’s program statements or corporate plan. The users also need to be provided with a sufficiently *comprehensive* range of information to enable them to assess overall performance, but not so much that they are overwhelmed with detail. Most programs require a small number of key indicators to illustrate different aspects of performance.

appropriate - of a form which will assist the user in assessing the performance of the agency in the discharge of objectives established. The users of key performance indicators are, by implication, external to the agency, and include Parliament and the public. To be appropriate the indicators need to give these users sufficient information to assess:

- the extent to which the agency has achieved a predetermined target or goal;
- the trend in performance over time; and/or

- the performance relative to the performance of similar agencies.

In addition, the indicators are required to have the following qualitative characteristics:

quantifiable - implying a measurable relationship to attainable benchmarks as ***a means of determining the extent to which objectives have been achieved***. In this area, the focus is on determining whether the performance indicator does in fact represent, in quantified terms, what it purports to indicate.

free from bias - The information used to indicate performance should be impartially gathered and impartially reported. Selective reporting or distorted presentation of performance information is to be avoided and frankness in reporting performance which is less than hoped for is to be applauded. Importantly, the information should enable the *user* to judge the performance achieved and the agency should refrain from presenting judgemental statements as indicators.

verifiable - appropriately qualified individuals working independently should be able to come to essentially similar conclusions or results about performance indicators. This means that the information upon which the indicators are based must be collected, recorded and analysed in such a way that the conclusions drawn from it can be checked.

Developing Performance Indicators

The measurement of performance in the public sector can be a complex task for a program manager faced with multiple (and sometimes conflicting) program objectives. This is particularly so in the absence of any universal gauge, such as profit, to use as a performance measure. The situation is further complicated if the culture of the agency is orientated towards processes rather than results.

Experience has shown that effective development and presentation of performance indicators requires:

- managerial commitment to the use of indicators as an integral part of management control systems and as a part of an ongoing self-evaluation process;
- a clear identification of program objectives and operational constraints;
- the development of performance standards or criteria;
- identifying the means by which program efficiency and effectiveness will be measured;
- the development of integrated and reliable management information systems to collect the required data;
- the development of external reporting standards and guidelines; and
- an ongoing evaluation of the appropriateness of the selected indicators and performance standards.

To assist agencies in their self-assessment/review of these critical factors, the Financial Resource Management Improvement Division of the Treasury, has recently published a booklet (June 1994, *Program Performance Management - A Guide for Managers*). This Treasury guide complements the Management Improvement Branch of the West Australian Public Sector Management Office (PSMO)'s earlier publication of a booklet to assist agencies with the development of performance indicators (February 1994, *Preparing Performance Indicators, A Practical Guide*, Perth W.A.).

The PSMO guide suggests that there are four steps to developing performance indicators.

The first step is to identify the type of program or sub program for which you want to develop indicators. The PSMO categorises programs based on whether their main focus is on changing behaviour, satisfying community needs, raising revenue, or providing policy advice.

The second step is to clarify who the intended program recipients are, and what outcome is being sought for this group. As the PSMO booklet notes, “*The development of useful performance indicators is critically dependent on clearly specifying what the program is to achieve for the program population*”.

The third step is to write the program objectives by combining the program population and the desired outcome into a single statement; and then to determine the effectiveness indicators for that objective.

The final step is to identify efficiency indicators for the program. These indicators relate inputs and outputs and are usually expressed as a unit cost per client or per service delivered.

In addition to the PSMO’s guidelines, experience elsewhere in developing performance indicators suggests that:

- to provide a credible basis for improving service delivery, program recipients should be involved in identifying the important aspects of service delivery;
- rarely will a single indicator adequately describe all aspects of program performance. Usually a small set of critical key indicators is necessary to provide a balanced perspective;
- in establishing performance indicators, agencies should use existing information sources to the greatest extent possible. This will help to contain costs, and ensure that the data is easy to collect;
- meaningful reporting of performance requires the interpretation of indicators through explanatory notes. As a part of this explanation, outside influences on program performance need to be acknowledged;
- performance information needs will evolve over time, as will understanding about the service being delivered and its performance. Measures of performance must be reviewed regularly, and updated when necessary;
- developing performance indicators is an iterative process, and this process requires considerable managerial skill and commitment; and
- program managers must take the initiative in the development of meaningful indicators, and ‘own’ the process.²

It is clear that there is no one set of perfect performance indicators for any program. However, for most services there are generally accepted indicators for many aspects of performance, as well as other indicators with considerable potential usefulness.

Performance Indicators for Policy, Research and Prevention Programs

The greatest distance or gap between the work which public servants undertake and the outcomes they intend to achieve is usually found in the areas of policy development, research activities, and prevention programs. In many of these areas, there is a considerable time lag between inception of the program and achievement of the outcome being sought.

In most cases, the provision of policy advice or undertaking research activities should be treated as a support activity, rather than attempting to isolate the outcomes of individual policy projects. The objectives of support activities are not ultimate ends in themselves, but rather a precondition to achieving some higher level objective. However, where a program or agency has policy development or research as a primary function, it would still be necessary to develop indicators which illustrate agency efficiency and effectiveness in progressing towards a desired outcome. The following comments are reserved for these particular situations.

Ownership and accountability for the outcomes of policy decisions reside unambiguously with Ministers. Government policy decisions are a matter for Cabinet. However, this does not prevent the assessment of policy advice. Systematic assessment of the policy advising function is desirable for two reasons:

- it is essential for departments, and their Ministers, to know whether or not departmental policy advice meets standards such as rigour, honesty, relevance and timeliness; and
- assessments allow policy advisers to be held accountable for their work.

Developing performance indicators for assessing the effectiveness of policy advising programs is a new and challenging area. Measuring the impact of policy advice would appear to be a difficult and controversial task. The alternative of assessing the quality of the policy advice offered, appears more achievable.³

The standards by which policy advice can be judged include the extent to which it:

- is timely and relevant;
- is forward-looking and accurately identifies emerging issues;
- is factually based, with value judgements clearly labelled as such;
- identifies a comprehensive range of potential options for action;
- identifies the relevant constraints in existence;
- accurately forecasts the implications of each option;
- presents cost-effective solutions to problems;
- packages one or more of these solutions into a clearly defined, coherent and feasible strategy; and
- meets the policy client's needs.

One option for an effectiveness indicator would be to use independent experts to rate the quality of the policy advice offered, although this may lead to problems relating to confidentiality and objectivity. Another approach would be for policy clients to rate the quality of the advice they receive against set standards, such as the nine points previously mentioned. This could be done using criterion referenced surveys.

In contrast, developing efficiency measures is a straight forward task if appropriate information systems are in place. It becomes a matter of calculating the dollar cost per unit of formal policy advice generated.

Developing performance indicators for research programs is also a complex undertaking. The efforts of governments in the areas of science and technology are increasingly being judged not only according to scientific criteria, but also in terms of social and economic criteria. Although a consensus exists on the need to measure the performance of research programs, there is some debate as to how this can best be done. Appropriate evaluative criteria could include: research quality; net economic and social benefits; productivity; utility; relevance; and strategic value. Common techniques for assessing research activities include: peer reviews; cost-benefit analysis; strategic audits; bibliometric indicators; and constituency reviews.⁴ Another option is to break a research project down into component milestones, and to then report on the achievement of each milestone. For example, if research involves a series of stages, the completion of each step could be reported as a milestone (determine the cause of a problem, develop remedies, trial them, widespread application, and the resulting reduction in a particular type of problem).

Finally, a word about performance indicators for preventative programs. This has proven to be a particularly difficult area for identifying meaningful measures of effectiveness. Unfortunately, obtaining valid data on indicators such as the number of fires, crimes or illnesses prevented is not feasible. The closest practical approximation are indicators that measure the number of incidents not prevented, including rates of occurrence over time or across different locations.⁵ Used in this way, measuring rates of occurrence can serve as a benchmark for judging future levels of program performance

Presenting Performance Indicators & Explanatory Notes

Performance indicators need to be presented in a manner and form that enables program managers and external audiences to assess whether the current level of performance is good or bad, and whether performance is improving or worsening, and to what extent.

Treasurer's Instruction 904 specifies that agencies should emphasise the reporting of key efficiency and effectiveness indicators. The term 'key indicator' is not defined in the Treasurer's Instructions. The Office of the Auditor General has taken the view that key indicators are those that relate to the primary function or purpose of the program and/or agency - its "reason for being". Key indicators should be high level indicators, giving an overview of the program performance achieved.

In presenting their performance indicators, public sector agencies may consider making one or more of the following types of comparisons:

- to levels of performance in previous years;
- against targets set by the agency;
- to similar programs in other local agencies;
- to similar programs in other states or countries;
- against commonly accepted professional or technical standards, e.g. standards for building design, road maintenance, desired reading skills for ten year olds, and so on;
- across geographical areas or between client groups within the one district. For example, the level of performance in one district can be used as a target level for other areas;
- across different work units within the one agency. Measures can be compared across different police, fire, or road maintenance districts within the state for example; and
- finally, comparisons can be made of public sector costs and results with similar private sector organisations. This type of comparison is of limited value at present however, because many government services have no private sector equivalent.⁶

In communicating performance indicator information, agencies need to focus on clear, concise reporting that is presented in an easy to follow format. The relationship between program goals, objectives and performance indicators must be specified when presenting performance information.

One of the more effective reporting formats is to include a variety of non-tabular presentations such as charts and graphs, which can be readily understood by most readers. Other effective formats include mapping individual effectiveness indicators to display the outcomes for various geographical areas. Simple tabular presentations can also be appropriate if the data is not packed in too densely.

Agencies should carefully consider a variety of reporting methods, and obtain feedback from service recipients and other users as to the reporting method they prefer. This leads to the selection of methods that, while different for different agencies, reflect the needs of potential users.

A common concern for program managers and accountable officials (whether elected or appointed) about reporting performance indicator data is the possibility of this information being misinterpreted or misused. As with financial statements, performance indicators do not indicate why the results are what they are, or what or who has caused or contributed to those results. These questions can only be answered, if at all, through in-depth evaluation and investigation. Program managers and officials often fear that they will be blamed unfairly for findings that are beyond their control. This concern is likely to be a major obstacle to reporting performance indicator data.⁷ One way to address this problem is for agencies to include explanatory information when reporting their performance indicators.

Explanatory notes is a term used to cover a variety of information (both quantitative and qualitative); that provides support for, or explains why an indicator is at the level it is. They also provide the context within which numerical indicators are to be interpreted. Explanatory notes help users to:

- understand the derivation and meaning of a particular performance indicator;
- make informed judgements as to the current level of program performance;
- identify any trends in program performance over time, and explain any unexpected results; and
- appreciate the broader context of the program's environment, particularly the influence of factors outside of the agency's control that affect program performance.

This last point deserves some elaboration. For example, for state economic programs, a variety of national economic indicators are relevant in interpreting local job growth and employment rates; while the magnitude of the state's export trade is affected by foreign exchange rates. Similarly, for public transport programs, knowledge about the types and ages of equipment in use provides information for assessing equipment operating and maintenance costs.

Explanatory notes can be presented as either a preamble to, or postscript following the performance indicators. Another option is to present explanatory data as footnotes to each performance indicator; although this option is more appropriate for identifying unusual circumstances that occurred during the year than for providing a regular set of explanatory data.

Western Australian agencies notable for the way in which they present their performance indicator data include: Western Australian Electoral Commission; Dairy Industry Authority of Western Australia; and the Department of Local Government.

Case Studies

These case studies present a broad overview of the constructive approach two agencies have taken to developing performance indicators. They demonstrate that, despite the operational complexity and political environments of many public sector agencies, the development of useful performance indicators is an achievable goal. They also illustrate the value of indicators to managers.

The Disability Services Commission and the Department of Occupational Health, Safety and Welfare were selected for the case studies because of their approach to developing performance indicators, and because of the broad range of services they provide.

The information contained in the two case studies was obtained from agency documents, interviews held with key personnel both internal and external to the agencies, and examinations conducted by the Office of the Auditor General.

Disability Services Commission

Background

The Disability Services Commission was formed in December 1993, from an amalgamation of the Authority for Intellectually Handicapped Persons and the Bureau for Disability Services.

Established in 1986, the Authority both delivered services to people with an intellectual disability and funded non-government service providers. The Authority was also responsible for developing policies to ensure that services for people with an intellectual disability were comprehensive and coordinated, and for advocating on behalf of their clients.

The Bureau for Disability Services was established in August 1991, to coordinate the wide range of government and non-government organisations operating in the broader disability field. In addition to its overall planning and coordination role, it was intended that the Bureau would establish service standards and monitor the performance of government agencies.

The new Disability Services Commission combined the functions and resources of its predecessors. In 1993-94 it had a total budget of approximately \$114 million, with the equivalent of 1,603 full time staff.

The Commission's enabling legislation, the Disability Services Act 1993, specifies principles relating to the rights of people with disabilities, general objectives for services and programs relating to people with disabilities, and establishes formal procedures for investigating and managing complaints about services provided to people with disabilities. It also requires:

- the Commission to establish bodies representative of people with disabilities, their families and other interested people to advise the Commission;
- the Commission to establish guidelines and standards for the provision of services to people with disabilities; and
- public authorities to develop disability plans, with the Commission evaluating the effectiveness of such plans.

Standard of Performance Indicators

The Disability Services Commission's first annual report covered the period 1993-94. In assessing the Commission's performance indicators, the Auditor General expressed the view that some were relevant and appropriate while others were workload measures. No efficiency indicators were presented for some program objectives.

This mixed result reflects the fact that the Commission has restructured the programs of its predecessors. It is relevant that the Authority for Intellectually Handicapped Persons had well developed indicators, while the indicators of the Bureau for Disability Services were in need of further development.

Developing and Using Performance Indicators

The Disability Services Commission has extensive experience in the areas of performance reporting and program evaluation through its predecessor, the Authority for Intellectually Handicapped Persons. In the early 1980s, the Authority developed standards for their services, and invested considerable resources in self-evaluation.

The Commission sees the development of performance indicators as an ongoing management process, rather than an activity that is undertaken at year end for compliance purposes. It seeks a balance of measures reflecting inputs and efficiency, as well as effectiveness indicators with a client focus. It also seeks to identify the impact of their interventions, and understand why a given treatment may work for some clients, but not others. This analysis is facilitated by the Commission's practice of identifying individual objectives and preparing specific treatment plans for each client. In addition, the Commission gathers considerable data from the service providers they fund, as well as through client surveys and their own information systems.

Program management groups are used to develop performance indicators. These groups are made up of policy and program staff, representatives of the performance reporting and evaluation unit, as well as other key agency stakeholders. These groups are forums for discussing and refining program objectives, reviewing strategies, and improving upon performance reporting. This approach appears very similar to the concept of 'quality circles', that are often advocated in the management literature to address quality control issues.

A performance reporting and evaluation branch has final responsibility for the Commission's performance indicators. This branch brings focus and specialist skills to the organisation's self assessment and performance reporting. Its role includes facilitating and supporting staff in undertaking evaluations as well as aiding policy development and operational management through undertaking evaluations of new services and client needs.

Performance indicators are seen as serving a number of purposes including: informing; educating; and prompting dialogue and debate. The Commission believes indicators provide partial answers while raising further questions, rather than providing definitive answers to performance questions.

The Commission also recognises that Government and their own managers have different performance information needs, from high level effectiveness measures through to lower level measures of operational achievements. In practice, the Commission makes a variety of uses of their indicators, aside from satisfying the requirements for external accountability. Firstly, the very process of developing performance indicators raises various management issues, which in turn leads to the agency examining its clarity of purpose, program effectiveness, and the need for new strategies. Secondly, while performance indicators provide information about some aspects of the Commission's services, they also highlight areas for which no information is currently available. Thus in developing their indicators, the Commission also further clarifies its own need for additional performance information. Thirdly, performance information also plays a role in the Commission's strategic planning, in terms of clarifying client needs, identifying the proportion of eligible clients actually receiving services, and gauging the effectiveness of services. Finally, the Commission uses performance information to compare their operations across different locations. This benchmarking can help to identify sound practices, as well as identifying areas that may require further attention.

Factors Influencing Success

Several factors both external and internal to the agency are relevant to the Disability Services Commission's success in developing some of its performance indicators and its constructive approach to refining its remaining indicators.

External

- there is a strong worldwide focus amongst disability service providers on protecting the rights of clients, and on learning from the mistakes of the past;
- it operates in a very political environment, subject to considerable external scrutiny from both other service providers and client advocates; and
- its legislation promotes a strong customer focus through:
 - emphasising the rights of persons with a disability;
 - the formation of local bodies to represent the interests of persons with a disability; and
 - the establishment of a formal mechanism for addressing any complaints about a disability service.

Internal

- the Commission plays an active role locally, nationally and internationally in the disability services field, seeking to identify best practices and working collaboratively with various groups to improve services;
- its management has a strong sense of agency purpose, and actively promotes the gathering of performance information;
- it uses performance information to satisfy external accountability requirements, as well as a tool for supporting their own planning processes and operational management;
- its organisational culture emphasises client outcomes and staff participation and consultation reflecting both the commitment of staff, as well as the philosophies and values that guide their services; and
- it uses program management groups to refine program objectives, operations, and performance reporting.

Future Directions

As a part of its new legislation, the Commission is to advise public agencies on the development of disability service plans, and subsequently to evaluate the effectiveness of these plans. In addition, it will implement new procedures for handling complaints, as specified under the Act.

The Commission also plans to further refine some of its performance indicators. In the past, it has made use of 'quality of life' measures as the basis for some of its performance indicators. These measures are being increasingly seen as problematic, and it is moving towards developing models and standards for assessing service quality. This is part of its ongoing process of scrutinising and refining its approach to performance reporting. A significant new initiative for the Commission is the plan to involve the non-government sector in its program management groups, which will provide them with the opportunity to participate in the ongoing improvement of services and performance reporting.

Department Of Occupational Health, Safety And Welfare

Background

The Occupational Health, Safety and Welfare Act 1984 established a 'new-style' approach to occupational health, safety and welfare in Western Australia. The Act created two bodies to facilitate this approach, a Commission and a Department of Occupational Health, Safety and Welfare.

The present chairperson of the Commission is also the Chief Executive Officer of the Department, providing a link between the two bodies.

The Commission is a tripartite forum representing employees, employers and the Government. Its role is to participate in developing policy and legislation, and to make recommendations to the Minister, but it is not responsible for the administration of the Department.

The Department's role is to assist the Minister in the administration of the Act, the principal objective of which is to promote and secure the health, safety and welfare of persons in the workplace. When established in 1985, the Department was the only specialised agency of its kind in Australia. The Department is relatively small with the equivalent of 195 full time staff and a budget of \$12.4 million for 1993-94.

Standard of Performance Indicators

The Department has developed performance indicators at two levels. High level (impact) performance indicators were developed to monitor the Department's success in achieving its corporate objectives in the longer term, and lower level performance indicators were developed to monitor performance at the program level.

The Department made a public commitment to its long term performance, by formulating its impact indicator into a clear vision statement. This vision statement, updated since its formulation in 1989, is currently:

“Through improved compliance with the Act and increased industry and community awareness, change occupational health, safety and welfare behaviour to reduce the rate of lost time work-related injury and disease by ten per cent between July 1993 and June 1997.”

An informal assessment done on the 1990-91 program level indicators concluded that these indicators related primarily to workload which did not provide a good indication of either the effectiveness or efficiency of the work done. Subsequent audit assessments in 1991/92 and 1992/93, expressed a similar opinion. In 1993-94, some of the Department's program level indicators were assessed as relevant and appropriate, while others were considered relevant to program objectives but in need of further development.

The remainder of this case study illustrates the approach taken by the Department since 1992 to improve its program level indicators, the factors influencing its success, and the Department's future directions.

Developing and Using Performance Indicators

In July 1992 the Department established a Performance Indicator Working Party. Its members represented all divisions of the Department and were chosen for their knowledge and role in the organisation, and to ensure a balance of skills, including internal audit, statistics, information technology and operations.

The role of the Working Party was to develop sound performance indicators useful to the Department as a whole, in addition to meeting external accountability requirements. The Working Party both developed the indicators then managed their operational implementation.

The Working Party found that developing indicators and developing clear and measurable corporate objectives were interdependent activities. Working to develop performance indicators helped their Corporate Executive to clarify the Department's strategic direction and program objectives, while having clear objectives facilitated the development of the indicators.

The Working Party also concluded that if the performance indicators were to support managerial decision making and resource allocation, they needed to be integrated into operational activities. A major aspect of this involved designing systems that could:

- collect and process performance information, and
- provide managers with useful reports.

Education and training was another important feature of the Working Party's approach. Managers had to learn how to use the performance information collected, and staff had to learn to appreciate the individual and corporate benefits of collecting and processing this information.

The Working Party's efforts resulted in the development of several efficiency and effectiveness indicators for each program. These indicators then assisted staff in focussing on the achievement of corporate objectives. Throughout this process, the Department's Corporate Executive demonstrated its commitment by allocating resources to the Working Party, and by supporting its proposals.

Today the Department takes the view that performance indicators are useful in all levels of the organisation. Macro indicators are used by both the Minister and Government to assess the overall effectiveness of the Department. In addition, the Department uses its indicators to target activity on the achievement of corporate objectives; for strategic planning and budgeting purposes; and to monitor the performance of programs and work groups.

For 1993-94 the Department produced partial data for some micro indicators. In future years a full set of data will be available.

Factors Influencing Success

Several factors are relevant when examining why the Department has been able to successfully develop its macro indicators, and initiate a structured approach to refine its micro indicators. These include:

External

- its operations affect all Western Australian employers and employees, which gives it a high public profile;
- it is subject to considerable scrutiny by external stakeholders;
- several formal external reviews have been undertaken of the Department and the Commission;
- the macro performance indicators are closely tied to Government policy, and are actively used by the Minister;
- the informal review undertaken by the Auditor General of the Department's 1990-91 performance indicators added impetus to efforts to develop satisfactory performance indicators; and
- the emergence of enterprise bargaining and workplace agreements sensitised Departmental staff to productivity issues, and to the measurement of organisational efficiency and effectiveness.

Internal

- the Chief Executive Officer has a clear vision for the Department, and is committed to performance measurement;
- the Department is actively using performance information to support its strategic planning and operational management;
- the Department has a consultative organisational culture;
- the Performance Indicator Working Party had appropriate skills and commitment;
- the Working Party identified a structured approach for developing performance indicators, and ensured that all of its members were trained in this methodology;
- education and training of staff at all levels; and
- Departmental awareness of the need for good information systems, and support for data collection from their information technology branch.

Future Directions

Currently, the Department has a number of performance indicator initiatives planned. Firstly, they are working on improving the presentation of performance data in internal management reports to facilitate better use of this information. Secondly, the Department is currently developing performance indicators for its Customer Service Charter. Thirdly, they are looking at linking their performance indicators to the Enterprise Bargaining System, by using their macro and micro indicators to demonstrate productivity. Fourthly, the Department plans to develop targets for indicators at the micro level, so that achievements can be measured against these targets. Finally, the Department intends to develop operational plans with measurable performance indicators, using their current micro indicators whenever possible.

In the longer term, it is intended that the Working Party will be discontinued. Responsibility for performance indicators will then lie with the Manager, Corporate Development. However, it will be the Department's responsibility as a whole to continuously review the indicators as part of a process of ongoing improvement.

Examples of Satisfactory Performance Indicators

The following provides further examples of agencies which report relevant and appropriate performance indicators, with a limited commentary on the indicators reported.

Water Authority of Western Australia

PROGRAM: Water Services

OBJECTIVE: Ensure the delivery of quality water services to meet agreed customer needs.

INDICATORS:

1. Customer satisfaction survey covering water quality, wastewater, drainage and irrigation.
2. Cost per property for water, wastewater, drainage and irrigation.

COMMENT:

1. Customer survey gives an indication of how effective the Water Authority is meeting customer needs. If the object of the agency includes customers, a key measure of effectiveness needs to include the customers views on the service supplied.
2. Cost per property is considered to be a key measure of efficiency that relates inputs to the output of property supplied. Over time this should give an indication of improvements or decreases in efficiency.

Parliamentary Superannuation Board

PROGRAM: Parliamentary Superannuation

OBJECTIVE: To ensure that the entitlements of members are administered in accordance with legislative requirements

INDICATORS

1. per cent of benefit payments processed in accordance with the relevant legislation compared with the number of applications received.
2. Cost per member to administer the scheme.

COMMENT:

1. As the objective deals with administering entitlements in accordance with legislative requirements then(?) the key measure of effectiveness must be the percentage of payments that were processed in accordance with the legislation.
2. Cost per member is an efficiency indicator that over time can show whether costs are increasing or decreasing in relation to the number of members administered.

Fremantle Port Authority

PROGRAM: Port Services

OBJECTIVE: To ensure that port services are responsive to the needs of users and are reliable and efficient.

INDICATORS

1. Ship Turnaround Time at berth and total time.
2. Cargo Processed per hour
3. Number of containers packed/unpacked per employee

COMMENT:

1. & 2. These indicators show how efficient the port is in responding to the needs of the clients in loading and unloading their cargoes. Time at berth and cargo processed per hour are key indications of how quickly the port can carry out its services. This can be compared with similar ports using the same loading and unloading methods to assess the ports efficiency in supplying its port service.
3. Number of containers packed/unpacked per employee is a measure of efficiency that relates the staff inputs to the resulting cargo outputs and can also be used to compare with previous years and other ports.

Dairy Industry Authority of Western Australia

PROGRAM: Promotion

OBJECTIVE: To ensure the Authority's marketing plan maximises sales, operational efficiency and industry support.

INDICATORS

1. Proportion of white and low fat milk market supplied by WA milk
2. Growth in white and low fat milk sales.
3. Per Capita Consumption
4. Sales compared to national average.
5. Proportion of market occupied by imports.
6. Community response to promotional campaign.
7. Cost of Promotion
8. Cost of marketing campaign per litre of milk sold.

COMMENT:

Indicators 2,3,4, & 6 over time can give indications of how effective the Authorities marketing plan has been in maximising sales. Is the amount of milk consumed per capita increasing or decreasing are sales increasing or decreasing how does the sales level per capita compare with the national average.

1 & 5. Percentage of the WA market supplied by WA production and proportion of market occupied by imports can give some indication of how effective the Authority is in marketing the WA industry and its products.

7 & 8. Cost of marketing campaign per litre of milk sold over time can give an indication of how efficient the Authority had been in using its resources to market the sale of milk.

The Western Australian Government Railways Commission

PROGRAM: Community Services.

OBJECTIVE: To provide attractive and efficient passenger services.

INDICATORS

1. Movements in passenger fares over the past 5 years.
2. Passenger Survey - Customer Satisfaction Index.
3. Cost of Producing a Passenger Kilometre.
4. per cent On Time Running.

COMMENT:

1. & 2. Movements in passenger fares and customer surveys provide an indication of whether the passenger service is attractive to its customers.

3. Cost of producing a passenger kilometre relates the costs of the service to the amount of output which is a passenger kilometre. Over time it should give an indication of whether the costs are increasing or decreasing and whether efficiency is improving or reducing.

4. Percentage on time running gives an indication of the efficiency of the service and can again affect the attractiveness of it.

Country High School Hostels Authority

PROGRAM: Residential Colleges Operations

OBJECTIVE: To economically provide sufficient low cost accommodation for isolated students

INDICATORS

1. Occupancy Rates for the different colleges.
2. Survey of the parents of students regarding the quality of the services and care provided.
3. Annual Boarding Fee
4. Operating Costs per Student by College.
5. Staffing Costs per Student by College.
6. Capital Costs per Student by College.

COMMENT:

Indicators 1. & 2. give a good indication of whether the accommodation supplied is meeting the needs of the students as far as quality is concerned.

Indicators 1. & 3. can also be an indication of whether costs of the accommodation is competitive. A low occupancy rate could be an indication that the costs are too high or that the quality of the accommodation is not of an acceptable standard to the students or their parents. Annual boarding fees can be used to compare with private colleges supplying the same types of services.

Indicators 4,5, & 6. are efficiency measures, relating cost, staffing and capital inputs to the outputs of an accommodation student. These can be used to compare the costs etc from one college to another and over time.

Western Australian Electoral Commission

PROGRAM: Parliamentary Electoral Services

OBJECTIVE: To assist and encourage the public to express its choice of representatives in State Parliament or choice of questions in referenda

INDICATORS

1. survey/observations
2. informality rates
3. rejection rate of declaration votes
4. cost per elector

COMMENT:

Indicators 1, 2 & 3. give an indication of the extent to which the public are aware of electoral rights, obligations, methods and results. They show some indication of whether the assistance and encouragement given by the Electoral Commission is satisfactory to the public and hopefully has reduced the level of informal votes and rejection rates due to not being aware of requirements etc.

4. Cost per elector is an efficiency indicator that relates the cost of the service to the output. Over time this will give an indication of the increase and decrease in the cost of the service.

Department of Local Government

PROGRAM: Local Government Development

OBJECTIVE: To promote a strong, independent, efficient and effective democratic system of local government with direct accountability to the local community.

INDICATORS

1. Survey of local councils to ascertain local governments views on the departments services in promoting an independent, democratic, strong and efficient and effective system of local government. Also requested views on accountability to the local community.
2. Average cost per council of providing the different types of services.

COMMENT:

1. As the department is supplying a service to the public through the local councils feedback from the councils on the service supplied can give a good indication of whether the service is satisfactory and can be used to improve it.
2. Cost per council of supplying the different services is a measure of efficiency which can be used to assess whether the service is being obtained at a competitive price and whether the agency is becoming more or less efficient.

Commissioner of Main Roads

PROGRAM: Road Preservation

OBJECTIVE: To preserve the road asset to a standard that will maximise safety and minimise whole of life costs.

INDICATORS

1. per cent of roads exceeding roughness standards.
2. per cent of vehicle kilometres travelled on roads that exceed roughness standards.
3. Customer Survey on the satisfaction with the quality.
4. Cost per Kilometre to preserve roads.

COMMENT:

Indicators 1,2 & 3 relate to the extent to which the roads are at the required standard and whether the public are satisfied with that standard.

4. Cost per kilometre over time can show the efficiency with which the agency is using its resource inputs to preserve the roads. It can also enable comparisons of the costs to be made with private contractors supplying the same service.

Appendix 1 The Value of Performance Indicators

(needs updating)

performance: *'manner or quality of functioning'*

indicate: *'point out; make known; state briefly; be a sign of; express presence of; shown by indicator'* (*The Concise Oxford Dictionary*)

Public sector performance indicators are of considerable importance to Parliament, agencies and the Western Australian public because they provide information on the efficiency and effectiveness with which the wide variety of Government programs are performed.

The following tables illustrate the nature of the performance indicators reported on a variety of issues. This table is not intended to be exhaustive, and the indicators themselves, by definition, provide indicative rather than definitive evidence.

Issue: Environment

Agency

Department of Environmental Protection
in Perth's air ·
Department of Minerals and Energy
Departmental environmental completion criteria ·
Departmental environmental criteria
Keep Australia Beautiful Council (WA)
Swan River Trust
waterways ·
public access to the Swan-Canning River system ·
Waterways Commission
community satisfaction with the availability of public access to the Leschenault waterways

Performance Indicators

· Lead levels in Perth's air · Carbon monoxide levels
Ozone levels in Perth's air
· The extent to which mineral operations comply with
The extent to which petroleum operations comply with
· Litter Counts (February 94)
· Environmental quality of the Swan/Canning
The level of community satisfaction with the availability of
Level of compliance of industries with licensing conditions
· Environmental health of waterways · Level of

Issue: Water Quality

Agency

Water Authority of Western Australia
Health and Medical Research Council guidelines ·
quality does not meet the current effluent discharge criteria. ·
Busselton Water Board

Performance Indicators

· Water quality - samples complying with National
Number of waste water treatment plants where effluent
· Surface water quality in the Collie catchment
· Water quality

Issue: Food Quality

Agency

Dairy Industry Authority of Western Australia

Performance Indicators

· Quality of farm milk · Quality of dairy produce

Issue: Physical Safety (at home, at work, on the roads, etc.)

Agency

Police Department
Western Australia ·
11.87% ·
98.18%
Department for Community Development
indicated by the frequency of re-abuse of substantiated cases
Commissioner of Main Roads
standard roads ·
alcohol & alcohol related road fatality rates. ·
State Government Insurance Commission
unregistered motor vehicles (1.66%)
Department of Occupational Health, Safety and Welfare
diseases
Department of Minerals and Energy
·

Performance Indicators

· How safe people feel after dark · Crime rates in
Clearance rate for offences · Burglary (Break & Enter)
Motor Vehicle Theft 17.42% · Homicide
· The extent to which child abuse is prevented as
cases considered to be at risk of abuse
· Road standards and proportion of travel done on sub-
Road roughness · Road fatality rates · Non-
Serious road injury rates.
· Proportion of third party claims involving
· Frequency rate of occupational injuries and
· Frequency of lost time injuries for mining operations
Frequency of lost time injuries for petroleum operations

Workers' Compensation and Rehabilitation Commission · Percentage of employers inspected who hold a current workers' compensation policy to their full liability under the Workers' Compensation and Rehabilitation Act 1981 (92%) · Percentage of uninsured employers detected. (8.0%) · Percentage of persons who receive vocational rehabilitation services and successfully return to work (63%) · Average cost per return to work (\$1,514)

Bush Fires Board · The proportion of Brigades in Local Authority areas where fire appliances and equipment *do not* meet Bush Fires Board minimum determined standards (98.7%)

Issue: Shelter/Housing

Agency

The State Housing Commission (Homeswest) meeting demand (Applications vs Allocations) · need (proportion of tenants in receipt of rental rebates) · targeting people on low and moderate incomes (average sale price per Homeswest lot compared to industry average)

Performance Indicators

· To what extent is public rental housing provision
· To what extent is the rental programme targeting people in
· To what extent are Homeswest land products

Issue: Public Sector Efficiency/Quality of Government Services

Agency

Port Authorities

The State Energy Commission of Western Australia (SECWA) and CPI increases ·

Environmental protection ·

- GWh of electricity generated from renewable energy sources. (14.4% actual vs 19.5% target)

Performance Indicators

· Cargo handling efficiency indicators
· Customer satisfaction · Tariff
· Supply reliability (Outage duration, frequency, and time) ·
· eg. - Carbon dioxide emissions (kg/MWh generated) ·

Issue: Social Justice

Agency

Western Australian Electoral Commission per elector

Office of the Information Commissioner

Information Commissioner where the agency's Notice of Decision was of reasonable standard by comparison with statutory requirements (38.5%). [The quality of Notices of Decision issued by agencies, reflects the extent to which they understand and accept their obligations under the Act]

Performance Indicators

· Election costs per elector · Referenda costs

· The proportion of formal complaints received by the

Issue: Education

Agency

Performance Indicators

Issue: Health

Agency

Performance Indicators

Appendix 2 The History of Performance Indicators in W.A.

In Australia and overseas a major objective of Governments has been to improve the performance of their public sectors. Over the last twenty years, reform processes in countries such as the United States of America, the United Kingdom, Canada and New Zealand, have focussed on:

- a smaller and more effective public sector;
- more efficient and effective delivery of government programs; and
- a public service which is more accountable and responsive to the objectives of government and the needs of the community.

Similarly, the Western Australian public sector has also undergone a number of changes to

promote greater efficiency, effectiveness and accountability. To appreciate the current state of performance indicators in Western Australia, it is helpful to review their historical context.

- 1976 The Royal Commission on Australian Government Administration was a major catalyst for change in the federal sector. A number of recommendations flowed from this report, which were encapsulated in the Commonwealth Government's 1983 White Paper: 'Reforming the Australian Public Service'.
- 1982 'Review of the Audit Act 1904 and Treasury Regulations Steering Committee' formed in Perth.
- 1983 Release of the Commonwealth Government's White Paper: 'Reforming the Australian Public Service'. The Western Australian Government's Functional Review Committee was also established with the brief of reviewing the efficiency and effectiveness of all government activity and evaluating whether it should be continued, modified, scaled down or abandoned.
- 1985 Western Australian Public Service Board Report: 'Management in the Public Sector' was published. The Financial Administration and Audit Act was introduced into Western Australia. This Act required agencies to report on their performance indicators, and also required the Auditor General to issue an opinion on these indicators.
- 1986 The Western Australian Government's White Paper 'Managing Change in the Public Sector' was published. This paper outlined the agenda for public sector reform in Western Australia. The Public Service Board assumes carriage of performance indicators.
- 1987 Treasury reports that a considerable number of exemptions were granted to agencies for 1986/87 under the provisions of Treasurer's Instruction 904. The Office of Government Management released the paper 'Managing Organisational Performance: an introduction to the use of performance indicators'. Referring to 1986-87, the Auditor General stated that due to the developmental nature of performance indicators, he was not in a position to fulfil his requirement to audit performance indicators as required by the FAAA. He took the approach of commenting on performance indicators across the public sector generally, as opposed to expressing an opinion on individual indicators.
- 1988 A reduction in the number of requests by agencies for exemptions occurred for 1987-88. The new Auditor General publicly supported the approach taken by his predecessor towards the auditing of performance indicators.
- 1989 The then Auditor General expressed his concern regarding the development of performance indicators in the public sector. He also felt that the development of criteria for establishing performance indicators for public sector agencies had yet to reach the point where it was possible to conduct an audit as required by the legislation. The Financial Management Initiative Steering Committee was formed as a catalyst for public sector management reform. Release of the Treasury paper 'Program Management: An Introduction'.
- 1990 The Auditor General again indicates his concern about the progress of performance indicators.

- 1991 The Western Australian Public Accounts And Expenditure Review Committee released their discussion paper 'Annual Reporting And The Parliament'. This document addresses the annual reporting requirements of agencies, and discusses how annual reports are intended to meet the needs of Parliament. Treasury publishes their document titled, 'Managing The Business Of Government'. The new Auditor General concluded that the stage had still yet to be reached where he could perform an audit of performance indicators as required by the FAAA 1985. He took the approach of accepting the validity of agency objectives, reviewing the performance indicators against these objectives, and expressing the results of the review as one of a range of pro forma opinions back to the agency concerned
- 1992 The Auditor General stated that the stage had still not been reached where he could form an opinion on performance indicators as required by the FAAA. For 1991-92 he proposed to review key performance indicators against stated objectives, and provide an assessment to Parliament. The Auditor General also established a Performance Indicator Unit within his Office, and formed a Chief Executive Officer Consultative Group to provide him with advice relating to performance indicators. He released a report 'Review of Performance Indicators in 1990-91' which concluded that some agencies had made considerable progress in the development of relevant and appropriate performance indicators. The report went on to say that the Auditor General expected that it would take some time before the indicators of all agencies reached the standard where they would fulfil their intended role.
- 1993 The Auditor General stated that significant progress has been made by agencies in developing performance indicators. He also signalled his intention to progress to issuing some formal opinions on performance indicators for 1992-93. Where an agency's indicators had not been sufficiently developed to conduct the audit required by legislation, the Auditor General would continue to issue an assessment.
- 1994 Treasury's issues its publication, 'Program Performance Management - A Guide for Managers'. The Public Sector Management Office releases a guide to developing performance indicators, titled 'Preparing Performance Indicators: A Practical Guide'. The Auditor General publishes this present study on the development of performance indicators in Western Australia. Titled 'Special Report: Performance Indicators in the Public Sector'. This document concludes that agencies have made considerable progress in developing indicators over the period 1990-91 to 1993-94, although there is still a substantial need for further improvement.

¹ Adapted from Hatry, H. 1989, 'Determining the Effectiveness of Government Services', in *Handbook Of Public Administration*, ed J. Perry, Jossey-Bass, London.

² Adapted from Management Advisory Board and Management Improvement Advisory Committee, 1993, *Performance Information and the Management Cycle*, AGPS, Canberra.

³ See the *Australian Journal of Public Administration*, December 1992; Patton, C. & Sawicki, D. 1986, *Basic Methods Of Policy Analysis & Planning*, Prentice-Hall, New Jersey; Dror, Y. 1983, *Public Policymaking Reexamined*, Transaction, Oxford; the Commonwealth Government has also been doing some exploratory work in the area of assessing the performance of policy advising programs.

⁴ For further information see Boseman, B. & Melkers, J. 1993, *Evaluating R&D Impacts: Method and Practice*, Kluwer, Boston; also Miller, R. 1993, 'Assessing Quality In R&D Laboratories: Bibliometrics, Peer Review And Organizational Surveys', *The Canadian Journal of Program Evaluation*, vol. 8, no. 1, pp.33-58.

⁵ This material has been adapted from Hatry, H., Fountain, J., Sullivan, J. & Kremer, L. 1990, *Service Efforts and Accomplishments Reporting: Its Time Has Come*, Governmental Accounting Standards Board, Connecticut.

⁶ Hatry 1989, *op. cit.*

⁷ Hatry et al. 1990, *op. cit.*