

Performance Reporting by Local Government

Steven Vlahos

Director, Performance Audit

Overview

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Today's presentation

- Role of the Auditor-General
- Findings from audit of *Performance reporting by Local Government*
- Questions

Role of Auditor-General

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Our Purpose: Providing assurance to Parliament on the accountability and performance of the Victorian public sector

- Auditing in the public interest since 1851.
- Constitutional safeguard to serve interests of Parliament.
- Constitution Act – ‘Independent officer of Parliament’
- A key link in the accountability process
- Accountable to Parliament via the Public Accounts and Estimates Committee
- Auditor-General mandate

Role of Auditor-General: Context

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620+ Client agencies include:

<ul style="list-style-type: none">• Government departments	<ul style="list-style-type: none">• <i>Local government</i>
<ul style="list-style-type: none">• Companies, trusts and joint ventures	<ul style="list-style-type: none">• Water authorities
<ul style="list-style-type: none">• State owned enterprises	<ul style="list-style-type: none">• Police, emergency services and courts
<ul style="list-style-type: none">• Public hospitals and ambulances	<ul style="list-style-type: none">• Universities and colleges
<ul style="list-style-type: none">• Financial institutions	<ul style="list-style-type: none">• Superannuation schemes

Victorian public sector

- One of the state's largest businesses
- More than 232 000 employees: \$73 billion annual turnover

Role of Auditor-General: Context

The Auditor-General is the auditor of all Victorian local councils

- Provides an opinion on all statements:
 - Financial statements
 - Standard statements
 - Performance statements
- We use a mix of in-house and contracted firms
- The appointment of contracted firms is through a public tender process.
- Ability to undertake performance audits to assess effectiveness, efficiency and economy

Background

- Effective performance reporting by councils is essential for accountability to local residents and ratepayers.
- Our 2008 audit found that, for most councils, performance reporting lacked relevance to communities as it did not cover outcomes, service quality or achievement of objectives.
- Our 2008 guide *Local Government Performance Reporting: Turning Principles into Practice* was subsequently produced to assist councils improve.
- In 2009 the ESC began work on developing a local government performance reporting framework, which was discontinued in September 2011.

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Audit Objective

To assess the effectiveness of existing local government performance reporting arrangements, and the adequacy of statewide initiatives to reform local government performance reporting.

Audit Scope

The audit was conducted in DPCD, ESC and in the following 10 councils:

- Baw Baw Shire Council
- City of Boroondara
- Central Goldfields Shire
- Colac Otway Shire
- Horsham Rural City Council
- Indigo Shire Council
- Knox City Council
- Moreland City Council
- Wangaratta Rural City Council
- Wyndham City Council

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Conclusions

- Performance reporting by councils remains inadequate, focused on inputs and operating activities.
- Limited improvements to-date have not been sufficient to meet the information needs of ratepayers, or drive performance improvements.
- Ongoing performance challenges in the sector highlight the need for further work on a local government performance reporting framework.
- The *Report on Government Services (RoGS)* is a mature reporting model highly suited to local government, which can address the long standing challenge of performance reporting in the sector.

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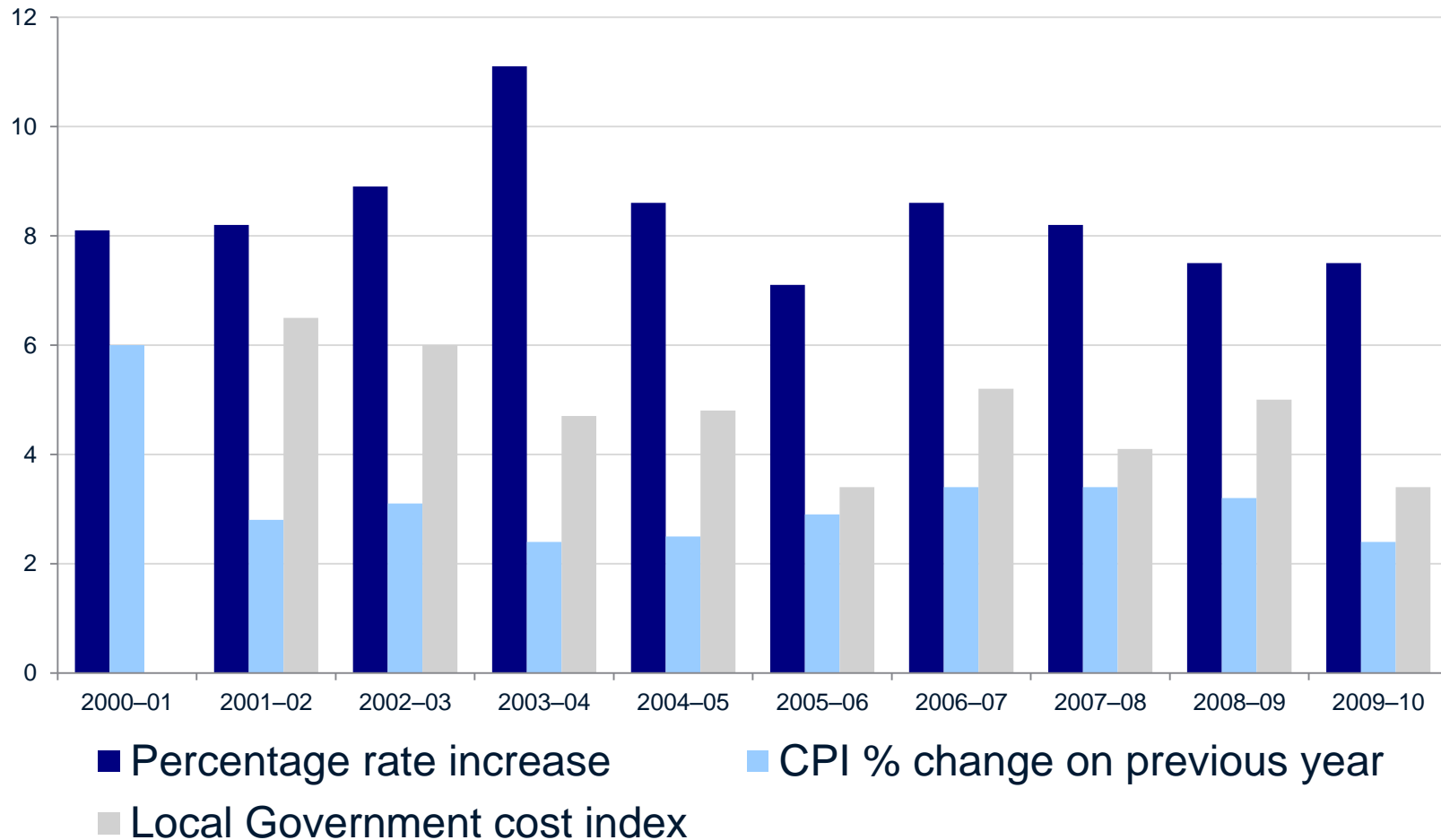
Findings - *Recurring performance challenges in local government*

• A review of local government audits between 2000 and 2011 reveals recurring themes of:

- Ineffective planning and budgeting
 - Inadequate implementation of initiatives and adherence to policies and procedures
 - weak oversight and monitoring of council activities and outcomes
 - Inadequate attention to addressing persistent performance issues.
- These issues have persisted partly due to a lack of accountability for performance and weaknesses in performance information

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Council rates increased above CPI and the LGCI over the same period



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Findings - *Performance reporting by local government*

- Councils made encouraging improvements to their performance reporting since 2008, but don't yet adequately measure the impact of their activities, or achievement of objectives.

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Key issues identified at all examined councils were:

- Poorly expressed objectives
 - Incomplete coverage of all council objectives and key strategic activities
 - Lack of indicators of outcomes and efficiency of council activity
 - Lack of adequate policies for performance reporting
 - Limited training for councillors and staff
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- DPCD has yet to issue minimum standards on the form and content of council performance statements

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Recommendations – *Performance reporting*

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Councils should:

- review their strategic and service objectives to assure they are clearly expressed, measurable and aligned
- critically review the performance information in their annual reports to assure it is relevant, balanced, appropriate and clearly aligned with their objectives
- document and approve performance reporting policies
- provide training for councilors and staff

DPCD should seek the approval of the Minister for Local Government to develop regulations establishing minimum standards for the form and content of performance statements.

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Findings - *Proposed framework for local government performance reporting*

- Council performance reporting should provide a holistic picture of performance focusing on both financial and non-financial performance:
 - Service delivery performance
 - Financial management and sustainability
- RoGS sets out a useful framework for assessing service delivery, but the necessary indicators, data sets and quality assurance arrangements are not yet in place at councils
- Our report outlines a pathway for developing a sound local government performance reporting and benchmarking framework.

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Key features of proposed framework at a glance:

Feature	Description
Primary purpose:	<ul style="list-style-type: none"> • Improve accountability to councillors, ratepayers and residents • Benchmarking of council performance • Support continuous improvement
Scope:	<ul style="list-style-type: none"> • Financial performance • Service delivery performance
Financial performance dimensions	<ul style="list-style-type: none"> • Financial sustainability • Rating • Sustainable capacity
Service performance dimensions	<ul style="list-style-type: none"> • Effectiveness • Efficiency • Quality
Form and content of reporting	<ul style="list-style-type: none"> • 'Headline indicators' focusing on critical results achieved (e.g. outcomes) • 'Supporting indicators' focusing on critical diagnostic information (e.g. outputs)

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Findings - *Actions required to implement the framework*

- The key challenges to be overcome include:
 - Identifying common services and objectives
 - Developing suitable indicators
 - Implementing appropriate data collection and quality assurance
 - Establishing a suitable reporting format.
- Addressing these issues will be a significant challenge
- An implementation task force drawn from the sector could best inform future developments
- VAGO to phase-in opinions on the 'relevance' and 'appropriateness' of performance statements by 2015

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Recommendations – *Proposed framework*

LGV, councils, and local government peak bodies should adopt the proposed framework and associated implementation strategy

LGV, in consultation with stakeholders, should lead and expedite establishment of the governance structure for implementation.

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For further information on this presentation please contact:

Steven Vlahos

Director, Performance Audit

[p] 8601 7071

[e] steven.vlahos@audit.vic.gov.au