

Attachment B

Annual Reporting Briefing and Analysis: on Various South Australian Departments' Performance

Knowledge Research Pty Ltd

January 2005

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1. Introduction: Annual reports: Financial and non- financial information within the public sector

1. In the public sector, unlike the private sector, the mechanism for distribution of goods and services does not follow the market model, and a measure of performance is not 'profit'. Financial information represented in a Statement of Financial Performance (operating statement) and Statement of Financial Position (balance sheet) does not indicate the extent to which government departments have achieved their objectives.
2. In the private sector, objectives are usually measured essentially in terms of profit, market share and return on equity. These are mostly reported in financial terms. They constitute the benchmark against which a business's performance is measured.
3. In the public sector, financial reports are also prepared. However, the nature and complexity of government activities (especially those activities associated with services) do not lend themselves to the same 'profit' oriented measures used in the private sector, given that the objectives for government programmes are frequently stated in non- financial terms. Accrual annual reports in the public sector can help in understanding efficiency and cost but provide little information content on the extended performance of government departments. Since efficiency and effectiveness information is crucial for managing these activities, other forms of measurement and reporting are needed. In other words, public sector service activities cannot be treated like a simple production process.
4. The characteristics of a simple production process are as follows:
 - Inputs — well- defined and measurable.
 - Process — well- defined, measurable and specific inputs are required. It is expected that these will be transformed into predictable and measurable

outputs. Unintended outputs can be anticipated and effects of external conditions may be controlled.

- Outputs — these are well-defined, measurable and a direct result of the process.
- Outcomes — well-defined, measurable and a direct result of the outputs. External condition changes can be controlled.

5. Examples of public sector activities that resemble a simple production process could include electricity generation, road cleaning, water supply and garbage collection. However, many service activities in the public sector, such as services to the aged and disabled, education, and policing, cannot be thought of in terms of a simple production process. For many public sector service activities, I expect there are no easy solutions to performance identification, measurement and reporting.

6. Therefore, annual reports prepared by government agencies require a significantly wider range of performance information than reports of private sector organisations. An Australian Accounting Research Foundation (AARF) discussion paper on annual reporting by government departments (AARF, 1991, p. 87) stated: *Financial information is only a sub-set of the information necessary to allow an adequate assessment of a Department's performance. Departments are required to achieve service delivery as well as financial objectives.*

7. It adds that the performance of any entity should be determined by reference to the achievement of its objectives (p.87). According to the report (AARF, 1991, pp. 87- 88), in public sector organisations, performance cannot be captured by financial statement and therefore I must rely on: *information about the outputs or outcomes of departmental activities, and efficiency with which it achieves these outputs or outcomes, as well as information about the financial characteristics and results of operations, is therefore necessary for any assessment of performance.*

8. The AARF discussion paper, Financial Reporting by Governments, (AARF, 1994, p. 120) recommended that general purpose financial reports of governments should disclose performance information in the following manner:

(a) program or function objectives;

(b) governments' effectiveness in achieving their objectives;

(c) the efficiency and economy with which governments conduct their operations; and,

(d) targets in respect of (b) and (c).

9. Therefore 'performance' in public sector departments cannot only be expressed in financial terms, only, but also must be expressed in non-financial terms. Many of these performance indicators are expressions of employee type activities (e.g service activities, outputs and outcomes).

10. Also it is recognised that a department's performance is directly related to performance of its employees and its reporting in the annual report. For instance:

I would also like to take this opportunity to thank staff across the portfolio for their commitment. This Department differs from many others in that our staff have transferable professional skills highly valued in both the Private Sector and Local Government. The challenge is to preserve and grow the skill base by giving people opportunities and responsibilities at a rate which allows them to grow, broaden their experiences and enjoy their jobs.

*T W O'Loughlin
Chief Executive
Department of Transport and Urban Planning*

(Annual Report 2002- 03, Department of Transport and Urban Planning, Government of South Australia, p. 3.)

We are strongly committed to continuous improvement and will continue to work with our Justice Portfolio partners to deliver corrective services that are outcome- focussed and enhance the safety and social well being of all South Australian.

Yours sincerely

Peter Severin
CHIEF EXECUTIVE

(Department for Correctional Services Annual Report 2002- 2003,
Government of South Australia, p. i).

Our success in 2002- 2003 could not have been achieved without establishing, maintaining and harnessing the value of positive relationships within the Department, across the Justice Portfolio and between other State Government agencies and our stakeholders.

As we look to the future our focus will remain on utilising these relationships to assist in providing improved and innovative services and interventions to a diverse range of offenders in the South Australian community.

Peter Severin
CHIEF EXECUTIVE

(Department for Correctional Services Annual Report 2002- 2003,
Government of South Australia, p. 6).

CHIEF EXECUTIVE'S STATEMENT

I must acknowledge the dedication, commitment of my staff during 2003-04. they are a fantastic group of people who enjoy their role as public servants, working for government and serving their community.

Allan Holmes
CHIEF EXECUTIVE
DEPARTMENT FOR ENVIRONMENT AND HERITAGE

(Annual Report 2003- 04, Department for Environment and Heritage,
Government of South Australia, p.6).

OUR PEOPLE

I would like to take this opportunity to thank staff across the portfolio for their commitment, loyalty and professionalism during a challenging year. More than many Departments, our staff in this Department have transferable professional skills that are highly valued in both the private sector and local government. It is a continuing challenge to preserve and grow the skill base by giving our people opportunities and responsibilities to grow, broaden their experiences and enjoy their jobs. Our workforce planning is focussed on meeting this challenge.

*T W O'Loughlin
Chief Executive
Department of Transport and Urban Planning*

(Annual Report 2003- 04, Department of Transport and Urban Planning, Government of South Australia, p. 2).

11. The linkage between general performance and employee contribution to department improvements is explicated stated in the annual reports in various statements by Ministers, Chief Executives and others. For example, some illustrations of statements from annual reports on which I relied in concluding that improvements in performance have been achieved in substantial part through performance of employees as above.

2. General performance approach in South Australia

12. For the component, 'performance' changes in the organisation and management of aspects of the South Australian public sector are reported annually in accountability reports to parliament and the executive government (i.e., annual report and budget papers). Annual reports are a key mechanism by which government agencies account for their performance to Parliament and the public (see, DPC, 2004, p.1).

13. For instance:

*Dear Ministers
I am pleased to present to you the Annual Report for the South Australian Department of Human Services for the year ended 30 June 2003.*

This annual report provides an overview of the highlights for the department over the past 12 months, including the establishment of the Housing Management Council and progress around the major departmental reviews and plans.

The key objectives of the department are to work on your behalf to provide sound, essential services, to improve the quality of our care and services and to increase the opportunities for all South Australian citizens to participate in the decisions that shape human services.

This report adopts a new format in line with the direction, in Department of Premier and Cabinet Circular 13: Annual Reporting Requirements, that

reports should complement the Budget Statement and Estimates and Portfolio Statements.

On behalf of all the staff of the department, I commend this report to you as a fair and accurate representation of the efforts and achievements of the past year.

This report complies with the Public Sector Management Act 1995, the Public Finance and Audit Act 1987, and the South Australian Health Commission Act 1976.

JIM BIRCH

Chief Executive

Adelaide, September 2003

(Department of Human Services – Annual Report 2002- 03, Government of South Australia, p. 3)

14. All government agencies must produce an annual report containing information specified in the *Public Sector Management Act 1995* (PSM Act), its accompanying regulations, and the *Public Finance and Audit Act 1987*. (DPC, 2004, p.1):

In more detail what the Public Sector Management Act requires:

Section 66 requires that:

- (1) Each public sector agency must, once in each year, present a report to the Minister responsible for the agency on the operations of the agency.
- (2) The report must contain information required by the regulations.
- (3) Subject to this section, the report must be related to a financial year and must be presented within three months after the end of the financial year to which it relates.
- (4) If a public sector agency is under some statutory obligation to make an annual report to the Minister responsible to the agency—
 - (a) the report required by this section may be incorporated with that other report; and
 - (b) the period to which the report relates must be the same as for that other report; and

(c) the report must be presented within the three months after the end of the reporting period referred to above.

(5) A Minister must, within 12 sitting days after receipt of a report under this section, cause copies of the report to be laid before each House of Parliament.

The regulations

The Public Sector Management Regulations specify a number of requirements and also provide for the Commissioner for Public Employment and the Minister responsible for the Act (the Premier) to require agencies to provide additional information in their annual reports. These requirements are outlined in the next sections.

Reporting under other legislation

Agencies subject to the PSM Act are also subject to the *Public Finance and Audit Act*

1987. Financial reporting requirements pursuant to that Act are outlined in the

Treasurer's Instructions (detailed in the section called 'Financial reporting'). (DPC, 2004: pp.5- 6)

15. Since the late 1980s, the South Australian and the other Australian state and territory governments have implemented reforms to improve the accountability and usefulness of government agency performance reports (Guthrie et al, 1990). Annual reports are a key mechanism by which government agencies account for their performance to parliament.

16. Ministers are responsible to the Parliament for the administration of Acts committed to them and for the actions of the agencies and public servants under their control.

Public sector annual reports are therefore critical accountability

documents from chief executives of government agencies to the responsible minister, who is required to table them in parliament. They are not promotional publications but complement the Budget Statement and Estimates and Portfolio statements—key elements of the government’s financial reporting cycle. Together, these documents enable parliament to be fully informed on agency performance for each financial year.

For the general community, annual reports can also be a rich source of information about government activities in specific areas. The focus of annual reports should be on communicating the success or otherwise of agency activities in achieving government policy outcomes in the previous financial year and to document the resources used in the process. (see, DPC, 2004: p. 1)

17. It is difficult to obtain consistent and reliable performance information under the current South Australian Government’s legislation and regulation regimes. External information is available via the Government’s Budget Papers which include some performance information by programmes. Also the annual reporting legislation requires the reporting of certain information, but there is no direct relation to a reliable and consistent performance reporting framework (e.g., alignment between Budget Papers, Annual Reports, Business Plans, and Strategic Plans).

3. The Role of South Australian Premier and Cabinet’s Office

18. Each year Department of the Premier and Cabinet (DPC) issues a circular which provides assistance to staff who prepare annual reports for public sector agencies in South Australia for instance, “This year, the requirements for workforce information reporting have been streamlined to ensure that it is relevant to all agencies and consistent with other reporting provided to the Commissioner for Public Employment. Also, some further guidance is provided to agencies considering a more in-depth approach to the reporting

of environmental performance against the Greening of Government Operations Framework 2004". (DPC, 2004, p.1),

4. A Framework for Mapping 'General Performance' in the South Australian Public Sector

19. All government agencies must produce an annual report containing information specified in the *Public Sector Management Act 1995* (PSM Act), its accompanying regulations, and the *Public Finance and Audit Act 1987*. (DPC, 2004, p.1)

20. The PSM Act and associated Regulations set out requirements for agencies preparing annual reports. They require an annual report to be tabled in Parliament, and include financial statements. The Act implicitly made annual agency performance reporting mandatory, requiring financial statements consisting of: statement of financial performance; statement of financial position; and statement of cash flows, and places responsibility on the accountable officers/accountable authorities to measure and report performance.

21. Regulation 18 of the Public Sector Management Regulations made pursuant to section 66 of the PSM Act outlines a number of areas that must be covered in an annual report. This section provides notes (as appropriate) on the information required under this regulation. (DPC, 2004, p.7)

5. Analytical Divide for Responsibility for Performance

22. It is important at this point to recognise that there is an analytical divide concerning responsibility for performance by the executive government and individual government agencies. Under the traditional Westminster system of parliamentary control of the 'public purse' the Ministers of the Crown form the executive which is responsible for the preparation and

submission of the government's financial plan or budget to parliament or the 'legislature'. After the legislature considers and authorises the budget, the 'executive' takes responsibility for administering this financial plan. That is performance is constructed as managing 'the actual against budget'. Also the Minister is responsible for tabling the annual report, which is a factual statement about the department's performance for the year.

23. For departments of state, public servants and government employees, performance has been redefined in the last decade, not only focusing on compliance with appropriations and proper use of public funds, but also on 'achievement of objectives', and now in terms of government desired outputs and outcome(s).

24. From the above, I conclude that an appropriate way of evaluating the individual performance of South Australian State Government public sector departments is to examine their annual reports over a 3 year period (e.g. agency's vision, strategic plans, performance information) and to form an opinion as to the movement in 'general performance'.

25. Content analysis rests on the premise that written communication or statistical information is credible and accurate. This is supported in this work by the premise that the annual reports of the South Australian Government sector departments are produced under the relevant legislative requirements and regulations and are tabled in Parliament as public documents. The annual reports of these agencies are the key medium by which they discharge their accountability for past performance to the Parliament, the government and the general community.

26. Data collection was achieved by means of a form of content analysis. Content analysis (see, for example, Guthrie et al, 2004) of annual reports has been used in accounting research and more specifically by me in several published research projects.

27. Content analysis of annual reports has been used, and held to be empirically valid, in performance reporting research for social and environmental reporting. The application of content analysis has been drawn its use in my published research dealing with corporate social disclosure in annual reports, university annual reporting and recent intellectual capital reporting in annual reports (see above). Also the author's work in intellectual capital reporting underpins the author's recently published empirical works using this method (see, Guthrie et al, 2004 for a full list of published research).
28. As a technique for gathering data, it involves codifying qualitative and quantitative information into pre-defined categories in order to derive patterns in the presentation and reporting of information. Content analysis seeks to analyse published information systematically, objectively and reliably (Guthrie and Parker, 1990).
29. Content analysis has been commonly used in the reporting research literature to evaluate the extent of disclosure of various items. Content analysis is a method of codifying a text into various groups or categories based on selected criteria.
30. For content analysis to be effective, certain technical requirements should be met. First, the categories of classification must be clearly and operationally defined. Second, objectivity is key — it must be clear that an item either belongs, or does not belong, to a particular category. Third, the information needs to be able to be quantified. Finally, a reliable coder is necessary for consistency.
31. Therefore, the use of content analysis provides a systematic inquiry into selected performance information within South Australian public sector annual reports. It has been used in the project to collect evidence and to facilitate the mapping of information that is deemed to be communicated as part of 'general performance' for a department. Also it is noted that many of

these performance measures are inherently related to contribution of employees and examples of the types of performance measures which I regard as inherently related to employee performance include service provision, employee efficiency improvements, new policy initiatives, etc.

32. Fundamental tools for content analysis are the content instruction and content instrument (see, Annexure A). A prerequisite for research is to define the thing to be researched. The categories used for analysis were derived from the Department of the Premier and Cabinet Circular (2004), legislation requirements and other sources.

33. As to the first requirement, this has been met by the replication of previous studies in the public sector. As to the second requirement, I trained a coder for the review of the PI and I also undertook the final coding and professional judgement myself.

6. The Various Departments and Results

34. A sample of South Australian Government departments was provided by the PSA.

The sample consisted of 5 such organisations and these were:

- (D1) Department of Human Services;
- (D2) South Australian Police;
- (D3) Department for Correctional Services;
- (D4) Department of Environment and Heritage; and,
- (D5) Department of Transport and Urban Planning.

35. The final sample is indicated in Table B1: Selected South Australian Annual Reports (2001- 2004) and this indicates that 15 reports were analysed.

36. The methodology used is not able to separate out employees who are PSA members (and covered by the application) and those who are not. The

methodology examines the total departmental performance and total employees. Nonetheless, I believe that the approach which use the Parliamentary documents (in this case Annual reports) and examines the overall performance of a department is appropriate to gauge contribution of all employees to the organisation.

7. Assessment of ‘General Performance’ Improvement

37. The attached Table B2: Static Analysis Results for the Selected South Australian Departments provides a summary of the 15 static analyses. Our static analysis suggests that the annual report performance information indicates an improvement in department’s activities in the current 12 months when compared to the previous year(s) or to the Minister’s requirements.
38. Opinion was expressed in the following terms: Performance worse than last year; Performance the same as last year; Performance better than last year; No opinion can be formed. These opinions are formed from the written assertion or assertions concerning performance information contained within the annual reports. The above identified criteria was used to formulate the opinions.
39. Having conducted the analysis of the various South Australian departments, I have formed the view that during the financial years that were the subject of the analysis (see, Table B1) referred to in this statement, the organisations as identified in Table B2 have improved ‘general performance’ when gauged against statutory reporting requirements. In other words, the organisation reported an improvement in ‘general performance’ which was capable of being measured by the use of comprehensive measures and such improvements in performance were regularly (through annual reports) reported to the Parliament and the public of South Australia.
40. Furthermore, I conclude from the above analysis that the improvements in the ‘general performance’ of the organisations have been achieved at least in

substantial part through the performance of employees in those organisations. In this respect, I rely upon various statements concerning employees in the annual reports and the inherent relationship between the performance measures which are considered in the static analysis and employee performance.

Annexure A

A1: Content Analysis Recording Instructions

PSA Project: South Australian Government Departments "General Performance"

The following provides coding instructions for the completion of the research instrument used in the detailed examination of various SA Departments annual reports.

The instructions consist of seven parts:

- A. Background
- B. Financial Statements
- C. Certification
- D. Contents of the annual report
- E. Characteristics of high quality annual reports
- F. Opinion given
- G. Other key information

Further detail for each data entry point follows:

A. Background

1- 3. The first data section requires the name of the organisation, then year of report and a number.

B. Financial sections

- B.1. Financial statements
- B.2. Statements of Financial Performance
- B.3. Statement of Financial Position
- B.4. Statement of Cash Flows
- B.5. Financial Performance

“Pursuant to section 41 of the *Public Finance and Audit Act 1987*, Treasurer’s Instruction no 19 sets out the requirements for preparing annual financial statements” (DPC, 2004: p. 26)

“The financial statements for every annual report should be prepared in accordance with the Department of Treasury and Finance’s Model Financial Report on an accrual

basis, unless a cash basis is specified by governing legislation. The financial statements for every annual report should include:

- financial performance and cash flows for the reporting period, financial position as at the end of the reporting period and notes to and forming part of the financial statement” (DPC, 2004: p. 27)

C. Certification

The financial statements for every annual report should include:

- “certified statements by Chief Executive and Principal Finance Officer; and
- signed audit certificate.”

(DPC, 2004: p. 27)

D. Content of annual reports

“Regulation 18 of the Public Sector Management Regulations made pursuant to section 66 of the PSM Act outlines a number of areas that must be covered in an annual report. This section provides notes (as appropriate) on the information required under this regulation.”

The following is a summary of ten areas:

D.1. Role, structure, legislation

“18 (a) the functions and objectives of the agency
(b) the legislation administered by the agency
(c) the organisation of the agency
(d) the agency’s relationship to other agencies within the Minister’s area of responsibility”

(PSMR, 1995)

D.2. Achievements and initiatives

“18 (e) the agency’s operations and initiatives (including an assessment of their effectiveness and efficiency
(f) the agency’s strategic plans and the relationship of the plans to Government objectives”

(PSMR, 1995)

D.3. Executive employment, staff employment and other human resources matters

“18 (g): executive employment in the agency (including the number of executives employed at each level of the executive remuneration structure and the number of new executive appointments)”

“18 (m): human resource and personnel matters as required under the directions of the Commissioner (including the nature and extent of employee training and the use of contracts under Part 7 of the Act governing the employment of non- executives)”

(PSMR, 1995)

D.4. Financial Performance

“18 (j): *the financial performance of the agency including:*
(i) *audited financial statements prepared in accordance with the Treasurer’s instructions and the report of the Auditor- General on the financial statements; and*
(ii) *any other financial information in respect of the agency’s operations required to be reported to Parliament under another Act.”*
(PSMR, 1995)

D.5. Occupational health, safety and injury management

“18 k) *the occupational health, safety and injury management of the agency (including an evaluation of the programs and their effectiveness)”*
(PSMR, 1995)

D.6. Consultants

18 l) *the extent to which external consultants have been engaged by the agency, the nature of the work undertaken by the consultants and the total cost to the agency of the consultancies”*
(PSMR, 1995)

D.7. Other Matters

(DPC, 2004: p. 19):

- “overseas travel
- contracts which exceed \$4 million
- account payment performance
- Disability Action Plans.”

D.8 Energy Efficiency Action Plan Reports

“The Government Energy Efficiency Action Plan (‘the plan’) is a comprehensive energy management program to improve energy efficiency and reduce costs across all sectors of the government's operations.

Under the plan, agencies are required to report their energy use and progress in meeting target reductions in their annual reports, along with significant energy management initiatives and achievements against the plan. This initiative is an integral part of the National Greenhouse Strategy and incorporates the Government's target to reduce energy use in government buildings by 15% before 2010.” (DPC, 2004: p. 23)

D.9 Triple Bottom Line Reporting

“With the trend to triple bottom line reporting agencies *may* wish to expand the range of measures on which they are reporting to quantify aspects of their environmental performance.” (DPC, 2004: p. 19)

E. Characteristics of high quality annual reports

The DPC (2004: p.2) lists several characteristics of high quality annual reports and these are listed below grouped into 6 data entry points.

E.1. PI stated in terms of organisational objectives / visions / achievements / outcomes / strategic planning

(DPC, 2004: p. 2):

“High quality annual reports are those that:”

- “closely link the structure of the report to their strategic planning objectives”
- “describe their programs and services (achievements) rather than their functions”
- “are clear about their purpose and priorities and can communicate them”
- “avoid detailed examination of the trivia of their daily activities”

E.2. Focus of reporting PIs

The DPC (2004: p.5) state that the focus of annual reports should be on communicating the success or otherwise of agency activities in achieving government policy outcomes in the previous financial year and to document the resources used in the process.

As required by the Public Sector Management Act, information contained in annual reports should be clearly set in the context of the strategic direction of an organisation and of the Government as a whole, and should also identify the major issues that the agency faces in the immediate future.

E.3. PI Types

A statutory requirement from Appendix A of the DPC (2004: p.34) states that “the agency’s operations and initiatives and an assessment of their effectiveness and efficiency”.

E.4. Progress and future plans: PI data targets

(DPC, 2004: p. 2):

“High quality annual reports are those that:”

- “provide the reader with information on progress since the last report and future plans”
- “report on the previous financial year, but also on issues facing the agency in the immediate future”

“Where possible, agencies should include a comparison of actual (Audited Statement of Financial Performance and Statement of Financial Position) to budget (budget as submitted to Parliament), this will include variance explanations where material. This comparison will enable an assessment to be made about the extent to which the government agency has achieved agreed performance targets. It is envisaged that from 2004- 05, agencies will be required to provide this information” (DPC, 2004: p. 28).

E.5. Types of PI Information

(DPC, 2004: p.2):

- “High quality annual reports are those that:”
- “summarise and simplify the information using tables, graphs and charts”

E.6. Report both ‘good’ and ‘bad’ news

(DPC, 2004: p. 2):

“High quality annual reports are those that:”

- “report good and bad news associated with their performance”

F. Opinion Given

The sixth part for data collection was the **F: Opinion Given** by the coder concerning ‘general performance’.

In this item an opinion is expressed in terms of the following:

- F.1. Performance worse than last year
- F.2. Performance the same as last year
- F.3. Performance better than last year
- F.4. No opinion can be formed

The expressions of this opinion is on the written assertion or assertions concerning performance information contained within the annual reports. This assertion is based on the above identified criteria used to formulate the opinion.

G. Other Information

- G.1. Electronic copy available on internet since 1998
 - Electronic copy
 - Paper copy
- G.2. Agency identification
- G.3. Letter of transmittal, chief executive’s statement
- G.4. Highlights
- G.5. Glossary
- G.6. Index

References include:

Department of the Premier and Cabinet (DPC) (2004), “PC013 – Annual Reporting Requirements”, Department of the Premier and Cabinet Circular, Government of South Australia, June 2004 revision. Accessed on 6 Jan 2005:

http://www.premcab.sa.gov.au/dpc/publications_circulars.html

Public Finance and Audit Act, 1987, Government of South Australia, Reprint No.8 as at 15 July 2001. Accessed on 6 Jan 2005:

<http://www.parliament.sa.gov.au/Catalog/legislation/Acts/p/1987.54.htm>

South Australia Public Sector Management Regulations, 1995, Government of South Australia. Accessed on Jan 6:

<http://www.parliament.sa.gov.au/Catalog/legislation/Regulations/P/1995.157.un.htm>

Research Instrument

PSA Project: South Australian Government Departments "General Performance"

There are 7 main parts to this instrument:

- A. Background
- B. Financial sections
- C. Certification
- D. Contents of the annual report
- E. Characteristics of high quality annual reports
- F. Opinion given
- G. Other key information

A. Background

- 1. Name:
- 2. Year of report:
- 3. Number:

B. Sections within the annual report

| | |
|--|--|
| B.1. Financial statements | |
| B.2. Statements of Financial Performance | |
| B.3. Statement of Financial Position | |
| B.4. Statement of Cash Flows | |
| B.5. Financial Performance | |

C. Certification

| | |
|--|--|
| C.1. Chief executive and officers certification of annual report | |
| C.2. Auditor General opinion on financial statements | |

D. Contents of the annual report

Separate areas in annual report

Narrative and performance information overview

| | Page | Performance Indicator | Comments |
|--|------|-----------------------|----------|
| D.1. Role, structure, legislation | | | |
| D.2. Achievements and initiatives | | | |
| D.3. Executive employment, staff employment and other HR matters | | | |
| D.4. Financial performance | | | |
| D.5. Occupational health etc | | | |
| D.6. Consultants | | | |
| D.7. Other matters | | | |
| D.8. Energy | | | |
| D.9. Triple bottom line | | | |

E. Characteristics of high quality annual reports

E.1. PI stated in terms of organisational objectives / visions / achievements / outcomes / strategic planning

E.2. Focus of reporting PIs

E.3. PI types

(a) **Efficiency indicators:**

(b) **Effectiveness indicators:**

(c) **Key output / service:**

E.4. Progress and future plans: PI data targets

(a) **Stated targets:**

(b) **Actually achieved:**

(c) **Performance vs. Target / variances:**

(d) **Variance explained:**

(e) **More than 2 years:**

E.5. Types of PI information

(a) **Tables:**

(b) **Graphs:**

(c) **Charts:**

E.6. Report both 'good' and 'bad' news

F. Opinion given

F.1. Performance worse than last year

F.2. Performance the same as last year

F.3. Performance better than last year

F.4. No opinion can be formed

G. Other information

G.1. Electronic copy available on internet since 1998

Electronic copy

Paper copy

G.2. Agency identification

G.3. Letter of transmittal, chief executive's statement

G.4. Highlights

G.5. Glossary

G.6. Index

TABLE B1:
Selected South Australian Annual Reports

| | | C | B | A |
|------------------------|--|----------------|----------------|----------------|
| Department Name | | 2001/02 | 2002/03 | 2003/04 |
| D1 | Department of Human Services | s/c | s/c | s/c |
| D2 | SA Police | x | s/c | s/c |
| D3 | Department for Correctional Services | x | x | s/c |
| D4 | Department of Environment and Heritage | s/c | x | x |
| D5 | Department of Transport and Urban Planning | s/c | s/c | s/c |

Code

s/c = soft copy downloaded and printed

x = photocopy received from PSA

**TABLE B2:
Static Analysis Results for the Selected SA
Departments (2001- 2004)**

| | | C | B | A |
|-----------|--|----------------|----------------|----------------|
| | Department Name | 2001/02 | 2002/03 | 2003/04 |
| D1 | Department of Human Services | xxx | xxx | xxx |
| D2 | SA Police | xxx | xxx | xxx |
| D3 | Department for Correctional Services | xxx | xxx | xxx |
| D4 | Department of Environment and Heritage | xxx | xxx | xxx |
| D5 | Department of Transport and Urban Planning | xxx | xxx | xxx |

| | | | |
|----------------------|-----------|------------|-------------|
| x | xx | xxx | xxxx |
| 0 | 0 | 15 | 0 |
| TOTAL REPORTS | | | 15 |

| Key | |
|-------------|------------|
| X | Worse |
| XX | Same |
| XXX | Better |
| XXXX | No Opinion |

Annexure B: Annual reports used

D1A SA Department of Human Services Annual Report 2003- 2004, SA Department of Human Services, 2004.

D1B SA Department of Human Services Annual Report 2002- 2003, SA Department of Human Services, 2003.

D1C SA Department of Human Services Annual Report 2001- 2002, SA Department of Human Services, 2002.

D2A SA Police Annual Report 2003- 2004, SA Police, 2004.

D2B SA Police Annual Report 2002- 2003, SA Police, 2003.

D2C SA Police Annual Report 2001- 2002, SA Police, 2002.

D3A Department for Correctional Services Annual Report 2003- 2004, Department for Correctional Services, 2004.

D3B Department for Correctional Services Annual Report 2002- 2003, Department for Correctional Services, 2003.

D3C Department for Correctional Services Annual Report 2001- 2002, Department for Correctional Services, 2002.

D4A Department of Environment and Heritage Annual Report 2003- 2004, Department of Environment and Heritage, 2004.

D4B Department of Environment and Heritage Annual Report 2002- 2003, Department of Environment and Heritage, 2003.

D4C Department of Environment and Heritage Annual Report 2001- 2002, Department of Environment and Heritage, 2002.

D5A Department of Transport and Urban Planning Annual Report 2003- 2004, Department of Transport and Urban Planning, 2004.

D5B Department of Transport and Urban Planning Annual Report 2002- 2003, Department of Transport and Urban Planning, 2003.

D5C Department of Transport and Urban Planning Annual Report 2001- 2002, Department of Transport and Urban Planning, 2002.

Annexure C: Sample Working Papers

Research Instrument

PSA Project: South Australian Government Departments “General Performance”

There are 7 main parts to this instrument:

- A. Background
- B. Financial sections
- C. Certification
- D. Contents of the annual report
- E. Characteristics of high quality annual reports
- F. Opinion given
- G. Other key information

A. Background

- 1. Name: South Australia Police
- 2. Year of report: 2003- 2004
- 3. Number: D2A

B. Sections within the annual report

| | |
|--|------------------|
| B.1. Financial statements | pp.105- 133 |
| B.2. Statements of Financial Performance | p. 106 and notes |
| B.3. Statement of Financial Position | p. 107 |
| B.4. Statement of Cash Flows | pp. 108- 111 |
| B.5. Financial Performance | pp. 95- 104 |

C. Certification

| | |
|--|--------|
| C.1. Chief executive and officers certification of annual report | p. 104 |
| C.2. Auditor General opinion on financial statements | p. 103 |

D. Contents of the annual report

Separate areas in annual report

Narrative and performance information overview

| | Page | Performance Indicator | Comments |
|--|--|---|---|
| D.1. Role, structure, legislation | p.11 (Role) p.13- 17 (Structure) p.1, 22,27,42,48 (various legislation) | none | <p>“SAPOL has six core functions prescribed in the Police Act 1998. They are to uphold the law, preserve the peace, prevent crime, assist the public in emergency situations, coordinate and manage responses to emergencies, regulate road use and prevent vehicle collisions.” (p. 11)</p> <ul style="list-style-type: none"> • poor |
| D.2. Achievements and initiatives | pp. 20- 65 pp.10- 12 (Strategic Plan) | <p>Includes:</p> <ul style="list-style-type: none"> • Total number of events planned and managed by SAPOL • Reporting rate drug offences • No. calls to Crime Stoppers • No. joint emergency services conducted • % SAPOL prosecutions -> guilty plea/verdict | <ul style="list-style-type: none"> • Approx 30 PIs, all indicators compared over two financial years <p>PIs: p.21, 23, 25, 30, 32, 34, 37, 38, 40, 42, 44, 47, 49 (listed under each program area)</p> <ul style="list-style-type: none"> • average |
| D.3. Executive employment, staff employment and other HR matters | pp. 68- 80 | <ul style="list-style-type: none"> • Average days leave • Employee demographic | <ul style="list-style-type: none"> • Only Average days leave presented comparatively over several years (99-04) • More demographical info rather than PIs • poor |

| | | | |
|------------------------------|--|---|---|
| D.4. Financial performance | pp. 95- 102 | <ul style="list-style-type: none"> • three year comparison of revenue from Govt (p. 95) and budget/assets (p.97) • Recruitment (2001- 2005) • Entitlements (2000- 2004) • Expiations Revenue (2000- 2004) | |
| D.5. Occupational health etc | pp. 64- 65 p.82 | <ul style="list-style-type: none"> • 4% reduction in incident of injury (over 2yrs) • 70% claims lodged resulted in no lost time • 5% increase in cost of managing claims • No. claims (over 3 financial years) • No. Injuries (over 3 financial years) • No. claims (over 3 financial years) • Cost of new claims (over 3 financial years) • Etc.... | <ul style="list-style-type: none"> • Over 2 year comparison • Good and bad performance reported • Approx 20 indicators listed, all over 3 financial year comparison • Portion of these required by OH&S and Injury Management Legislation |
| D.6. Consultants | p.90 | <ul style="list-style-type: none"> • Table as per PSM Act requirement (0 consultants) | |
| D.7. Other matters | pp. 80- 81 (Disability Action Plan) pp. 84- 92 (all others) | | |
| D.8. Energy | p. 93 | <ul style="list-style-type: none"> • 7.3% reduction in one year • “SAPOL’s target was to reduce the 2000- 01 base year energy consumption by 15% over the 10 years to 2009- 10.” • “SAPOL’s performance in the first 4 years has almost achieved this 10 year target.” | <ul style="list-style-type: none"> • Further energy initiatives outlined |
| D.9. Triple bottom line | p.94 | None | <ul style="list-style-type: none"> • Further energy plus other initiatives outlined |

E. Characteristics of high quality annual reports

E.1. PI stated in terms of organisational objectives / visions / achievements / outcomes / strategic planning

The report has a strong strategic focus (p. 10- 12) and is structured based on 5 program areas, consisting of 13 sub- programs. Each sub- program is overviewed in the annual report by dealing with: 1) ongoing initiatives; 2) new initiatives; and, 3) future initiatives.

Following this, the 8 identified Key Management Activities are addressed also in terms of ongoing, new and future initiatives.

E.2. Focus of reporting PIs

Each program area details its outputs in terms of sub- programs.

“As detailed in the 2002- 03 Annual Report (page 5), the services SAPOL delivers to the community were previously strucuted in Output format and are now structured in Program format. SAPOL now has five Programs and thirteen Sub-Programs.

Detailed information on SAPOL’s services delivery against the Programs and Sub-Programs and the eight Key Management Areas shown in the table below, is published on pages 19 to 65.” (p. 12)

E.3. PI types

(a) **Efficiency indicators:**

(b) **Effectiveness indicators:**

(c) **Key output / service:**

E.4. Progress and future plans: PI data targets

(a) **Stated targets:** Generally, No. Yes D8

(b) **Actually achieved:** Generally, No. Yes D8

(c) **Performance vs. Target / variances:**

(d) **Variance explained:**

(e) **More than 2 years:** Most PIs listed only over two years. Exceptions: D4, D5, D8

E.5. Types of PI information

(a) **Tables:** pp. 6- 9, 21, 23, 25, 28, 30, 32, 34, 37- 38, 40, 42, 44, 47, 49, 68- 73, 78, 82, 84- 85, 90, 93, 95, 97- 100, 105- 111, 115, 118,

(b) **Graphs:** p. 96, 97, 98, 101- 102

(c) **Charts:** p. 13,

E.6. Report both ‘good’ and ‘bad’ news

See PIs: p.21, 23, 25, 30, 32, 34, 37, 38, 40, 42, 44, 47, 49 (listed under each program area) and D5 above

F. Opinion given

- F.1. Performance worse than last year
- F.2. Performance the same as last year
- F.3. Performance better than last year
- F.4. No opinion can be formed

G. Other information

G.1. Electronic copy available on internet since 1998

Electronic copy

Paper copy

G.2. Agency identification

G.3. Letter of transmittal, chief executive's statement: Commissioner's forward:
pp. 2- 3

G.4. Highlights: p. 4

G.5. Glossary: no

G.6. Index: no

Number of Full Time Employees: 4822

“SAPOL continually evaluates the way it operates, seeking better and more innovative ways of improving productivity and efficiency. Sound resource management enables us to deliver cost effective services across the organisation by using our resources efficiently.”

Page 60, KMA: Resource Management

“The quality and efficiency of SAPOL's services is dependent on the personal attributes of personnel and their willingness and capacity to contribute to high standards of service delivery. A skilled and committed workforce, that shares common values and embraces continuous learning, is essential for the achievement of our Vision.”

Page 58, KMA: Valuing Our People

“As detailed in the 2002- 03 Annual Report (page 5), the services SAPOL delivers to the community were previously strucuted in Output format and are now structured in Program format. SAPOL now has five Programs and thirteen Sub-Programs.

Detailed information on SAPOL's services delivery against the Programs and Sub-Programs and the eight Key Management Areas shown in the table below, is published on pages 19 to 65.”

Page 12 – Strategic Focus

“This section provides an overview of services delivered to the community during 2003- 04. Services are reported in a Program and Sub- Program format as detailed below.

Specific initiatives are shown against the relevant Program and Sub- Program or Key Management Area.

Reporting has been classified into Ongoing Initiatives, New Initiatives and Future Initiatives, and where appropriate Key Performance Indicator results.”

Page 19 – Year in Review

“Performance Management within SAPOL involves accountability at both an individual and corporate level, reflecting world wide best practice. It is a management tool that critically examines the quality and quantity of resources used by SAPOL in order to provide the best value service delivery to the community. Performance management has become particularly important following SAPOL’s devolution of authority for the delivery of local police services.

Ongoing initiatives

Performance Outcome Reviews

During 2003- 04, SAPOL continued to conduct Performance Outcome Reviews (PORs). The primary purpose of a POR is to strengthen the overall performance culture within SAPOL by promoting accountability within Local Service Areas and Branches. PORs achieve this by reviewing a range of input, output and outcome measures for each area. The POR process facilitates benchmarking and enhances our overall problem solving approach to managing issues within SAPOL.”

Page 62, KMA: Performance Management

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