

# 4 Performance reporting framework

## At a glance

### Background

Public reporting by councils must be timely and reliable. To achieve this councils must establish a reporting framework to underpin the production of performance information.

The key elements of a robust performance reporting framework examined were performance reporting policies and organisational capabilities.

### Key findings

In contrast to financial reporting, there are no independent, authoritative standards for performance reporting. There is also no generally accepted conceptual framework that identifies essential characteristics of performance reporting.

In most cases councillors and council staff are not equipped with the knowledge and skills required to fully understand and develop appropriate performance reports.

### Key recommendations

- Regulations are issued establishing minimum standards for the form and content of performance statements. **(Recommendation 4.1)**
- All councils document and approve performance reporting policies and standards. **(Recommendation 4.2)**
- Councillors, and council staff involved in performance reporting are given appropriate training on performance measurement and management. **(Recommendation 4.3)**

## 4.1 Introduction

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Public reporting by councils must be timely and reliable, more so when it also involves obtaining independent audit certification.

To achieve this councils must establish a reporting framework to underpin the production of the information they include in their annual reports, including the performance statements.

The key elements of the framework examined in this audit were:

- **performance reporting policies** : the reporting and disclosure standards adopted; the basis of measurement and other key assumptions used such as the degree of accuracy required, and the definition of substantial variances
- **organisational capabilities**: the technical knowledge and training of staff, and the allocation of responsibility for developing and reporting performance information.

## 4.2 Policies and standards

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Section 132(4) of the *Local Government Act 1989* (the LG Act) provides for regulations to be issued that set out the form and content of the performance statements. No regulations have been issued under this provision, so it is incumbent on each council to establish their own policies in this respect.

Unlike financial statements, there are also no legislatively backed 'performance reporting standards' similar to accounting standards. In addition, the audit did not identify any industry standards or models of better practice relevant to the local government context in Victoria. The onus, therefore, falls to each council to develop their own performance reporting standards.

The audit did not identify any documented performance reporting standards or policies, approved or not, in any council. The consequence of this, as reported in part 3, is that councils do not include a summary of policies with their performance statements. This makes interpretation and understanding of results for a council difficult.

At a broader level, the absence of a sector-wide standardised approach to performance reporting means that comparing performance between councils is likely to produce unreliable results.

### Conclusion on policies and standards

In contrast to financial reporting, there are no independent, authoritative standards for performance reporting. There is also no generally accepted conceptual framework that identifies essential characteristics of performance reporting.

This situation is reflected at council level, where the development of appropriate policies is either very limited or non-existent.

## 4.3 Organisational capabilities

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Councils are governed by community elected representatives. The skills and experience of these councillors varies across councils. In some of the councils reviewed the elected councillors had strong corporate experience in performance management and reporting. However, this was not always the case, and in many councils greater reliance is placed on council staff to drive the process of setting strategic objectives and developing performance indicators.

In nine of the councils reviewed, none of the council staff or councillors had received training on developing strategic objectives and setting measurable performance targets and indicators.

### Conclusion on capabilities

In most cases councillors and council staff are not equipped with the knowledge and skills required to fully understand and develop appropriate performance reports.

## 4.4 Overall conclusion

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Councils have not established key elements of the frameworks necessary to support the development of performance information.

Given the absence of independent, authoritative standards for performance reporting it is important that:

- the sector develops guidelines or models to assist with the development of performance measures and to demonstrate best practice
- councils develop policies outlining the conceptual basis for preparing performance information.

### Recommendations

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- 4.1 Regulations are issued establishing minimum standards for the form and content of performance statements.
- 4.2 All councils document and approve performance reporting policies and standards
- 4.3 Councillors, and council staff involved in performance reporting are given appropriate training on performance measurement and management.