

The Auditor-General

Audit Report No.9  
Performance Audit

# Accountability and Performance Information

Australian Sports Commission

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of Australia 1998

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Canberra ACT  
28 September 1998

Dear Madam President  
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit of the Australian Sports Commission in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Accountability and Performance Information*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage - <http://www.anao.gov.au>.

Yours sincerely



P. J. Barrett  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

## AUDITING FOR AUSTRALIA

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# Abbreviations

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ACE	Athlete Career and Education
ACSE	Australian College of Sports Education
AIS	Australian Institute of Sport
ANAO	Australian National Audit Office
AOP	Annual Operational Plan
ASC	Australian Sports Commission
ASC Act	<i>Australian Sports Commission Act 1989</i>
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
DSR	(State/Territory Government) Department of Sport and Recreation
KPI	key performance indicator
MIS	management information system
NSIC	National Sports Information Centre
NSO	national sports organisation
NSOD	national sports organisation for the disabled
OAP	Olympic Athlete Program
PBS	Portfolio Budget Statement
PI	performance indicator
SAS	Sports Assistance Scheme
SAS/SIS	State/Territory Academies and Institutes of Sport
SBS	Sport and Business Services - a group within the ASC
SDP	Sports Development and Policy - a group within the ASC
SES	Senior Executive Service
SOG A	Senior Officer Grade A





# Summary and Recommendations



# Audit Summary

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## Background

1. The Australian Sports Commission (ASC) is the Commonwealth agency principally involved in sport. For some years the ASC's broad objectives have related both to development of elite sport and to participation in sport by Australians. A further objective, relating to the development and maintenance of an effective national sports infrastructure, has been adopted only recently.
2. The ASC pursues objectives relating to elite sport mainly through a range of residential and non-residential scholarship programs whereby talented sportspeople are provided with coaching and facilities as well as the scientific and medical support needed to achieve the best results possible. Some of these programs are delivered through the Australian Institute of Sport (AIS), which is part of the ASC. Other programs are delivered through organisations responsible for individual sports or through State or Territory Government agencies such as Departments of Sport and Recreation (DSRs) and Institutes or Academies of Sport.
3. The ASC pursues objectives relating to participation through sporting organisations, the DSRs, and specialist organisations relating to particular target groups (eg. the Australian Paralympic Federation and the Aboriginal and Torres Strait Islander Commission).
4. The ASC operates under the *Australian Sports Commission Act 1989*, and comprises between eight and thirteen Commissioners, all but one of whom are appointed by the Minister.
5. The Commonwealth Budget for 1998-99 provided \$89m for the ASC. The ASC has received similar annual amounts from Commonwealth Budgets in recent years. In addition, the ASC receives external funding from other agencies (including some Commonwealth agencies) for specific programs, together with revenue from its commercial operations, bank interest, and ASC corporate sponsorship. These additional funding sources provide about 12 per cent of the ASC's total annual funding.
6. The main factors which led the ANAO to undertake this performance audit were the major role being played by the ASC in administering sport leading up to the Sydney Olympic Games in the year 2000, and its funding from Commonwealth appropriations, which amounted to \$90 million in 1997-98. The ASC has not previously been subject to performance audit.

7. The ANAO examined the accountability framework, performance information, and the use of management information systems in making resource management decisions within the ASC, aimed at achieving the required program outputs and outcomes.

## Audit objective

8. The objective of the audit was to form an opinion on the efficiency and effectiveness of the ASC's:

- accountability arrangements, focussing on key stakeholders such as the Minister and the Parliament; and
- management information systems, focussing on:
  - performance information, in particular key performance indicators; and
  - its use in resource allocation decision-making.

## Audit methodology

9. The audit methodology consisted of interviews with ASC staff, file examinations, and examination of public accountability documents. Interviews were also conducted with a representative sample of agencies forming part of the network within which the ASC operates. These agencies included:

- State and Territory DSRs;
- State and Territory Institutes or Academies of Sport;
- peak sporting bodies (within the Olympic Movement as well as those with a broader focus); and
- national sporting organisations (covering both Olympic and non-Olympic sports).

10. During the audit, the cycle of the 1994-97 Strategic Plan was completed with the 1998-2001 Strategic Plan taking effect from 1 January 1998. The ANAO had regard to reporting currently, and prospectively with respect to the 1998-2001 Strategic Plan, and sought to provide advice on how accountability could be improved under the new Strategic Plan.

11. The Australian Sports Foundation, established by the ASC Act to raise money for the development of sport in Australia, was excluded from the scope of the audit.

## Audit conclusions

**12.** The efficiency and effectiveness of the ASC's accountability arrangements could be strengthened by:

- providing for direct reporting in the ASC's key accountability documents against its statutory objects;
- ensuring close alignment between both objectives and strategies at different levels of the ASC's planning hierarchy; and
- providing for explicit and consistent performance reporting in its Annual Report against stated objectives and plans to meet the requirements of the ASC Act.

**13.** The ANAO considers that a review of the accountability arrangements for the ASC in general would be timely in light of imminent changes to its financial accountability arrangements in the context of the introduction of accrual budgeting and the intended focus on outputs and outcomes.

**14.** Although the ASC has extensive management information systems which generate a range of performance information, the systems are not fully integrated and do not allow the provision of consolidated performance information to the Commission or for annual reporting purposes. Although an extended set of consolidated information was provided to the Board for the first time in March 1998, the ANAO considers this information could be developed further in terms of closer alignment with objectives and in reporting progress against targets and standards.

## Recommendations

**15.** The ANAO made nine recommendations directed at improving the ASC's accountability arrangements in the context of its 1998-2001 Strategic Plan as well as improving its use of management information systems both to obtain performance information to assess achievements and for better decision-making. The ASC agreed with all nine recommendations.

# Key Findings

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## Accountability

16. The ASC's key planning and reporting documents do not refer directly to the legislated objects for establishing the ASC. The ANAO considers that agencies should be able to demonstrate that they are meeting their statutory aims. The ASC's accountability framework could be strengthened by identifying and reporting the relationships between the objects of the Commission as set out in its legislation and the objectives and strategies approved in the quadrennial Strategic Plan.

17. While the approval of expenditure estimates was timely, the timing of submission of Annual Operational Plans has resulted in operational activities being underway for several months before approval of the Annual Operational Plan for the relevant period.

18. The ANAO found that the alignment of both objectives and strategies between planning and reporting documents was not adequate for good management and accountability for performance. In addition, there should be more explicit and consistent reporting against the objectives and AOPs which have been approved by the Minister, consistent with the requirements of the ASC Act.

19. The focus of ASC attention on accountability matters has been directed to program evaluation reports, generally within the context of the Portfolio Evaluation Plans of the portfolio within which the ASC has been located, rather than through the ASC's annual reports.

## Performance information

20. The ASC has an extensive system of performance information. However, the management information systems providing this performance information are not fully integrated. Arrangements for consolidating performance information across the ASC and reporting it in a focussed manner to the Board on a periodic basis and in the Annual Report could be developed further to improve its usefulness and contribute to better decision-making.

21. The ASC's reporting of performance information in its 1996-97 Annual Report against objectives at the ASC group level was an improvement over previous years. There was more quantification of outcomes and a structure showing objectives, and identifying, for the first time, performance indicators and outcomes for each group. However, it

was not clear how the performance indicators identified in the report were to be measured or assessed, nor whether targets, standards or benchmarks had been identified, and if so, what they were. Performance reporting had incomplete coverage of the identified performance indicators and generally tended to be more activity-based than output-based.

**22.** The ASC's performance information framework should aim to support reporting on performance both qualitatively and quantitatively, against its objectives at various levels of the ASC. The ANAO found performance information with respect to participation of Australians in sport to be inadequate. In addition, targets and benchmarks were not adequately developed to enable performance to be assessed. The ASC was collecting data which did not directly support the measurement of its objectives. The value (cost/benefit) of collecting such data for management purposes and/or accountability arrangements is questionable and should be reviewed. Experience suggests that more focussed assessments provide more benefit to decision-makers.

## Resource management

**23.** The ANAO examined the overall accountability, including transparency, of resource management relating to both finance and human resources. This examination specifically covered ASC policies and procedures, funding criteria, compliance with contract and appointment provisions in the legislation, and organisational change.

**24.** While the corporate governance framework provided satisfactory levels of accountability and transparency in many areas, there were instances of appointments to senior positions in the staff of the ASC where better accountability practices would have provided greater assurance to all stakeholders, including the Commission. This observation is particularly relevant as the ASC does not at present measure its performance in a way which enables it to demonstrate, for example, an increase in achievement of objectives commensurate with increases in staffing. Implementation by the ASC of the recommendations in this report would enable it to achieve the standards of transparency and accountability required in this area as part of good corporate governance.

# Recommendations

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*Set out below are the ANAO's recommendations with Report paragraph references and the ASC's abbreviated responses. More detailed responses are shown in the body of the report. The ANAO considers that the ASC should give priority to Recommendations 3, 4, 5, 6, 7, and 8.*

**Recommendation No.1**  
**Para. 2.21** The ANAO recommends that in its reporting the ASC clearly demonstrate how the objects of its Act are fulfilled through the objectives and strategies of its current Strategic Plan and the Annual Operational Plan.

ASC: Agreed

**Recommendation No.2**  
**Para. 2.32** The ANAO recommends the ASC submit Annual Operational Plans so as to allow Ministerial consideration and approval in time for the new financial year, and before significant program commitment.

ASC: Agreed

**Recommendation No.3**  
**Para. 2.43** The ANAO recommends that the ASC ensure alignment between objectives, performance information and outcomes at all levels of plans and in the Portfolio Budget Statement.

ASC: Agreed

**Recommendation No.4**  
**Para. 2.55** The ANAO recommends that to meet its reporting obligations the ASC's Annual Report include a specific assessment against objectives in the strategic plan and annual operational plan and that future operational plans include targets and benchmarks to allow such an assessment of performance.

ASC: Agreed



**Recommendation No.5**  
**Para. 3.25** The ANAO recommends that the ASC could improve its performance information relating to the participation of Australians in sport by:

- examining means of cost effectively providing frequent measures of participation trends, including by targeted populations; and
- implementing procedures to establish more useful data on registration numbers from funded organisations and their subsidiaries.

ASC: Agreed

**Recommendation No.6**  
**Para. 3.39** The ANAO recommends the ASC strengthen its performance information framework and its reporting by developing and, where appropriate, refining key performance indicators against the ASC's objectives. This could include:

- focusing more on the extent to which each program/ group objective is being achieved and measuring all parts of the objectives;
- aligning measures to specific objectives and measuring performance against targets;
- extending benchmark processes internally and functions externally with other organisations so that best practice elements (internal or external) can be adopted where appropriate; and
- improving transparency and reporting of efficiency measures including the basis for estimates and comparisons over time and with other organisations.

ASC: Agreed

**Recommendation No.7**  
**Para. 3.57** The ANAO recommends performance information in all areas of ASC activity (financial and non-financial) be consolidated and reported regularly in a more focussed and useful manner to the Board for more effective internal accountability.

ASC: Agreed

**Recommendation No.8**  
**Para. 3.66** The ANAO recommends the ASC review current arrangements for integrating its management information systems to provide an effective performance information framework.

ASC: Agreed

**Recommendation No.9**  
**Para. 4.22** The ANAO recommends that proposals for significant organisational changes be part of a full business case, setting out both costs and benefits to enable better decision-making.

*ASC: Agreed*

# Audit Findings and Conclusions



# 1. Introduction and Background

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*This chapter provides an overview of the Australian Sports Commission and sets the context for the audit.*

## The Australian Sports Commission

**1.1** The Australian Sports Commission (ASC) was established in 1985; its mission is 'To enrich the lives of all Australians through sport.'

**1.2** The objectives of the ASC, as identified in its Strategic Plan, are:

- the development and maintenance of an effective national sports infrastructure;
- improved participation in quality sports activities by Australians; and
- excellence in sports performance by Australians.

**1.3** The ASC pursues its objective relating to excellence in sports performance mainly through a range of residential and non-residential scholarship programs whereby talented sportspeople are provided with the coaching, facilities and scientific and medical support needed to achieve the best results possible. Some of these programs are delivered through the Australian Institute of Sport (AIS), which is a part of the ASC. Other programs are delivered through organisations responsible for individual sports, such as the Australian Swimming Federation, or through State or Territory Government agencies such as Departments of Sport and Recreation (DSRs) and Institutes or Academies of Sport.

**1.4** The ASC pursues its objective relating to participation in quality sports activities by Australians through sporting organisations, the DSRs, and specialist organisations relating to particular target groups (eg. the Australian Paralympic Federation and the Aboriginal and Torres Strait Islander Commission).

**1.5** The objective relating to the development and maintenance of an effective national sports infrastructure was adopted on 1 January 1998.

**1.6** The ASC operates under the *Australian Sports Commission Act 1989*, and comprises between eight and thirteen Commissioners, all but one of whom are appointed by the Minister.

**1.7** In its 1998-2001 Strategic Plan, the ASC identifies the following challenges:

- enhancing the management capabilities of sporting organisations;
- developing high quality integrated support programs;

- ongoing improvement in international sporting performances;
- encouraging more people to play sports;
- diversifying and increasing the sports resource base;
- enhancing information and research management; and
- improving the internal effectiveness and efficiency of the Commission.

## Organisational structure

**1.8** The ASC has three major organisational groupings: the Australian Institute of Sport (AIS), the Sports Development and Policy Group (SDPG) and the Sport and Business Services Group (SBSG).

**1.9** The ASC's organisational structure is shown in Figure 1.1.

### Australian Institute of Sport

**1.10** The AIS comprises the programs and services provided by the Commission to improve elite sport performances. These are:

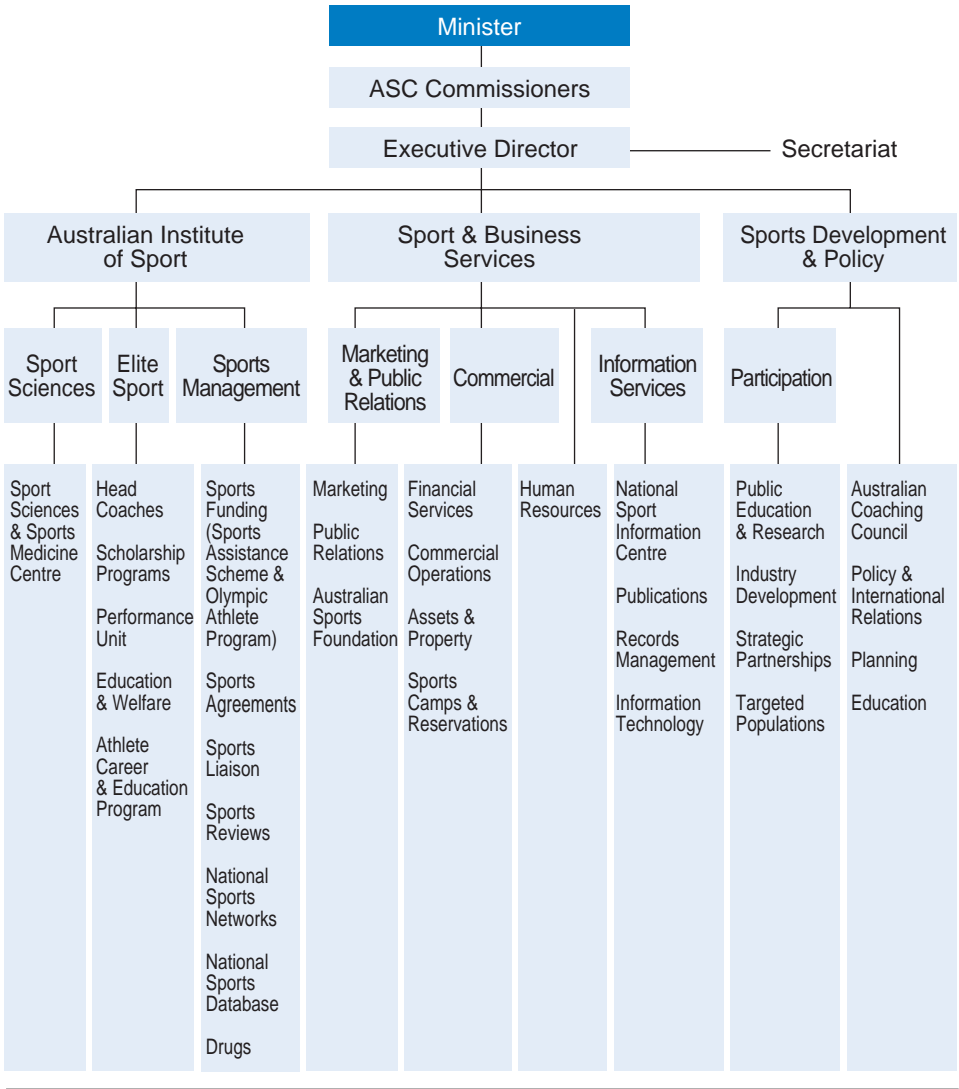
- the Sport Sciences Division, which provides sport science and medical services to elite and potential elite athletes and their coaches in Canberra and nationally. The Division also includes the national talent search program;
- the Elite Sport Division, which administers AIS residential and non-residential athlete scholarship programs, provides services to athletes nationally through the Athlete Career and Education (ACE) program, and technical performance assessment and services by a Performance Unit established during 1996-97; and
- the Sports Management Division, which is responsible for developing elite sport nationally by providing funding and assistance to National Sporting Organisations (NSOs) and coordinating the national development of elite sport. It includes the Sports Assistance Scheme (SAS) which disburses funds to NSOs and national sporting organisations for the disabled (NSODs). It also includes the Olympic Athlete Program (OAP) which is responsible for the preparation of athletes seeking selection in the Australian team to compete at the Sydney Olympic and Paralympic Games.

### Sport and Business Services

**1.11** The Sport and Business Services Group deals with a broad range of day-to-day administrative issues in the Commission. It has three Divisions and a section dealing with human resource matters. These are:

- the Marketing and Public Relations Division, which directs the ASC's commercial and marketing activities to generate off-budget revenue.

Figure 1  
ASC organisation chart



Source: ASC

Media and press liaison and other public relations activities are undertaken as part of an overall communications strategy to promote the Commission and its programs;

- the Commercial Division, which manages the budgeting and financial services of the Commission as well as managing the commercial operations of the AIS site and maintenance of its assets and property;
- the Information Services Division, which establishes and maintains the information technology system for the Commission with links to NSOs and other sporting bodies through SportNet. All facets of information management, including records maintenance, publications production and distribution, and the National Sport Information Centre (NSIC) are managed in this Division; and
- the Human Resources Section, which provides a range of personnel services to the Commission and its employees.

**1.12** Within the Marketing and Public Relations Division is the Australian Sports Foundation, a company limited by guarantee, the objective of which is to raise money for the development of sport in Australia. The activities of the Foundation were excluded from the scope of the audit.

### **Sports Development and Policy**

**1.13** The Sports Development and Policy Group encompasses broad policy and strategic planning activities of the Commission as well as developing and implementing programs to provide sport education and sport participation activities for the broader community. Activities are undertaken in the following areas:

- the Participation Division aims to increase the quality and quantity of sports participation by targeting special populations, working in partnership with government and non-government providers, contributing to the development of sport industry capabilities and implementing public education strategies;
- the Australian Coaching Council coordinates the delivery of sport education and training for coaches and technical officials; and
- the Policy and International Relations unit provides a link to the Minister's office, coordinates input on policy matters, and fosters international relationships which can provide reciprocal benefits for Australian sport and assist broader government foreign policy objectives. The Australian College of Sports Education (ACSE) was a joint venture between the ASC and the Canberra Institute of Technology to deliver sport education in the Australian and international market. The ASC withdrew from this joint venture in April 1998.

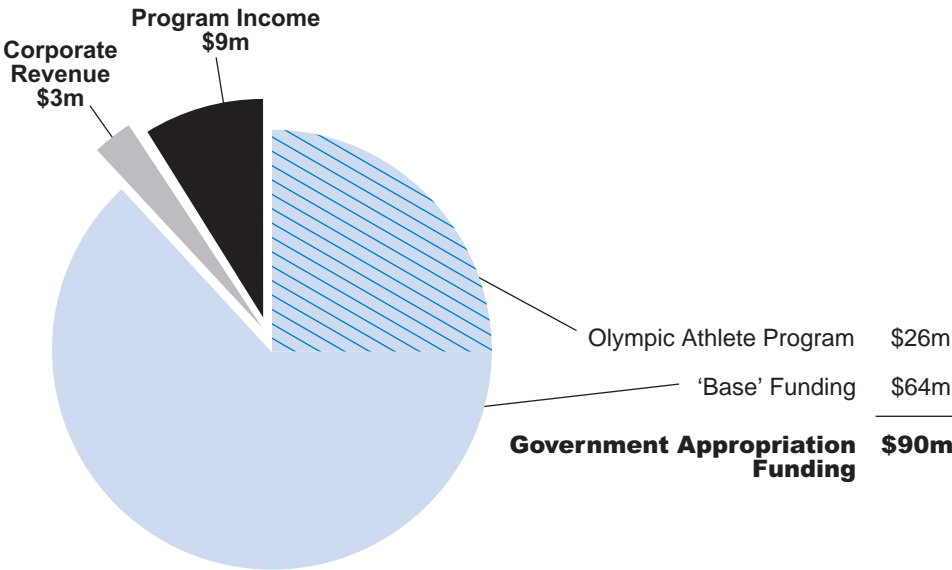


Income and expenditure

**1.14** The Commonwealth Budget for the ASC in 1997-98 was \$90 million and for 1998-99 it was \$89 million. Commonwealth appropriations are the major source of income for the ASC. As demonstrated in Figure 2, about 88 per cent of the ASC’s total funding of \$102 million in 1997-98 came from the ASC’s appropriation from the Commonwealth Government in the form of base funding and additional assistance for the Olympic Athlete Program (OAP).<sup>1</sup> The other 12 per cent of revenue includes:

- income from the private sector, NSOs and government agencies tied to specific ASC programs such as the Commonwealth Bank’s sponsorship of the ASC Cricket Academy (shown as ‘program income’ in Figure 2); and
- revenue from the ASC’s commercial operations, bank interest and sponsorship of the ASC as a whole (shown as ‘corporate revenue’ in Figure 2).

**Figure 2**  
Sources of ASC funding - 1997–98

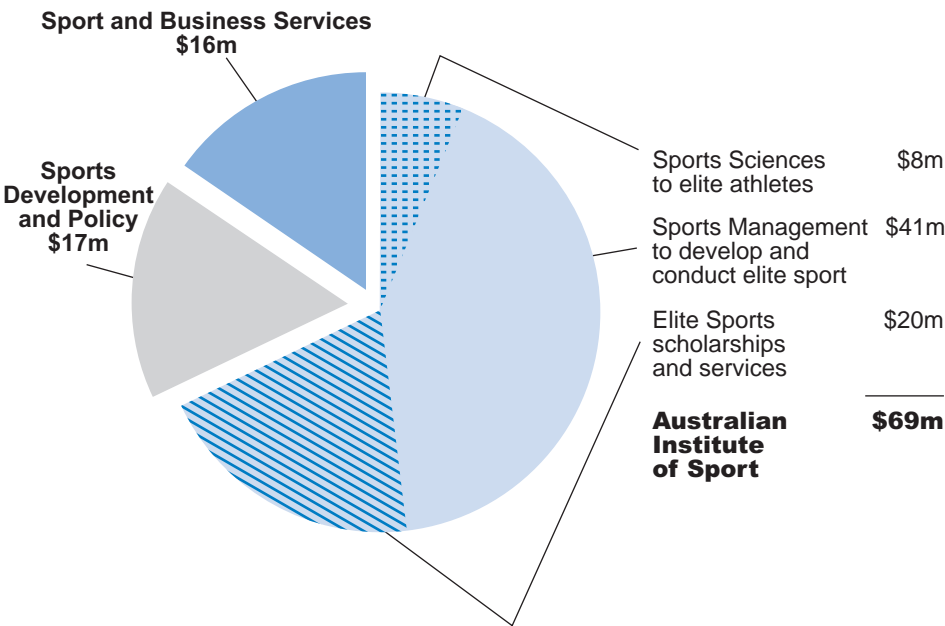


Source: ASC

<sup>1</sup> This calculation excludes funds raised by the Australian Sports Foundation (see paragraph 1.12). The Commonwealth contribution would still be in excess of 80 per cent if funding received by the Australian Sports Foundation were included.

1.15 The distribution of the ASC’s expenditure in 1997-98 (on an accrual accounting basis) is shown in Figure 3.

**Figure 3**  
**1997-98 expenditure by ASC Group**



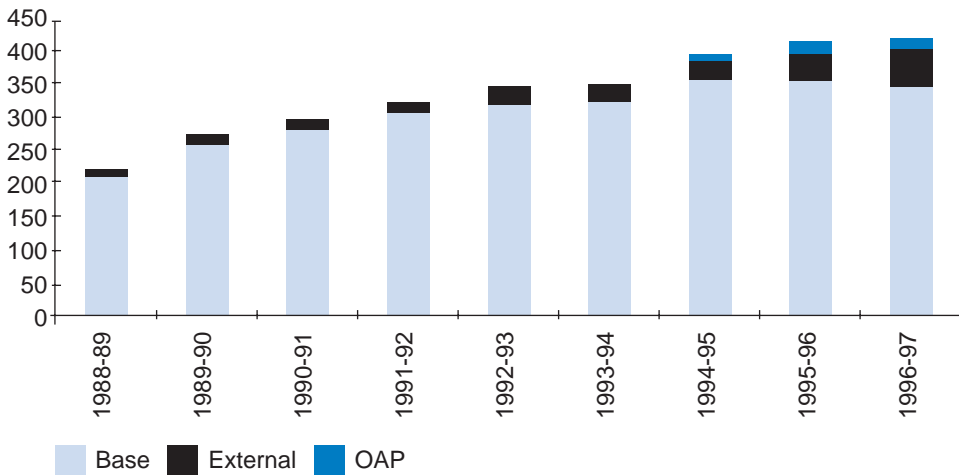
Source: ASC

## Staffing

1.16 The Commission is assisted in the performance of its functions by a staff of 424 full-time equivalent employees and contractors. A total of 350 staff were funded by the ASC’s base Commonwealth appropriation, 19 by the Commonwealth funding under the OAP and 55 from program income and corporate revenue.

1.17 ASC staffing from 1989 to 1997 is shown in Figure 4. In 1996-97 the ASC had 424 full-time equivalent staff including resources allocated under the Olympic Athlete Program (OAP).

**Figure 4**  
**ASC staffing by funding source**



## Stakeholders

**1.18** The Commission's principal stakeholders are the Minister for Sport and Tourism and the Parliament. Beyond these lie a wide range of other stakeholders such as:

- State and Territory Government Departments of Sport and Recreation (DSRs) with which programs such as Active Australia can be delivered on a cooperative basis;
- State and Territory Academies and Institutes of Sport (SAS/SIS);
- National Sporting Organisations (NSOs), which are the peak bodies for each sport in Australia, and which are usually structured as a federation of state sporting bodies which are in turn federations of clubs within each state. The NSOs are funded by the ASC to deliver both the elite and participation elements of the ASC's operations. In many cases a component of the elite sports program of the NSOs is delivered through programs relevant to the sport within the AIS; and
- athletes and participants, coaches and sports administrators who interact with the ASC either through NSO activities funded by the ASC (at either elite or participation levels) or through the ASC's programs in areas such as coaching and sports medicine.

**1.19** Other groups with an interest in the ASC include the Australian Olympic Committee (comprising primarily the NSOs for sports which are in the Olympic Games), and bodies such as the Confederation of Australian Sport.

## Reasons for the audit

**1.20** The main factors which led the ANAO to undertake this performance audit were the major role being played by the ASC for the Commonwealth Government in administering sport leading up to the Sydney Olympic Games in the year 2000, and its funding from Commonwealth appropriations, which amounted to \$90 million in 1997-98, including significant additional funding through the Olympic Athlete Program (\$26 million).<sup>2</sup> The ASC has not previously been subject to performance audit.

## Audit objective, scope and focus

**1.21** The objective of the audit was to form an opinion on the efficiency and effectiveness of the Australian Sports Commission's:

- accountability arrangements, focussing on key stakeholders such as the Minister and the Parliament; and
- management information systems (MISs), focussing on:
  - performance information, in particular key performance indicators (KPIs); and
  - its use in resource allocation decision-making.

**1.22** During the audit, the cycle of the 1994-97 Strategic Plan was completed with the 1998-2001 Strategic Plan taking effect from 1 January 1998. The ANAO had regard to reporting currently, and prospectively with respect to the 1998-2001 Strategic Plan, and sought to provide advice on how accountability could be improved under the new Strategic Plan.

**1.23** The activities of the Australian Sports Foundation were excluded from the scope of the audit.

## Audit criteria

**1.24** The criteria for the audit are listed in Appendix 1, and addressed, inter alia, whether:

- the ASC complied with its enabling legislation in relation to annual reports;
- there was an effective planning framework;
- there was an effective performance information framework; and

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<sup>2</sup> See Figure 2.

- annual reports contained effective information on performance and included relevant information for stakeholders in accordance with better practice.

## Methodology

**1.25** The audit methodology consisted of interviews with ASC staff, file examination, and examination of public accountability documents. Interviews were also conducted with a representative sample of agencies forming part of the network within which the ASC operates. These agencies included:

- State and Territory Government Departments of Sport and Recreation;
- State and Territory Institutes and Academies of Sport;
- peak sporting bodies (within the Olympic Movement as well as those with a broader focus); and
- national sporting organisations (covering both Olympic and non-Olympic sports).

**1.26** The assistance of these organisations and of the ASC in the conduct of this audit is gratefully acknowledged.

**1.27** The audit was conducted in accordance with ANAO Auditing Standards, and cost approximately \$270 000. The preliminary study for the audit commenced in June 1997. Fieldwork for the audit was conducted from November 1997 to February 1998.

## Report structure

**1.28** The external accountability and reporting of the ASC is discussed in Chapter 2, performance information in Chapter 3 and source management in Chapter 4.

## 2. External Accountability and Reporting Arrangements

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*This chapter outlines how the ASC addresses strategic and operational planning requirements and external reporting requirements for the Minister, the Parliament and other key stakeholders.*

### Introduction

**2.1** External accountability and reporting structures make performance visible and are key parts of an effective and robust corporate governance framework. An organisation which has a clear understanding of its responsibilities and an open approach to the way they are discharged will assist its CEO, its Minister and the Government in framing and winning support for its strategies. Such an organisation will provide for accountability to Parliament and other key stakeholders, increasing confidence in its operations. Effective accountability arrangements include:

- an effective planning framework;
- an effective performance information framework;
- compliance with legislation in relation to annual reports; and
- annual reports containing reports of performance outcomes and other relevant information for stakeholders in accordance with better practice.

### *Australian Sports Commission Act 1989*

**2.2** The *Australian Sports Commission Act 1989* (the ASC Act) sets out the objects, functions and powers of the Commission and the planning and administrative framework under which the Commission operates.

**2.3** The Commission ('the Board') comprises between eight and thirteen Commissioners, all but one of whom, the secretary to the department in the portfolio in which the Commission is located, are appointed by the Minister.

**2.4** The ASC Act identifies six objects of the establishment of the Commission:

- to provide leadership in the development of sport in Australia;
- to encourage increased participation and improved performance by Australians in sport;

- to provide resources, services and facilities to enable Australians to pursue and achieve excellence in sport while also furthering their educational and vocational skills and other aspects of their personal development;
- to improve the sporting abilities of Australians generally through the improvement of the standard of sports coaches;
- to foster co-operation in sport between Australia and other countries through the provision of access to resources, services and facilities related to sport; and
- to encourage the private sector to contribute to the funding of sport to supplement assistance by the Commonwealth.

**2.5** The ASC Act also provides that the Commission has power to do all things necessary or convenient to be done for or in connection with the performance of its functions. The functions of the Commission are set out in Appendix 2.

### **Statutory accountability**

**2.6** The ASC Act provides for accountability to Parliament through the ASC's key planning and annual reporting documents.

**2.7** The key planning documents for the Commission's operations are specified in the legislation as the:

- strategic plan; and
- annual operational plan.

**2.8** Strategic plans set out the manner in which the ASC is to perform its functions over a four-year period. They are approved by the Minister and tabled in Parliament.

**2.9** Annual operational plans set out, in respect of a financial year, the programs the Commission proposes to carry out and the resources it proposes to allocate to each program. Annual operational plans are approved by the Minister.

**2.10** The ASC's key accountability document on its outputs and outcomes is its annual report to Parliament. Its legislation requires these reports to contain financial and operational performance information along with any variations to its strategic or operational plans agreed to by the Minister. Other accountability arrangements include the preparation of Portfolio Budget Statements and Portfolio Evaluations.

## Accountability and the objects of the Act

**2.11** An important aspect of governance is for agencies to be accountable against the objects of their establishment identified in their enabling legislation. For the Commission, such accountability requires the translation of its statutory objects into an effective framework of objectives, goals, strategies and operational plans. By so doing, the Commission can ensure that its policies and its performance of its functions reflect the objects contained in its legislation.

### **Statutory objects are not referred to in planning and accountability documents**

**2.12** The ASC's statutory objects are not mentioned in its Strategic Plans, Annual Operating Plans, Portfolio Budget Statements or annual reports.

**2.13** The ASC considers the objects in its Act to be a mixture of objectives and strategies, but predominantly the latter.<sup>3</sup> It has also advised that, in developing objectives to propose to the Minister in its strategic plans, it has sought objectives which are broader in scope than the individual objects in the Act.

**2.14** The ANAO's comparisons of the objects in the Act with the objectives in the 1994-1997 and 1998-2001 Strategic Plans are shown in Table 1. The comparisons suggest that the two broad objectives in the 1994-1997 strategic plan covered directly two of the six objects in the Act. The other four objects were not transparently addressed in the objectives set in the 1994-1997 Strategic Plan.

**2.15** The inclusion of a new, third, objective in the 1998-2001 Strategic Plan relating to the development and maintenance of an effective national sports infrastructure, has improved coverage of the objects in the Act. However, coverage is still partial.

**2.16** The ASC has advised that in drawing up its proposed objectives and strategies in each strategic plan, it has checked to ensure that strategies are developed for each of the statutory objects. However, this coverage is not documented. The ASC has, however, indicated to the ANAO how it considers the objects in the ASC Act were addressed by the strategies in the current and previous Strategic Plans. These views are set out in Appendix 3. For the most part, the strategies broadly address the intent of the objects. However, in some cases only part of the statutory object has

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<sup>3</sup> The ASC has advised that when the former ASC and the AIS were being merged in 1989, the two sets of objects in the previous pieces of legislation were simply joined, with no streamlining. The objects combine section 5 of the *Australian Institute of Sport Act 1986* and paragraph 6(1) of the *Australian Sports Commission Act 1985*, with minor changes of wording.



**Table 1**

**Comparison of the objects in the legislation with the objectives in the ASC Strategic Plans for 1994-1997 and 1998-2001 - ANAO assessment**

Objects of the establishment of the Commission	Objectives of the 1994-1997 Strategic Plan		Additional Objective in the 1998-2001 Strategic Plan
	Increased participation in sport and sports activities by Australians	Excellence in sports performance by Australians	The development and maintenance of an effective national sports infrastructure
(a) to provide leadership in the development of sport in Australia			partially covers
(b) to encourage increased participation and improved performance by Australians in sport	match	match	
(c) to provide resources, services and facilities to enable Australians to pursue and achieve excellence in sport while also furthering their educational and vocational skills and other aspects of their personal development		partially covers	partially covers
(d) to improve the sporting abilities of Australians generally through the improvement of the standard of sports coaches			
(e) to foster co-operation in sport between Australia and other countries through the provision of access to resources, services and facilities related to sport			partially covers
(f) to encourage the private sector to contribute to the funding of sport to supplement assistance by the Commonwealth			

been addressed and/or the relationship between an object and its strategies is weak. For example, the object 'improving the standard of sports coaches' is considered by the ASC to have been met in the previous strategic plan by the strategy of 'fostering and encouraging education and training in all elements of sports development,' and, in the current plan, by the strategy of 'promoting ongoing improvement in international sporting performances.'

**2.17** Similarly, there is at best an indirect relationship between the statutory object of 'fostering cooperation in sport between Australia and other countries through the provision of access to resources, services and facilities related to sport' and the strategy in the current strategic plan of 'examining avenues to diversify and increase the sport resource base.' Indeed, this strategy seems to be more appropriate to the statutory object of 'providing resources, services and facilities to enable Australians to pursue and achieve excellence in sport.'

**2.18** The ANAO concludes that the ASC has not been reporting directly against its statutory objects in its key planning and annual reporting documents. In some cases only part of the statutory object has been addressed by the strategies adopted by the ASC and/or the relationship between an object and its strategies is weak.

**2.19** The ANAO considers that agencies should be able to demonstrate clearly they are meeting their statutory aims. This is particularly important where the statutory objects are open to interpretation. The ANAO considers that the objects in the Act are, to a considerable degree, measurable, set directions for the ASC, and should be the basis for its accountability framework. The lack of clear links between the objects in the ASC's legislation, its planning documents and its reporting, is an area of the ASC's accountability framework that can be improved.

**2.20** These linkages could be improved, for example, by demonstrating in the annual report of the Commission how the objectives and strategies of the ASC's statutory planning documents align, and give effect to, the objects of the Act.<sup>4</sup> If, as is suggested by the ASC, there is ambiguity or lack of contemporaneity in the objects, the ANAO suggests that the ASC advise the Minister for Sport and Tourism on options to address perceived difficulties.

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<sup>4</sup> The new guidelines on accrual accounting will require reporting along these lines.

## Recommendation No.1

**2.21** The ANAO recommends that in its reporting the ASC clearly demonstrate how the objects of its Act are fulfilled through the objectives and strategies of its current Strategic Plan and the Annual Operational Plan.

### *ASC Response*

**2.22** **Agreed.** The ASC had developed an accountability framework which was considered to be a best practice model by Coopers and Lybrand and the then Department of Finance through independent evaluations. Nonetheless the ASC will more clearly demonstrate the links between its legislative objectives and strategies in its reporting processes.

## Strategic and operational planning

### **ASC planning framework**

**2.23** The ASC's planning framework is described in the 1997-98 Annual Operational Plan in the following terms:

*Each four years the ASC prepares and widely disseminates its Strategic Plan. This is the main planning document which sets out the direction and main strategies for the organisation for the upcoming four years.*

*The Board, Executive and Program Managers also prepare yearly plans which detail their objectives, performance indicators, activities/tasks, resources and timetables. These documents - Management Plans - complement the ASC's Annual Operational Plan which, in turn, supports the Strategic Plan.*

Figure 5 outlines the ASC's objectives hierarchy and accountability framework as shown in its 1996-97 annual report.

**2.24** The ASC has advised that it went to great lengths to develop its accountability framework during the early 1990s in association with the then Department of Finance. The framework was designed to address government reforms at the time and to establish information for the linkages between funding and performance.

**Figure 5**  
**ASC objectives hierarchy and accountability framework**



Source: Adapted from ASC Annual Report 1996-97.

### Preparation and communication of planning documents

**2.25** The ASC has advised that recent ASC Strategic Plans have been developed following extensive and comprehensive stakeholder consultation. The ANAO found, however, that the relative importance and significance of the higher level planning documents was not uniformly appreciated by ASC management. In this context, the ANAO notes that the 1994-97 Strategic Plan does not indicate that it has been approved by the Minister, nor that it has been tabled in Parliament. AOPs indicate the legislative requirement to prepare them but not that they have been approved by the Minister, that Ministerial approval is required to vary them, nor that the Commission is required to report against them.

**2.26** The ASC has sought to promote the role of these documents. However, it may wish to consider making more use of the documents themselves to assist users to appreciate their authority and nature.

## Annual Operational Plan

**2.27** The ASC Act provides that the AOP is to set out particulars of the programs the Commission proposes to carry out during the financial year to which the AOP refers, together with the resources the Commission proposes to allocate to each such program. The 1997-98 AOP set out, among other things, the resources the ASC proposed to allocate to each of 94 sports in a funding table. For each sport, there were 15 funding categories.

**2.28** The ASC attempted to ensure that each AOP was consistent with annual estimates of receipts and expenditures which were submitted to the Minister early in each financial year for approval.<sup>5,6</sup> The estimates were expressed in terms of broad categories only. For example, in 1997-98, there were five categories of expenditure.

**2.29** The ASC Act provides that the AOP comes 'into force' when it is approved in writing by the Minister. However the ASC's arrangements have been that the AOP is presented to the Minister for approval in mid September each year. Partly due to a change in ministers, approval for the AOP for 1997-98 was not obtained until November 1997. The ASC was thus funding programs for over four months in 1997-98 under the more general arrangements in respect of the ASC's estimates of revenue and expenditure, before the Minister formally approved the operational allocation of resources.

**2.30** Thus, while the approval of expenditure estimates was timely, the submission of the AOPs in September has resulted in operational activities being underway for several months before approval of the AOP for the relevant period. The ANAO suggests that it would have been better practice to have submitted the estimates and the AOP for Ministerial approval at the same time, before or very early in the financial year.

**2.31** The ANAO also notes that the AOP is a very detailed document, and it is not clear for which elements approval is sought. The ANAO suggests also that it would be consistent with better practice to distinguish clearly between programs whose resources are subject to Ministerial approval under the AOP and finer levels of detail which are provided for the Minister's information.

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<sup>5</sup> Ministerial approval of estimates for 1997-98 was obtained on 3 July 1997.

<sup>6</sup> As noted by the ASC in its response to Recommendation 2 at paragraph 2.34, the requirement to seek approval of the Minister to annual estimates of expenditure ceased under the CAC Act with effect from 1998-99.

## Recommendation No.2

**2.32** The ANAO recommends that the ASC submit Annual Operational Plans so as to allow Ministerial consideration and approval in time for the new financial year, and before significant program commitment.

### *ASC Response*

**2.33** **Agreed.** The Commission had, since its inception, sought approval to estimates of expenditure by the Minister before the commencement of the new financial year in accordance with its Act. Following approval by government and the ASC Board to budget levels the Commission then sought approval by the Minister to its Annual Operational Plan. This generally occurred around September each year.

**2.34** With the introduction of the CAC Act 1997 and the consequent revision of the ASC Act the ASC is no longer required to seek the approval of the Minister to its estimates of expenditure before expenditure can be made. The Commission submitted its Annual Operational Plan to the Minister for approval in June 1998 for 1998-99. This pattern will be followed in future years.

## Links between planning documents

**2.35** Effective corporate governance is supported by alignment of planning at different organisational and program levels to ensure that strategies and operations give effect to the outcomes and outputs required.

### **Strategic Plan links with Annual Operational Plan**

**2.36** The present planning framework does not provide assurance of alignment between the Strategic Plan and the AOPs. The 1997-98 AOP, for example, does not address several strategies within the four-year Strategic Plan current at the time it was developed. None of these strategies were addressed in earlier AOPs.

**2.37** The ASC has advised that strategies in the Strategic Plan which were not taken up in the AOPs were reflected in planning documents at lower levels in the accountability framework. Such arrangements, effectively by-passing the AOP, are difficult to reconcile with the linear flow of accountability depicted in Figure 5.

**2.38** A new Strategic Plan covering the calendar years 1998 to 2001 took effect during the audit, midway through the period covered by the 1997-98 AOP. As the new Strategic Plan is for future years, there is again limited alignment between the current AOP and the new Strategic Plan. The ANAO considers that the ASC should ensure closer alignment between the new

Strategic Plan and future AOPs in order to provide greater assurance that ASC operations are giving effect to its Strategic Plans.

### **Management Plan linkages with Annual Operational Plan<sup>7</sup>**

**2.39** The ANAO found that the significance of the AOP in the ASC's accountability framework and the requirement to report against it was not appreciated within one Division of the Commission. In this Division, for example, it was not possible to track the budgeted allocation for activities in accordance with the AOP. Allocation of program funding within the Division had also been undertaken in a manner inconsistent with the AOP. The ANAO considers it is important that ASC managers be aware of the need to fulfil functions and allocate resources in a manner consistent with the AOP and that clear links between AOPs and management plans can be demonstrated in terms of both objectives and budget allocations.

**2.40** In the ANAO's view the ASC should ensure close alignment between the management plans and the Annual Operational Plans in order to provide assurance to the Board that the management plans support the Annual Operational Plan which give effect to the Strategic Plan, and that legal obligations are met with respect to variations to the AOP.

### **Portfolio Budget Statement**

**2.41** The ASC is required to detail its objective(s), outlays, performance outcomes and performance forecasts as part of the Portfolio Budget Statement. In the 1997-98 Portfolio Budget Statement (PBS) for the Environment, Sport and Territories portfolio,<sup>8</sup> the ASC refers readers to its 1996-97 annual report for performance information relating to its outcomes. The PBS lists 17 strategies for achieving the ASC's major objectives. These strategies are not mirrored in other planning or reporting documents required under the legislation.

**2.42** The ANAO concludes that the alignment between both objectives and strategies at different planning levels was not adequate for good management and accountability for performance. This detracts from the ASC having a strong focus at all levels on attainment of its stated objectives (and through these to its statutory objectives).

## **Recommendation No.3**

**2.43** The ANAO recommends that the ASC ensure alignment between objectives, performance information and outcomes at all levels of plans and in the Portfolio Budget Statement.

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<sup>7</sup> Management plans are defined in paragraph 2.23.

<sup>8</sup> The ASC became part of the Industry, Science and Tourism portfolio during 1997-98.

## *ASC Response*

**2.44 Agreed.** The ASC, as part of its review of strategic plans and in the context of the implementation of accrual budgeting, has commenced revision of all information to provide stronger alignment between its planning and reporting documents.

## External reporting

**2.45** A range of reporting requirements applies to government agencies including preparation of annual reports and presentation of portfolio budget statements, portfolio evaluation plans and program evaluations. The ANAO examined a selection of these documents.

**2.46** The ANAO expected to find clear links between these documents in terms of consistency in presentation of ASC objectives, strategies and performance information within these documents and adherence to legislative requirements.

**2.47** The major reports in terms of the accountability framework are discussed below.

## Annual Report

**2.48** The ASC is subject both to the 1982 *Guidelines for the Content, Preparation and Presentation of Annual Reports by Statutory Authorities* and to specific requirements set out in the ASC Act as shown in Table 2.

**2.49** Sub-section 48(2)(b) of the ASC Act requires the annual report to include an assessment of the extent to which the ASC's operations during the year have achieved the objectives as stated in the relevant strategic plan and implemented the operational plan.

### Assessing achievement of Strategic Plan objectives

**2.50** The 1994-97 Strategic Plan contains two objectives. The 1996-97 Annual Report does not report directly on performance against these objectives. Instead, the Annual Report contains information on performance outcomes at the group level, reporting against group objectives. In the view of the ANAO, such reporting does not provide explicit and consistent reporting against objectives in the strategic plans, nor does it meet the requirements of sub-section 48(2)(b) set out in Table 2.



**Table 2**  
**ASC reporting requirements**

Legislative Requirements ASC Act S48(2)
<p>The members must, in each report on the Commission under section 9 of the Commonwealth Authorities and Companies Act 1997:*</p> <ul style="list-style-type: none"> <li>(a) include particulars of each direction given to it by the Minister under subsection 11 (1) that is applicable in relation to the financial year to which the report relates;</li> <li>(aa) specify the financial transactions and the state of the affairs of the Australian Sports Foundation;</li> <li>(b) include an assessment of the extent to which its operations during the financial year to which the report relates have: <ul style="list-style-type: none"> <li>(i) achieved its objectives as stated in the relevant strategic plan; and</li> <li>(ii) implemented the operational plan applicable to that financial year; and</li> </ul> </li> <li>(c) include particulars of: <ul style="list-style-type: none"> <li>(i) significant capital works programs (if any) undertaken by the Commission during the financial year to which the report relates;</li> <li>(ii) significant acquisitions and dispositions of real property by the Commission during that financial year; and</li> <li>(iii) variations to the strategic plan and to the operational plan agreed to by the Minister during that financial year.</li> </ul> </li> </ul>
<p>* Section 9 of the <i>Commonwealth Authorities and Companies Act 1997</i> requires the directors of a Commonwealth authority to prepare an annual report.</p>

## Assessing implementation of the Annual Operational Plan

**2.51** The ASC's Annual Reports have focused on listing individual sporting achievements rather than focusing on outputs and outcomes. Such a focus does not, in the ANAO's view, provide for clear and consistent reporting, nor does it meet adequately the requirement in subsection 48(2)(b) of the ASC Act to assess the extent to which the ASC's operations during the year have implemented the relevant AOP. The AOP is mentioned in annual reports only in sections describing the ASC's formal planning and accountability frameworks.

**2.52** The provision of the required assessment has been made more difficult by the fact that in the past AOPs have not identified performance indicators (PIs). Such indicators would facilitate preparation of the required assessment. The 1997-98 AOP identifies performance indicators, although not targets (this latter issue is discussed in Chapter 3). Further development of performance indicators, along with targets, should facilitate the preparation of the required assessments in future annual reports.

**2.53** The 1996-97 Annual Report identifies for the first time performance indicators relevant to objectives for the three groups within the ASC, and

provides performance outcomes. However, the performance outcomes in the 1996-97 Annual Report did not always match or relate to the identified performance indicators, for example, in the Sport and Business Services Group.

**2.54** The ANAO concludes that the ASC's accountability arrangements do not provide for explicit and consistent reporting against the objectives and plans approved by the Minister.

## Recommendation No.4

**2.55** The ANAO recommends that to meet its reporting obligations the ASC's Annual Report include a specific assessment against objectives in the strategic plan and annual operational plan and that future annual operational plans include performance targets and benchmarks to allow such an assessment of performance.

### *ASC Response*

**2.56 Agreed.** The ASC has already commenced, as part of the implementation of accrual budgeting, to revisit and more clearly define its performance indicators with a view to improving reporting on performance.

### **Other reporting requirements**

**2.57** Comparisons between the financial information in the Annual Operational Plan and the Annual Report at the group level or below are problematic as each document uses different accounting methods. The budget allocations in the Annual Operational Plan are in cash whilst the reporting in the Annual Report is in accrual format. Development of an assessment of the extent to which the ASC has achieved its objectives as stated in the relevant strategic plan and implemented the operational plan has been hindered by this.<sup>9</sup> The movement to full accrual budgeting for the 1999-2000 financial year should overcome this problem.

**2.58** Other requirements such as particulars of directions from the Minister, variations to the Strategic Plan and Annual Operational Plan and particulars of significant capital works, were not specifically reported. The ANAO understands the ASC has adopted exception reporting in terms of its legislative requirements, that is, the absence of report may be assumed by the reader to be a report of no activity. A clearer statement of nil effect in future reports would eliminate potential uncertainty for readers.

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<sup>9</sup> A similar problem arises within the 1996-97 Annual Report. Figure 1.2 on page 18 of the report shows the cash disbursements of the budget across ASC programs. A pie chart constructed from accruals expenditure information disclosed in the financial statements shows a substantially different distribution, particularly within the AIS.

## Other reporting

### Reporting to the Minister

**2.59** Up until the enactment on 1 January 1998 of the *Commonwealth Authorities and Companies Act 1997*, the ASC Act placed a general obligation on the Commission to report to the Minister (Section 53) from time to time concerning the general conduct of its activities. The ANAO sighted reports from the ASC Chairperson to the Minister on issues arising from Board meetings. These reports were submitted regularly, generally within two weeks of each Board meeting.

**2.60** The ASC commenced regular briefings of the Minister on progress under the Olympic Athlete Program in July 1997. The ASC advises it also briefs the Minister and the Department of the Prime Minister and Cabinet on results of Australian athletes and teams who receive funding from the ASC.

### Portfolio Evaluations

**2.61** The focus of ASC attention on accountability matters has been directed to program evaluation reports, generally within the context of the Portfolio Evaluation Plans of the portfolio within which the ASC has been located, rather than through the ASC's annual reports.

**2.62** The ASC produces quadrennial Portfolio Evaluation Plans detailing planned program evaluations. The ASC has undertaken many evaluations since its establishment which contain performance trends and information on specific programs including Australia's elite performances up to and including 1996.

**2.63** ASC evaluations are circulated widely and have played an important role in reporting to key stakeholders including national sporting organisations.

## Conclusion

**2.64** The ANAO concluded that the efficiency and effectiveness of the ASC's accountability arrangements should be strengthened by the means outlined in this chapter. The ANAO considers that a review of the accountability arrangements for the ASC in general would be timely in light of imminent changes to its financial accountability arrangements in the context of the introduction of accrual budgeting and the intended focus on outputs and outcomes.

## 3. Performance Information

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*This chapter discusses the efficiency and effectiveness of the ASC's management information systems relating to performance information, in particular key performance indicators.*

### Developments in public administration

**3.1** In April 1997 the Government decided to implement an accrual-based outcomes and outputs framework for the Commonwealth to more clearly identify the costs of services provided. The first full accrual budget is due in 1999-2000. The ASC is in the process of updating its financial management system in line with the move to accrual budgeting and output or outcome based costing. The accrual framework focuses on:

- what is being produced by agencies (outputs);
- what resources are administered on behalf of the Commonwealth;
- the purposes of outputs and administered items (outcomes); and
- the cost of services provided (accrual measurement).

**3.2** Agencies will be required to:

- describe and cost the outputs they will produce or acquire and the outcome to which outputs contribute;
- specify the performance information required to monitor the production of outputs and the achievement of the Government's planned outcomes; and
- report performance accordingly.

**3.3** The intent of the change is to provide a framework which accommodates the wide range of Commonwealth business and offers flexibility in performance reporting, but provides consistent information to the Parliament and the community on the use of public resources.

**3.4** The ASC planning document which corresponds most closely with the accrual budget requirements is the Annual Operational Plan. This Plan does not presently include information on the scope and level of services provided. Similarly, the performance information specified in the Plan requires refinement and more precise specification and costing.

**3.5** The obligation to implement these reforms provides the ASC with the opportunity to consider other changes to its processes to enhance its performance reporting. The recommendations noted below are aimed at assisting the ASC to meet its obligations under the reforms.

## Better practice in performance information

**3.6** Performance information provides a basis for improving management and is critical to accountability. Good performance information also allows program managers to determine whether program resources are being directed towards the achievement of the desired outcomes in the most efficient and effective manner. Conversely, where performance information does not help to improve program performance and accountability, its collection becomes a costly exercise with little or no return.

**3.7** There are a number of sources of information on better practice in performance information. These include publications by the Department of Finance and Administration, the Management Advisory Board and the ANAO. Better practice suggests that performance information should provide a balance between financial and operational indicators and should include data that highlight areas for growth and improvement. This is consistent with a 'balanced scorecard' approach to management where organisational performance is measured against four focus areas: compliance; internal business processes; customer feedback and organisation development. Under the balanced scorecard approach results of measurement are widely circulated to staff to foster a performance culture within an organisation.

**3.8** Performance information in the 1996-97 Annual Report and in the Commission's internal management information systems (MISs) was assessed against better practice, including the ANAO/Department of Finance *Performance Information Principles Better Practice Guide*, in terms of effectiveness, efficiency, targets and standards, benchmarks, and outcome reporting.

## Reports on performance in the Annual Report

**3.9** The ASC reports on its performance in the Annual Report and through program evaluations. The 1996-97 Annual Report provides information by ASC group under the headings of 'Objectives,' 'Major Achievements,' 'Description,' 'Performance Information' and 'Performance Outcomes.' The text of the 'Objectives' and 'Performance Information' sections for each group is listed in Table 3. Objectives and performance information measures have been numbered for ease of reference.

**Table 3****ASC Group objectives and performance measures**

Objective by Group	Performance measures
<p><i>Australian Institute of Sport</i></p> <ol style="list-style-type: none"> <li>1. Enhanced sporting performances of Australia's elite and potential elite athletes and teams.</li> <li>2. Enhanced personal, educational and vocational development opportunities for elite athletes.</li> <li>3. Improved efficiency and effectiveness of national level sporting agencies.</li> </ol>	<p>The objectives of the Group are met to the extent that:</p> <ol style="list-style-type: none"> <li>1. International sporting performances of Australian athletes and teams are improved.</li> <li>2. Comprehensive and integrated personal, educational and vocational programs for elite and potentially elite athletes are provided.</li> <li>3. Eligible athletes access support services according to identified needs.</li> <li>4. Athletes affirm that athlete support services contribute to their development.</li> <li>5. National level sporting agencies have in place organisational structures, operational arrangements and high performance programs which are achieving their objectives.</li> </ol>
<p><i>Sports Development and Policy</i></p> <ol style="list-style-type: none"> <li>1. To provide leadership and support which enables all Australians to participate in quality sporting experiences.</li> <li>2. To provide the Board and the Minister with advice on policy options for the future development of Australian sport.</li> <li>3. To undertake and participate in international activities for the benefit of Australian sport, particularly in the lead up to the Sydney Olympics.</li> </ol>	<p>The objectives of the Group are met to the extent that:</p> <ol style="list-style-type: none"> <li>1. More Australians have the opportunity to participate in physical activity, in particular targeted populations.</li> <li>2. Strategic partnerships are developed and fostered which enhance the delivery of services to benefit sport.</li> <li>3. Industry framework and infrastructure are further developed.</li> <li>4. People are aware of sport participation opportunities.</li> <li>5. Strategic partnerships are developed and fostered which enhance the delivery of services to benefit sport.</li> <li>6. The training and qualifications of persons in sport are improved.</li> <li>7. Policy development and corporate strategic planning is coordinated and progressed in the Commission.</li> <li>8. Timely and accurate responses are maintained for ministerials, submissions, briefings and other portfolio coordination exercises.</li> <li>9. International activities contribute to the government's policy objective of improving international relations.</li> </ol>

Objective by Group	Performance measures
<i>Sport and Business Services</i>	The objectives of the Group are met to the extent that:
1. To provide quality services and resources adding value to sport.	<ol style="list-style-type: none"> <li>1. Clients express a high level of satisfaction with services provided in terms of effectiveness and efficiency of delivery.</li> <li>2. Financial targets are achieved.</li> <li>3. Accountability standards are met.</li> <li>4. Productivity gain targets are met.</li> <li>5. Awareness of the services and achievements of the ASC and the benefits of sport is increased.</li> <li>6. Business management processes are effective.</li> <li>7. Corporate image is improved.</li> <li>8. Processes are in place to enable ASC staff to be highly skilled and have high morale.</li> <li>9. Processes are in place to enable ASC staff to function consistently with the ASC's values.</li> </ol>

Source: Adapted from ASC Annual Report 1996-97

## Key performance indicators and effectiveness

### *Performance reports*

**3.10** In addressing performance outcomes the ASC reports in largely descriptive terms.

**3.11** The ASC's reporting of performance information against group objectives in its 1996-97 Annual Report was an improvement over previous years. There was more quantification of outcomes, and a structure showing objectives, and identifying, for the first time, performance indicators and outcomes for each group. However it was not clear how the performance indicators identified in the report were to be measured and whether targets, standards or benchmarks had been identified, and if so, what they were. Performance reporting generally tended to be more activity-based rather than output- and outcome-based as required by the public service reforms.

### *Alignment of objectives and measures*

**3.12** One of the most important functions of performance information is to allow an assessment of the extent to which an objective is being achieved. Where objectives are set for an organisation as a whole, as is the

case in the ASC with its Strategic Plan and the objects in the ASC Act, there is merit in developing and reporting performance information directly against these objectives.

**3.13** While the ASC 1996-97 Annual Report reports against objectives at group level, it does not report performance information directly against the ASC's objectives as stated in the relevant Strategic Plan, nor, as discussed in Chapter 2, against the objects in the ASC Act.

**3.14** The 1998-2001 Strategic Plan is the first to nominate performance indicators, and provides the ASC with the opportunity to improve reporting in future annual reports. However, in so doing the ASC should have regard to the fact that objectives do not appear to have been aligned consistently through all levels of its objectives hierarchy. Such misalignment creates the potential to report successes which do not really exist. For example, in the relevant Strategic Plan the participation objective was (see Table 1):

*increased participation in sport and sports activities by Australians.*

**3.15** At the group level, the most closely related objective was (Table 3, Sports Development and Policy Group, Objective 1):

*to provide leadership and support which enables all Australians to participate in quality sporting experiences.*

**3.16** The performance measure which bears most directly on this group objective was (Table 3, Sport Development and Policy Group, Performance measure 1):

*more Australians have the opportunity to participate in physical activity, in particular targeted populations.*

**3.17** The shifts from 'increased participation' to 'leadership and support which enables (participation)' to 'opportunity to participate' all contribute to weaken the effort to focus on, measure and attain the original objective. In particular, there is a risk that increases in opportunity to participate in sport or physical activity will be considered to be, and reported as, a success, irrespective of actual levels of participation, which was the focus of the objective in the Strategic Plan.

#### *Elite performance*

**3.18** In describing the performance outcomes and effectiveness of its elite performance programs, the ASC, in its 1996-97 report, focused on the number of medals and top 8 or top 16 performances at the Atlanta Olympic Games. In addition, it listed achievements and activities of AIS athletes. The ANAO considers that this review, while of value, could be enhanced in order to provide more effective information relating to the objective of



elite sports performance<sup>10</sup> by including, for example, broader measures of international competitiveness which incorporate non-Olympic sports and which are relevant in non-Olympic years. Such measures could be supported by lower level measures such as numbers of AIS graduates selected in national teams.

### *Participation measures*

**3.19** The ASC measures performance in terms of its participation objective using information from the Australian Bureau of Statistics (the production of which the ASC funds) and its own databases. Reporting on the effectiveness of participation programs is difficult owing to the lack of longitudinal data, which is in part due to industry-wide issues such as the scope and reliable measurement of sporting activities. Such issues are being addressed by a range of working groups in which the ASC participates. The range of groups and presently available data is set out in Appendix 4.

**3.20** The ASC's Annual Report for 1996-97 quotes an overall participation measure, which is a significant improvement on previous reporting. However this is the only quantitative measure of participation, other 'performance outcomes' were to a large degree lists of activities and did not measure actual participation. For example, information which would enable the effectiveness of programs for targeted populations to be assessed, eg measures of actual participation and changes, is not provided, even though much of the funding for participation programs is directed at these populations.

**3.21** Furthermore, this information is currently reported only periodically, and the proportional change in participation, relative to the population, is not shown. Since increased participation is a key objective of the ASC, improvements in accountability would, in the ANAO's view, be offered by improved information on participation, for example by target group, and by providing annual data. The latter could, for example, be obtained through small trends surveys.

**3.22** Another possible indicator of participation is the number of registered members of sporting organisations. Changes in numbers of registered members might, for example, indicate changes in participation. The ASC has in recent years sought to obtain better information on sports registrations by:

- requiring accurate information on registrations from each NSO as a condition of continued funding. This method has not been successful

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<sup>10</sup> 'Excellence in sports performance by Australians,' see paragraph 1.2 and Table 1.

as most NSOs rely on information provided by their own member clubs and associations;

- developing, in conjunction with sporting organisations, a computerised registration package capable of being used by clubs, associations, and State and national bodies. While some 400 sports bodies have adopted the package the outcome has been disappointing. A recent survey of users suggests the package has not been used consistently;
- establishing SportNet, an on-line communications network for Australian sporting organisations. SportNet was designed originally to link Olympic NSOs, State Institute / Academies of Sport and key national sports agencies. Plans are now being made to extend SportNet to non-Olympic sports and to all levels of sport in Australia, subject to the support of external strategic partners.

**3.23** The establishment of SportNet presents sports with the opportunity to capture registration data directly from players through an on-line Internet interface operating on a common database infrastructure. The on-line capture of registration data may produce efficiencies for Australian sport such as better customer service and greater consistency of registration data at regional, state and national levels.

**3.24** The ANAO acknowledges these initiatives, which may lead to development of quantitative measures that can be monitored and reported.

## Recommendation No.5

**3.25** The ANAO recommends that the ASC improve its performance information relating to the participation of Australians in sport by:

- examining means of cost effectively providing frequent measures of participation trends, including by targeted populations; and
- implementing procedures to establish more useful data on registration numbers from funded organisations and their subsidiaries.

### *ASC Response*

**3.26 Agreed.** The ASC has over the past few years sought to improve performance information of its participation programs. Performance information for participation will be re-examined in the context of implementing accrual budgeting. The ASC will also examine its policy approach to obtaining more accurate information on registration numbers from sports organisations.

### **Targets and standards**

**3.27** Targets are quantifiable performance levels or changes in level to be attained at a specified future date. By enabling a clear and unambiguous

assessment of performance, targets can clarify and simplify the process of performance monitoring. Standards are pre-defined levels of excellence or performance specifications which can be set for various aspects of an organisation's operations, including inputs, processes, outputs and outcomes. Progress in the provision of any of those aspects of performance can then be measured against the standard.

**3.28** Only three of the twenty-three performance measures in Table 3 indicate explicitly the existence of associated targets or standards (Table 3, Sport and Business Services Group, Performance measures 2-4). The three measures relate to financial matters, accountability and productivity gains, and not to the key areas of elite sport and participation. Moreover, the Annual Report does not identify what the targets or standards were, nor does it report against them.

**3.29** As a matter of better practice the ASC should seek to set targets for its KPIs and other significant performance measures, to improve transparency and accountability and to aid internal management.

**3.30** One area where targets and standards would be particularly beneficial is client services and satisfaction, where there has been little reporting in ASC annual reports. Performance measures for client service are consistent with better practice and Government policy. The ASC has indicated that it is developing a customer service charter.

## **Benchmarks**

**3.31** Benchmarking is a process by which an organisation seeks to determine and introduce best practice. Benchmarks can be used to derive performance standards or targets by comparing products, services, practices and processes with similar activities either within an organisation or with another organisation and/or country. Benchmarking facilitates effective performance management.

**3.32** The ASC has undertaken benchmarking with government and non-government agencies primarily on its administrative and financial processes as a means of promoting better practice and a continuous improvement culture. The ANAO suggests that the ASC explore opportunities for extending benchmarking to its core functions. For example, the AIS could be benchmarked with the State and Territory Institutes and Academies of Sport. Opportunities also exist to undertake benchmarking with agencies specialising in activities similar to those undertaken by the Commission. For example, activities of the Australian Coaching Council might be benchmarked against agencies with accreditation and education functions.

## Efficiency

**3.33** Efficiency relates to minimising inputs for a given level of outputs, or perhaps more relevantly for the ASC, maximising outputs for a given level of inputs. A common efficiency measure is the proportion of funding spent on administration, as such expenditure does not contribute directly to outputs.

**3.34** The proportion of total funding spent on administration by the ASC is reported in the 1996-97 Annual Report as being 5.1 per cent. The ASC states that this figure has been compared with earlier performance of the ASC and with other public sector organisations although details are not provided. Comparisons with targets for the year and explicit, quantified comparisons over time would be more meaningful and give a context for the quoted figure.

**3.35** The ANAO suggests further that the Annual Report might assist readers by explaining the basis for the percentage quoted in the report. Information on administrative costs at group level would also add value given the different nature and business of the groups.

**3.36** The performance measure identified in the 1996-97 Annual Report which is most closely associated with efficiency is 'productivity gain targets are met' (Table 3, Sport and Business Services Group, Performance measure 4). As noted above, the Report does not indicate what the productivity gain targets were nor whether they were achieved.

**3.37** The ASC has indicated that information on these issues has been reported to the Board. Such information should also be included in ASC Annual Reports to improve accountability and provide wider stakeholder assurance.

## Outcome reporting

**3.38** As noted earlier, the 1996-97 and earlier Annual Reports have reported major outcomes and activities in largely descriptive terms. The ANAO considers a more outcome-based measurement approach, with comparisons with targets set for the period, would be more appropriate. In addition, a specific assessment on the extent to which the Annual Operational Plan had been implemented is required in order to comply with the ASC Act (see Chapter 2).

## Recommendation No.6

**3.39** The ANAO recommends the ASC strengthen its performance information framework and its reporting by developing and, where

appropriate, refining key performance indicators against the ASC's objectives. This could include:

- focusing more on the extent to which each program/group objective is being achieved and measuring all parts of the objectives;
- aligning measures to specific objectives and measuring performance against targets;
- extending benchmark processes internally and functions externally with other organisations so that best practice elements (internal or external) can be adopted where appropriate; and
- improving transparency and reporting of efficiency measures including the basis for estimates and comparisons over time and with other organisations.

#### *ASC Response*

**3.40 Agreed.** The ASC has commenced the review of its performance indicators as part of the implementation of accrual budgeting. The performance measures will be focussed on the new outcomes and outputs framework required by Government and will include targets. The ASC will extend its benchmarking work, which will include reporting ASC performance against other agencies utilising relevant indicators.

### Performance information within the ASC

**3.41** A planned and strategic approach is essential to an effective performance information framework. Without such an approach, program managers may develop PIs that are not in a consistent format, cannot be aggregated for higher levels of management and are not particularly helpful in providing performance information on which to base future resource or policy decisions.

#### **Performance indicators at program level**

**3.42** The ASC has an extensive performance information system, with over 534 performance indicators collected at over 166 data points (see Appendix 7). The level of development and refinement of performance indicators varied significantly across the system. A major cause of this variation is differences in the complexity of the task of establishing PIs at program level.

**3.43** The National Sport Information Centre, for example, is a relatively self-contained operation with a well-developed system of PIs which collects comprehensive annual statistics on its client base; staffing; size and type of collections; processing and reference services; and revenue generation.

**3.44** On the other hand, performance indicators for participation are not well developed. As mentioned previously and in Appendix 4, there are many stakeholders in this area, and the resolution of issues of definition, scope and reliable measurement has proved complex.

### **Internal performance reporting**

**3.45** Most of the ASC's performance indicators have been developed to assist with the local management of programs. The ASC has advised that there is a hierarchy of objectives and that lower level objectives support higher level objectives. This is not however, supported by evidence of reporting from lower levels to higher levels. The ANAO could not find records of section or program level performance indicators for 1997 being aggregated to construct divisional performance indicators or, at the next level, indicators relating to the Commission's broader objectives. For example, it was not clear if information on the 13 performance indicators within the Women and Sport Program was incorporated in the Participation Division's overall performance indicators.

**3.46** As another example, most areas of the Commission examined in the audit conducted client feedback annually to ensure that the services provided were appropriate and relevant to customers. As presently collected, this information is difficult or impossible to consolidate. A coordinated approach to the development of indicators relating to customer service would improve consistency, aid consolidations for reporting to the Board and improve client expectations. It would also assist in external reporting on client services (see also paragraph 3.30).

**3.47** It is better practice to ensure that the performance information framework provides for key information and trends on performance to be communicated to senior managers and to the Board on a regular basis. The degree of consolidation of measures will depend on:

- the relationships between broader objectives and how they are measured;
- the amount of detail required by each level of management; and
- the design and coverage of the performance indicators within the performance information hierarchy.

**3.48** Having regard to this better practice, there is scope for the ASC to review the volume of performance information now collected, and in particular ensure that key indicators are identified at each level of responsibility and contribute to a hierarchy of performance information.

### Internal performance reporting to the Board

**3.49** The Board, supported by ASC management, has a responsibility for the corporate governance of the Commission. In this leadership role, the Board is responsible for ensuring that:

- the Commission meets its statutory responsibilities;
- appropriate communication with stakeholders occurs;
- risks to the organisation are well managed;
- resources are managed effectively; and
- appropriate internal controls exist which enable the agency to monitor performance and report on outcomes.

**3.50** The ANAO expected that, as part of its control system, the Board would be briefed regularly on KPIs to inform the Board on how well the Commission is performing against its objectives, targets and strategies contained in or derived from its Strategic and Annual Operational Plans. Such information has not been provided on a regular basis.<sup>11</sup>

**3.51** The Board has received periodic reports on financial performance, together with detailed briefings and submissions on specific issues (for example, regular reports by the Executive Director on topical issues, reviews of grant programs, restructures within the ASC, etc, see Appendix 5).

**3.52** These reporting and review arrangements are, to some degree, of a tactical nature, and risk obscuring consideration of progress in achieving the Commission's strategic objectives and sound corporate governance.

**3.53** In the view of the ANAO, the Board should be provided with key performance information on a regular basis to contribute to greater accountability and assurance of outcomes.

**3.54** The ASC has recently begun to make improvements in reporting to the Board. In March 1998, the Board received for the first time a mid-year review encompassing both financial and operational performance information measuring progress in the first half of 1997-98 against 28 divisional key performance indicators.

**3.55** However, there remains scope to improve this reporting. For example, the performance indicators are not aligned with either those identified in the 1998-2001 Strategic Plan<sup>12</sup> nor with the relevant Annual Operational Plan. Further, there is limited reporting against targets, standards and milestones.

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<sup>11</sup> Improvements in the provision of KPIs to the Board which occurred during the audit are outlined in paragraph 3.54.

<sup>12</sup> The previous Strategic Plan did not contain performance indicators.

3.56 A suggested framework for internal reporting is at Appendix 6.

## Recommendation No.7

3.57 The ANAO recommends performance information in all areas of ASC activity (financial and non-financial) be consolidated and reported regularly in a more focussed and useful manner to the Board for more effective internal accountability.

### *ASC Response*

3.58 **Agreed.** The implementation of the ASC's new financial management information system on 1 July 1998 together with a new outcomes and outputs framework will significantly enhance the ASC's streamlined reporting capability. The ASC proposes to consider the 'Balanced Scorecard' approach to reporting. Even allowing for these improvements the ASC would contend it has an extensive reporting mechanism to the Board, albeit in a non-consolidated form.

### **Compliance with Board policy**

3.59 As part of an effective corporate governance framework, the ANAO expected to find that ASC Board policies and procedures were readily accessible to staff. ASC Board decisions on some policies and procedures were not, in fact, readily accessible. However, the ASC had corrective action in train. During 1997, the ASC engaged a consultant to identify policy and procedure documents, investigate the needs for updating or developing policy and procedure manuals, and investigate mechanisms for making policy and documents accessible to relevant staff and external clients through the Internet and the ASC's Intranet.

3.60 Since the completion of the consultancy the ASC has taken steps to implement its recommendations in that:

- a permanent officer has been assigned the task of managing policy and procedure documentation in the ASC and is the central document coordinator;
- systems have been put in place to capture corporate policy documents from the Board and Executive in paper and electronic format particularly on the ASC Intranet and where appropriate to have these policies available on the ASC Internet site;
- the electronic capture of policy and procedure documents at creation will be considered during a forthcoming review of the need for a more advanced records management system; and
- an examination of the feasibility of establishing an online database is being undertaken with a view to providing wider access to Board decisions.



**3.61** These initiatives should provide a corporate reference base which makes it easier to identify the ASC's administrative policy and procedures for new and existing programs. In particular, it should be easier for managers to identify issues which need to be reported to the Board and ensure they are aware of the Board's position on matters of relevance to them. Such a base could also assist in enhancing the performance information framework by clarifying to program managers the ways in which program performance measures are consolidated and reported to the Board.

## Management information systems

**3.62** Data design and collection are fundamental to ensure that relevant information is available to program managers, senior management and the Board. MISs and the organisation structure should provide the appropriate background and information to allow proper control to be exercised by management over its resources. This is particularly important where, as is the case with the ASC, a wide range of management activities is brought to bear on a relatively narrow range of objectives.

**3.63** The ASC has over 20 MISs and databases covering a range of programs and functions. These systems support to varying degrees ASC group objectives and performance information at an annual cost of approximately \$150,000.

**3.64** However, the ASC does not have a system to coordinate information from these MISs and elsewhere on its overall performance in achieving its objectives.

**3.65** Apart from the corporate MIS (covering finance and human resources) and the grants MIS, data from these information systems has not been reported regularly to the Board, but has been used at local levels, or in their organisational contexts (for example, the records management system is used by all staff). Information on international sporting performances, for example, has been extracted from the ASC's sports performance database and reported to the Board only following an Olympiad or Commonwealth Games, or during reviews of particular sports. Performance information or indicators from these systems has not until recently been consolidated as a matter of course and reported to the Board (see paragraph 3.54).

## Recommendation No.8

**3.66** The ANAO recommends the ASC review current arrangements for integrating its management information systems to provide an effective performance information framework.

*ASC Response*

**3.67** **Agreed.**

## 4. Resource Management

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*This chapter discusses the efficiency and effectiveness of aspects of the ASC's corporate governance framework relating to resource management.*

### Introduction

**4.1** As discussed in the two previous chapters, enhancing the performance information framework and the reporting management information systems will enhance transparency and accountability. These characteristics contribute to an effective corporate governance framework, including in the use of resources, especially where there are government or legislative requirements. The ANAO examined accountability and transparency in resource management relating to finance and human resources, specifically in a range of areas covering policies and procedures, funding criteria, compliance with contract and appointment provisions in the legislation, and organisational change.

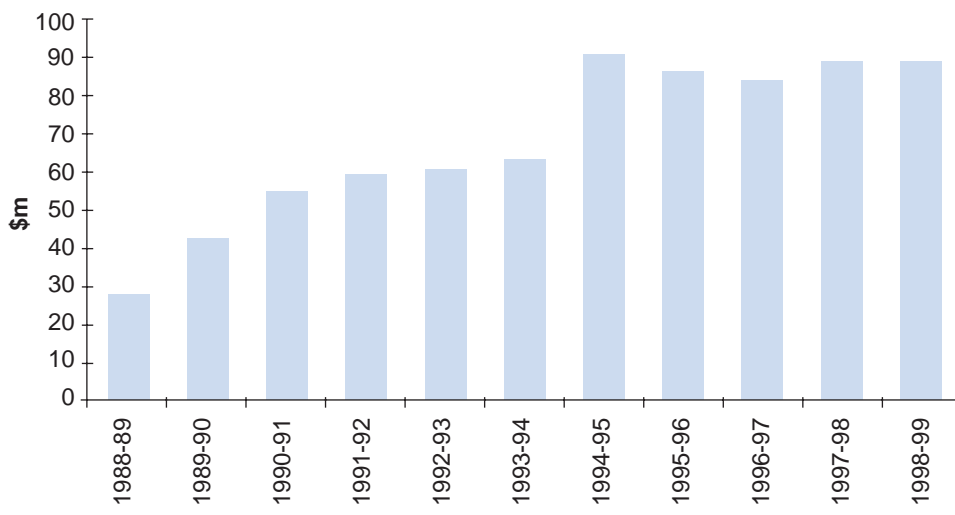
### ASC resources

**4.2** Government appropriations to the ASC for 1988-89 to 1998-99 are shown in Figure 6. Though a series of policy initiatives, government funding has grown, as Figure 6 shows, from under \$30 million in 1988-89 to almost \$90 million in 1998-99. These initiatives were:

- Next Step, a four-year program which commenced in 1989-90 and which guaranteed additional government funding of over \$100 million;
- Maintain the Momentum, which introduced a number of policy initiatives as well as continuing the upward trend in funding; and
- Olympic Athlete Program (OAP), which commenced in 1994-95 and is providing an additional \$125 million over the years leading up to the 2000 Olympic Games.

**Figure 6**

**Appropriation funding to the ASC: 1988-89 to 1998-99  
(nominal prices)**

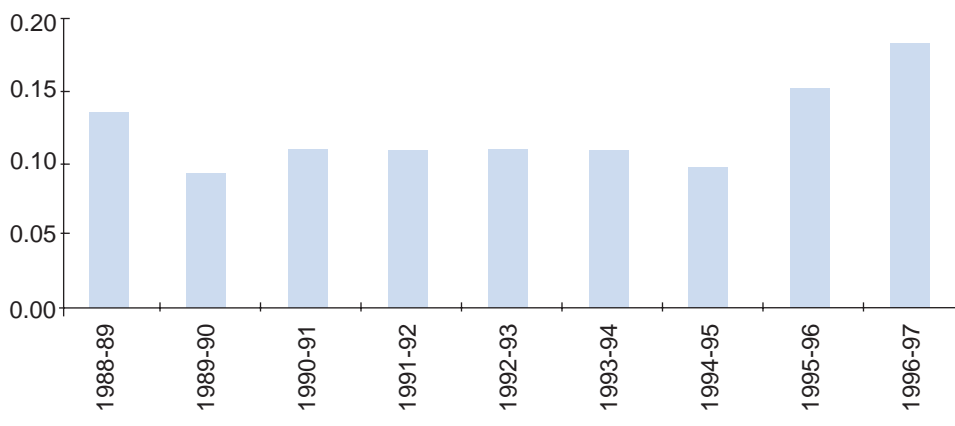


**4.3** Figure 4 (Chapter 1) illustrates that staffing increased from approximately 230 in 1988-89 to 420 in 1996-97.

**4.4** The relationship between ASC staffing and government appropriation funding for the period 1988-89 to 1996-97 is shown in Figures 7 and 8. These figures are based on constant price data to remove the effects of inflation from the comparison of staff numbers and government funding. These show the numbers of executive staff and non-executive staff, respectively, per million dollars of government funding.

**Figure 7**

**Executive staff per million dollars of government funding  
(constant prices)**



**Figure 8**

**Non-executive staff per million dollars of government funding  
(constant prices)**



## Policies and procedures

**4.5** One element of good corporate governance is that the policies and practices agreed by the Board are reasonably accessible to staff required to implement them. As noted in Chapter 3, the ASC has recently reviewed the management of documents containing its policies and procedures. The ASC is now implementing recommendations of the review directed at improving the capture and management of these documents, and at enhancing their availability both within the ASC and externally.

**4.6** The ANAO examined the application of policies and procedures in relation to some aspects of revenue-raising. Under its commercialisation policy, the ASC has established a Business Development Committee to provide, inter alia, strategic focus to the ASC's commercial activities and report to the Board on the ASC's overall commercial performance. The ANAO considers recognition of the need to co-ordinate the quite diverse range of commercial activities undertaken within the ASC to be consistent with good corporate governance arrangements.

**4.7** The ANAO drew to the attention of the ASC an instance of revenue decisions being taken by staff to whom the relevant authority had not been delegated.

## Funding criteria

**4.8** Better administrative practice requires each ASC program to have criteria for distributing funds to achieve program objectives.<sup>13</sup>

**4.9** Almost all of the programs examined by the ANAO had funding criteria. However, the Willing and Able Program did not have such criteria. The ANAO drew to the attention of the ASC the need to have criteria to select between possible alternative suppliers of activities relating to the program's objectives.

## Compliance with contract provisions

**4.10** The ASC's legislation requires it to obtain Ministerial approval to enter into contracts involving the payment or receipt by it of amounts exceeding \$500,000. Consistent with accountability and transparency in the corporate governance framework, all such contracts entered into during 1996-97 had the required approval.

## Compliance with appointment provisions

**4.11** The ASC Act provides that the Board<sup>14</sup> shall appoint two positions only of the staff of the Commission: the Executive Director of the ASC and the Director of the AIS. The Act also provides that the Board may not delegate its power to make appointments to either position.

**4.12** In 1995 the Board established a committee comprising its Chairman, Deputy Chairman and another member of the Board, together with the Executive Director, to examine applications for the position of Director of the AIS.

**4.13** The ASC has advised that the Chairman consulted each member of the Board by telephone after the committee had reached its conclusion to obtain agreement before proceeding with the appointment. However, there is no formal record that the Board received and approved a recommendation making the appointment. There is instead a record in the minutes of the next meeting of the Board that it was advised by the Chairman and the Executive Director of the appointment. There is thus no record of evidence that the Director of the AIS was appointed by the Board, as required by the ASC Act.

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<sup>13</sup> ANAO Better Practice Guide *Administration of Grants*, AGPS, Canberra, 1997

<sup>14</sup> The Board is referred to in the ASC Act as the Commission.

**4.14** The ANAO considers the Commission should ensure that appropriate procedures are followed in such circumstances, not only to demonstrate compliance with the requirements of the ASC's legislation but also to provide transparency and accountability within its corporate governance framework. The Commission has advised of its agreement with this position.

## Organisational change

**4.15** Better practice corporate governance focuses attention on the achievement of agency objectives in terms of outputs and outcomes. Measurement of their performance by agencies demonstrating such a corporate governance framework effectively determines the nature and extent of inputs such as funding and staffing needed to achieve desired levels of performance. Where agencies do not yet have relevant, strong overall performance measurement systems, proposals for increases in resources, including staffing, and especially executive-level staffing, need to ensure that appropriate levels of transparency and accountability are maintained.

**4.16** Following the announcement in 1993 that the 2000 Olympic Games would be held in Sydney, the ASC undertook reviews of both its top staffing and organisational structures, including use of a job evaluation specialist to review its top staffing. The staffing review led to a proposal to increase Senior Executive Service (SES) staff from six to nine and, in addition, the creation of a new Senior Officer Grade (SOG A) position. This proposal was submitted to the then Department of Finance (DoF), which at the time approved variations to the number of ASC SES staff. The outcome of DoF's review of the proposal was that the number of SES staff would remain at six, but that part of the functions of one of the SES staff could be undertaken by contract employees.<sup>15</sup>

**4.17** However, shortly after DoF's review of the ASC proposal for additional SES staff, the Government agreed to release agencies, including the ASC, from SES resource controls. This agreement was to take effect when the ASC introduced its own pay and classification structure after the enterprise agreement (which it was negotiating at the time) had been certified.

**4.18** The review of the organisational structure led to a proposal to substantially reorganise the AIS, with consequent adjustments to other groups within the Commission. The Board agreed to the proposal at its

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<sup>15</sup> Agreement was also reached to upgrade one of the SES Band 1 positions to SES Band 2.

meeting in September 1995. However, the ANAO noted that the reorganisation proposal put to the Board for approval did not contain estimates of the costs as well as the benefits of the proposal; in short, that a business case for the proposal was not made to the Board.

**4.19** The ANAO also notes that one of the consequences of the reorganisation proposal was that three SES-equivalent positions were to be created when the relevant resource controls were lifted. There is no record that the Board was informed of this consequence, nor was it included in any formal business case.

**4.20** As a consequence of these organisational changes there were increases in SES-equivalent staffing early in 1996 (a 50 per cent increase in numbers), together with the addition of a further SES-equivalent position the following year. This accounts for the marked increase in the ratio of executive staff to government funding shown in Figure 7.

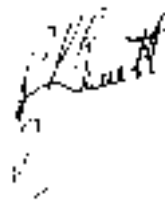
**4.21** The ANAO concludes that, consistent with good corporate governance practice, there should be greater transparency and accountability than occurred for these significant senior staffing changes. This is particularly relevant as the ASC does not at present measure its performance in a way which enables it to demonstrate an increase in achievement of objectives commensurate with increases in staffing inputs. The ANAO considers that implementation of the recommendations in the two previous chapters would enable the Commission to achieve the standards of transparency and accountability associated with good corporate governance.

## Recommendation No.9

**4.22** The ANAO recommends that proposals for significant organisational changes be part of a full business case, setting out both costs and benefits to enable better decision-making.

### *ASC Response*

**4.23** **Agreed.** The ASC will continue to measure performance outcomes (and outputs under accrual budgeting) against resources utilised and will ensure a business case for all its resource investment decisions.



Canberra ACT  
28 September 1998

P.J. Barrett  
Auditor-General



# Appendices



## Appendix 1

### Audit objectives and criteria

#### Audit objectives

The objectives of the audit were to form an opinion on the efficiency and effectiveness of the ASC's:

- accountability arrangements focusing on key stakeholders such as the Minister and the Parliament; and
- management information systems, focusing on:
  - performance information, in particular key performance indicators; and
  - its use in resource allocation decision-making.

#### Criteria addressing audit objectives

Efficiency and effectiveness of the ASC's accountability arrangements focusing on key stakeholders such as the Minister and the Parliament.

- Clear accountability responsibilities are defined and recognised by the ASC including its allocation of resources.
- The ASC reports against its statutory objects and meets its reporting requirements as identified in the preceding criterion.
- There is evidence of a decision how to report against the statutory objects, and to report against other objectives, for example, those in the strategic plan.
- There are clear linkages between the statutory objects, strategic plans, annual operational plans and reporting in the annual reports.
- Reporting processes are clear (not misleading, ambiguous).
- There is minimal duplication between the various types of reports produced by ASC staff.
- ASC Board members are advised of their duties and responsibilities, including those relating to accountability and performance.
- Variations to the strategic plans and Annual Operational Plans are approved by the Minister or Board as appropriate (person or body).

Efficiency and effectiveness of the ASC's management information systems, focusing on performance information, in particular key performance indicators.

- The organisation has a management information system that provides timely and accurate information that supports effective and efficient resource allocation.

- The ASC's performance information is consistent with the ANAO/DoF Performance Information Principles Better Practice Guide in terms of:
  - a) efficiency;
  - b) effectiveness;
  - c) targets and standards;
  - d) benchmarks; and
  - e) outcome reporting.

Efficiency and effectiveness of the ASC's management information systems, focusing on its use in resource allocation decision-making.

- The ASC has a management information system that provides timely and accurate information that supports effective and efficient resource allocation.
- The ASC Board has established policies and procedures which ensure that performance information is used to assist resource allocation decision-making.
- Funding allocations are in accordance with ASC Board policies and procedures or as specifically approved by the Board or its appropriate delegates.
- Resource allocation between and within programs meets accountability requirements. This includes:
  - clear criteria for the allocation of grants;
  - documentation of the reasons for allocations and adjustments to organisations and programs; and
  - letting contracts in accordance with government and legislative requirements.
- Reviews of structure took into account establishment issues.

## Appendix 2

### Functions of the Australian Sports Commission

The ASC Act provides that the functions of the Australian Sports Commission are:

- a) to advise the Minister in relation to the development of sport;
- b) to coordinate activities in Australia for the development of sport;
- c) to develop and implement programs that promote equality of access to, and participation in, sport by all Australians;
- d) to develop and implement programs for the recognition and development of:
  - i) persons who excel, or who have the potential to excel, in sport; and
  - ii) persons who have achieved, or who have the potential to achieve, standards of excellence as sports coaches, umpires, referees or officials essential to the conduct of sport;
- e) to initiate, encourage and facilitate research and development in relation to sport;
- f) to undertake research and development related to sports science and sports medicine;
- g) to provide sports medicine services and sports science services to persons participating in programs of the Commission;
- h) to establish, manage, develop and maintain facilities for the purposes of the Commission;
- j) to collect and distribute information, and provide advice, on matters related to the activities of the Commission;
- k) for the purpose of fostering cooperation in sport between Australia and other countries, to provide access to persons from other countries to the resources, services and facilities of the Commission;
- m) to raise money through the Australian Sports Foundation, or by other means, for the purposes of the Commission;
- n) to administer and expend money appropriated by the Parliament, or raised in accordance with paragraph (m), for the purposes of the Commission;
- p) to consult and cooperate with appropriate authorities of the Commonwealth, of the States and of the Territories, and with other

persons, associations and organisations, on matters related to the activities of the Commission; and

- q) to provide advice on matters related to sport to the Australian Olympic Federation or other persons, bodies or associations.

## Appendix 3

### Relationship between ASC objects and ongoing strategies

The ASC has advised that it considers that its statutory objects have been addressed through strategies in successive strategic plans as shown below. The ANAO's comments on this advice are in Chapter 2 of this report.

Relationship between ASC objects and ongoing strategies		
Object	1994-97 Strategic Plan Strategies	1998-2001 Strategic Plan Strategies
<ul style="list-style-type: none"> <li>to provide leadership in the development of sport in Australia</li> </ul>	<ul style="list-style-type: none"> <li>develop and implement policies, programs and practices aimed at improving access and equity in all aspects of sport</li> <li>encourage the provision of integrated, coordinated and quality support programs for athletes and sporting organisations</li> <li>utilise as a catalyst the staging of the Sydney Olympics to encourage and take advantage of the development of a wide range of sport and sports-related opportunities for participation and enjoyment</li> <li>promote ethics and safety in sport</li> <li>foster and encourage education and training in all elements of sports development</li> </ul>	<ul style="list-style-type: none"> <li>enhance the management capabilities of sports delivery agencies</li> <li>further develop our information and research management capabilities</li> <li>provide high quality national integrated support programs for athletes and sporting organisations</li> <li>continue to improve the internal effectiveness and efficiency of the Commission</li> </ul>
<ul style="list-style-type: none"> <li>to encourage increased participation and improved performance by Australians in sport</li> </ul>	<ul style="list-style-type: none"> <li>utilise as a catalyst the staging of the Sydney Olympics to encourage and take advantage of the development of a wide range of sport and sports-related opportunities for participation and enjoyment</li> <li>develop and implement policies, programs and practices aimed at improving access and equity in all aspects of sport</li> <li>encourage the provision of integrated, coordinated and quality support programs for athletes and sporting organisations</li> <li>utilising the focus provided by the Sydney Olympics, raise the profile and increase the awareness of the benefits of sport and the ASC's programs</li> </ul>	<ul style="list-style-type: none"> <li>encourage more people to play sport through the implementation of all the sports elements of Active Australia</li> <li>promote ongoing improvement in international sporting performances</li> <li>provide high quality national integrated support programs for athletes and sporting organisations</li> </ul>

Relationship between ASC objects and ongoing strategies		
Object	1994-97 Strategic Plan Strategies	1998-2001 Strategic Plan Strategies
	<ul style="list-style-type: none"> <li>• assist in staging the Sydney Olympics and Paralympics and ensure they make a long-term and broad contribution to Australian sport</li> </ul>	
<ul style="list-style-type: none"> <li>• to provide resources, services and facilities to enable Australians to pursue and achieve excellence in sport while also furthering their educational and vocational skills and other aspects of their personal development</li> </ul>	<ul style="list-style-type: none"> <li>• encourage the provision of integrated, coordinated and quality support programs for athletes and sporting organisations</li> <li>• assist in staging the Sydney Olympics and Paralympics and ensure they make a long-term and broad contribution to Australian sport</li> </ul>	<ul style="list-style-type: none"> <li>• provide high quality national integrated support programs for athletes and sporting organisations</li> </ul>
<ul style="list-style-type: none"> <li>• to improve the sporting abilities of Australians generally through the improvement of the standard of sports coaches</li> </ul>	<ul style="list-style-type: none"> <li>• foster and encourage education and training in all elements of sports development</li> </ul>	<ul style="list-style-type: none"> <li>• promote ongoing improvement in international sporting performances</li> </ul>
<ul style="list-style-type: none"> <li>• to foster cooperation in sport between Australia and other countries through the provision of access to resources, services and facilities related to sport</li> </ul>	<ul style="list-style-type: none"> <li>• undertake and participate in international activities for the benefit of Australian sport</li> <li>• assist in staging the Sydney Olympics and Paralympics and ensure they make a long-term and broad contribution to Australian sport</li> </ul>	<ul style="list-style-type: none"> <li>• examine avenues to diversify and increase the sport resource base</li> </ul>



Relationship between ASC objects and ongoing strategies		
Object	1994-97 Strategic Plan Strategies	1998-2001 Strategic Plan Strategies
<ul style="list-style-type: none"> <li>to encourage the private sector to contribute to the funding of sport to supplement assistance by the Commonwealth</li> </ul>	<ul style="list-style-type: none"> <li>maximise the availability of resources for the development of Australian sport, particularly through opportunities generated by the Sydney Olympics</li> <li>assist in staging the Sydney Olympics and Paralympics and ensure they make a long-term and broad contribution to Australian sport</li> </ul>	<ul style="list-style-type: none"> <li>examine avenues to diversify and increase the sport resources base</li> </ul>

## Appendix 4

### Statistics on participation in sport

The development of an appropriate statistical basis for measuring participation in sport and related activities is recognised across levels and functions of Government as an important task. The ASC is participating in these developments in a number of ways.

The ASC is a member of the Recreation and Sports Industry Statistics Group (RSISG) of the Sport and Recreation Ministers Council. This group works to improve the definition, range and quality of statistics for sport and recreation.

In particular, RSISG provides advice to the National Centre for Culture and Recreation Statistics (NCCRS) within the Australian Bureau of Statistics (ABS). NCCRS coordinates and facilitates the collection of culture, sport and recreation statistics in a range of ABS surveys.

ABS undertakes three surveys of interest to ASC:

- The Population Survey Monitor (PSM) is a quarterly survey in which householders are asked questions at the request of, and paid for, by government agencies other than ABS. Four PSM surveys sought information on sport and recreation during 1995-96 and were funded by the Commonwealth Department of the Environment, Sport and Territories and the Australian Sports Commission. The responses to the surveys were collated to produce annual estimates of participation in sport and physical activities by people aged five years and over.
- Monthly Labour Force Statistics (MLFS) are collected by the ABS. Supplementary survey questions can be added to the survey instrument from time to time. For example, the March 1997 supplementary survey obtained information about the involvement in sport of people 15 years of age and over during the twelve months prior to interview. The scope of the survey included social and competitive participation in organised sporting activities, but not social involvement in activities such as aerobics, cycling, swimming and weightlifting.
- The National Health Survey (NHS), conducted by the ABS over a twelve month period, includes, as one of its topics, questions on the amount of physical exercise undertaken for recreation, sport or health/fitness during the two weeks prior to the interview. Since activity in the course of work, or for reasons other than recreation, sport or health/fitness was excluded, data produced by this survey do not indicate total physical activity in the community, nor absolute or relative levels of fitness.

Other groups with which the ASC co-operates in the development of the statistical basis for indicators of participation in sport include an expert group within the Australian Institute of Health and Welfare and working parties within the National Health and Medical Research Council.

The launch of Active Australia during 1997 marked the advent of a new cooperative program between the Federal Government (ASC, Department of Health and Family Services, National Office of Local Government and National Office of Sport and Recreation Policy), State Governments (Departments of Sport and Recreation and Departments of Health) and other key agencies (including peak bodies in the areas of sport and recreation and health promotion, local governments, education systems and community agencies involved in the delivery of sport and recreation and/or health promotion activities). The Active Australia Monitoring and Evaluation Group (AAMERG) was also established to agree on definitions and classifications for the program and develop a common methodology for data collection over time.

There is thus a range of information presently being collated on participation in sport and recreation. Consistency in data collection should produce, over time, reliable trend information of importance to the management of the ASC's programs. Such information is needed to enable the ASC to determine more clearly the extent to which it is achieving its objectives.

## Appendix 5

### Regular reporting to the ASC Board

**Table A-1**

**Regular reporting to the ASC Board - by frequency (a)**

Each meeting	Biannually	Annually	4-yearly	As required
Finance	ASC delegations	Active Australia Program	Performance at summer Olympic Games	Appointments to the Board of the Australian Coaching Council
Drugs in sport	AIS sports	Annual Operational Plan	Strategic Plan	Audit reports and responses
Management Improvement Program	National Elite Sports Council	Board Management Plan		
Olympic Athlete Program	Olympic Training Centres	Declarations by Board members		
		Indigenous Sports		
		International Relations		
		Marketing		
		Participation		
		Uses of ASC seal		

Source: ASC

(a) The frequency of reporting indicated is typical only.

## Appendix 6

### Internal reporting framework

**Table A-2**

**Internal management reporting: who receives which reports? <sup>16</sup>**

	Balance Sheets	Consolidated Operating Statements	Operating Cash Flow Statements	Statements (output based)	Balanced Scorecard
Boards of Management	✓	✓	✓		✓
Chief Executives	✓	✓	✓		✓
Agency Executive	✓	✓	✓	✓	✓
Program Managers		✓		✓	✓
Chief Finance Officer	✓	✓	✓		✓

<sup>16</sup> Adapted from MAB 'A Guide to Better Practice - Internal Management Reporting, Effective Financial Management in the APS 1998 & Beyond'

## Appendix 7

### ASC performance information hierarchy

Table A-3

#### ASC performance information hierarchy

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1997

One Mission statement

Two Commission objectives

##### Groups

1. Sports Development & Policy (3 obj's, 5 pi's)
2. Australian Institute of Sport (3 obj's, 5 pi's, 7 dp's)
3. Sport and Business Services (1 obj, 9 pi's, 19 dp's)

##### Divisions

1. Sports Science and Sports Medicine (1 obj, 23 pi's, 19 dp's)
2. Commercial Division (2 obj's, 5 pi's, 5 dp's)
3. Marketing and PR Division (1 obj, 3 pi's, 5 dp's)
4. Information Services Division (1 obj, 2 pi's, 4 dp's)

##### Programs

1. Residential Program (1 obj, 3 pi's, 2 dp's)
2. Athlete Career Education (1 obj, 3 pi's, 2 dp's)
3. National Sports Program (1 obj, 4 pi's, 2 dp's)
4. Intensive Training Centres (5 obj's, 4 pi's)
5. Women and Sport (3 obj's, 13 pi's)

##### Sections

1. Human Resources (2 obj's, 9 pi's, 7 dp's)
2. Planning and Review (2 obj's, 10 pi's, 8 dp's)
3. Financial Services (1 obj, 5 pi's, 8 dp's)
4. Commercial Operations (2 obj's, 4 pi's, 5 dp's)
5. Assets and Property (2 obj's, 7 pi's, 6 dp's)
6. Marketing (4 obj's, 4 pi's, 4 dp's)
7. Public Relations (1 obj, 2 pi's, 2 dp's)
8. Information technology (2 obj's, 8 pi's, 8 dp's)

##### Other (not specifically identified)

1. International (2 outcomes, 16 pi's, 4 dp's)
2. Policy (8 outcomes, 19 pi's, 15 dp's)
3. Participation (348 pi's)
4. Australian Sports Foundation (1 obj, 4 pi's, 4 dp's)
5. Publication Services (3 obj's, 3 pi's, 6 dp's)
6. National Sport Information Centre and Records Management (5 obj's, 4 pi's, 8 dp's)
7. Women in Sport (3 obj's, 12 pi's, 16 dp's)

Not included: Olympic Athlete Program

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Objectives ('obj') and outcomes: 61

Performance Indicators ('pi'): 534

Data points ('dp'): 166

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