

The Auditor-General  
Audit Report No.38 2003–04  
Performance Audit

**Corporate Governance in the  
Australian Broadcasting Corporation—  
Follow-up Audit**

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of Australia 2004

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Canberra ACT  
31 March 2004

Dear Mr President  
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Australian Broadcasting Corporation in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *Corporate Governance in the Australian Broadcasting Corporation—Follow-up Audit*.

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

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

For further information contact:

**The Publications Manager**  
**Australian National Audit Office**  
**GPO Box 707**  
**Canberra ACT 2601**

**Telephone:** (02) 6203 7505

**Fax:** (02) 6203 7519

**Email:** [webmaster@anao.gov.au](mailto:webmaster@anao.gov.au)

ANAO audit reports and information about the ANAO are available at our internet address

<http://www.anao.gov.au>

### Audit Team

Grant Caine  
Rob Bartlett  
David Crossley

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## Abbreviations/Glossary

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2002 audit	<i>Audit Report No.40 2001–02 Corporate Governance in the Australian Broadcasting Corporation</i>
ABA	Australian Broadcasting Authority
ABC	Australian Broadcasting Corporation
ABC Act	<i>Australian Broadcasting Corporation Act 1983</i>
ANAO	Australian National Audit Office
ACA	ABC Audience and Consumer Affairs
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CRE	Complaints Review Executive
ICRP	Independent Complaints Review Panel
IT	information technology
JCPAA	Joint Committee of Public Accounts and Audit
JCPAA report	<i>Report 393—Review of Auditor-General's Reports 2001–02 Fourth Quarter</i>
PBS	Portfolio Budget Statement





# **Summary and Recommendations**



# Summary

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## Overview

1. In April 2002, the Australian National Audit Office (ANAO) tabled Audit Report No.40 2001–02 *Corporate Governance in the Australian Broadcasting Corporation* (the 2002 audit). The 2002 audit made 14 recommendations for improvement, of which the Australian Broadcasting Corporation (ABC) agreed with 12, and agreed with qualification to the remaining two.
2. In December 2002, the Joint Committee of Public Accounts and Audit (JCPAA) tabled *Report 393—Review of Auditor-General’s Reports 2001–02 Fourth Quarter* (the JCPAA report), which reviewed aspects of the ANAO’s 2002 audit. The JCPAA made three recommendations to the ABC that build on matters addressed in recommendations from the 2002 audit.
3. In August 2003, the ABC submitted a report to the JCPAA on its progress in implementing the recommendations from the 2002 audit and the JCPAA report. This follow-up audit examined the ABC’s implementation of recommendations from both reports, using the ABC’s progress report as its base.

## Background

4. The Australian Broadcasting Commission became the Australian Broadcasting Corporation (ABC) in 1983 with the passage of the *Australian Broadcasting Corporation Act 1983* (the ABC Act). The ABC is one of Australia’s core institutions that helps to reflect Australia’s national identity; foster the arts; and encourage cultural diversity. The presence of an independent national broadcaster, such as the ABC, is considered by many commentators to play a vital role in any well functioning democracy.

## Conclusion

5. The ANAO considers that the ABC has made considerable progress to address all recommendations from the 2002 audit and the JCPAA report. In the two years since the tabling of the 2002 audit report, nine of its 14 recommendations have been fully implemented or are on track for timely implementation in the near future. Parts of the five remaining recommendations have been fully implemented, with the other parts being partially implemented. The ABC has fully implemented one of the JCPAA recommendations, substantially implemented another and partially implemented the third. A summary of the ABC’s progress in implementing each recommendation is provided in the Key Findings below. The ANAO has

made suggestions for improvement throughout this report, as well as one further recommendation to enhance the operation of program quality reviews.

## **ABC Response**

6. The ABC welcomes the acknowledgement that it has achieved considerable progress towards implementation of the original 14 ANAO recommendations and the related three JCPAA recommendations.

7. It may be noted that the 14 major ANAO recommendations consist of 25 parts. According to the ANAO's assessment, the ABC has fully implemented or is on track to implement 19 of these parts (76 per cent) and has partially implemented the remaining six.

8. This reflects the strong and continuing commitment of the ABC Board and management to achieving high standards of corporate governance. The Board has received quarterly progress reports on implementation and is represented on an ANAO Implementation Steering Committee convened by the Managing Director.

# Key Findings

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## ABC Corporate Planning (Chapter 2)

### Recommendation No.1 from the 2002 audit (para. 2.1)

9. The ANAO recommends that the ABC's next Corporate Plan:
- (a) address the matter of the strategies and policies that the Corporation will follow to ensure the Board fulfils its duties as required under Section 8 of the ABC Act; and
  - (b) include verifiable efficiency and other targets of the expected performance to be achieved during the life of the Plan.

#### *Status*

10. The ABC is on track to implement this recommendation when the next ABC Corporate Plan is finalised in late 2003–04.

11. The ABC is well placed for its next Corporate Plan to include: strategies and policies that will allow the Board to discharge its statutory duties; and improved performance indicators and targets.

### Recommendation No.2 from the 2002 audit (para. 2.8)

12. The ANAO recommends that, in order to streamline the planning process and improve the information available to Parliament when reviewing the appropriation proposed for the ABC, future PBSs align more closely with the ABC's Corporate Plan.

#### *Status*

13. The ABC has substantially implemented this recommendation.

14. All the 'Quality' indicators listed in the ABC's 2003–04 Portfolio Budget Statement (PBS) can be matched back to the 2001–04 Corporate Plan. However, most of the 'Quantity' indicators in the PBS cannot be matched to the Corporate Plan. The ABC indicated that it had brought the PBS and Corporate Plan into appropriate alignment, notwithstanding the fact that certain performance indicators used in the PBS do not reflect exactly those in the Corporate Plan. Some indicators that do not change significantly over time are useful in demonstrating value for money in the PBS context, but are much less useful in the Corporate Plan to demonstrate performance trends over a three-year period.

### **Recommendation No.3 from the 2002 audit (para. 2.17)**

15. The ANAO recommends that, in order to realise a range of business and accountability benefits from its IT platform:

- (a) the objectives of individual IT projects should be aligned with the strategic direction of the Corporation; and
- (b) consideration should be given in the IT strategic plan to the acquisition of a suitable capability to capture and report on performance information relevant to the ABC's new Corporate Plan.

#### ***Status***

16. The ABC is on track to implement this recommendation late in 2003–04 once the Corporate IT Strategy has been completed and the Strategy's governance arrangements for IT have been put in place.

17. The draft Corporate IT Strategy 2004-2006 sets out a number of principles that provide a good framework for planning and managing information management projects and activities. However, development of the Strategy has been slow. The ABC does not expect to complete the Strategy until March 2004, nearly two years after the tabling of the 2002 audit report.

### **Recommendation No.4 from the 2002 audit (para. 2.26)**

18. To improve decision-making in schedule management and enable better measurement and reporting of achievement against Charter obligations, the ANAO recommends that the ABC:

- (a) integrate financial information and performance information at the planning phase of schedule management;
- (b) improve the specification of program objectives, including setting qualitative and quantitative targets directed at higher standards of performance, including increased reach and share; and
- (c) make better use of time series information and information about the behaviour and attitude of audiences and those who do not use ABC services, including time use analysis information.

#### ***Status***

19. The ABC has implemented Recommendation (c) and partially implemented Recommendations (a) and (b).

20. The plans that drive the scheduling of programming in the Radio, Television and New Media Divisions demonstrate the use of qualitative and quantitative research in the schedule management process. Although Radio

and New Media Divisions have implemented Recommendations (a) and (b), the Television Division can improve the assurance it gives to the Board that television programming is expected to meet Corporate performance objectives for which the Board is accountable. The ANAO supports a Television Division proposal made to the ANAO during the audit to address this observation.

### **Recommendation No.10 from the 2002 audit (para. 2.47)**

21. The ANAO recommends that, in order to assist the monitoring of the effectiveness of the inter-divisional service arrangements for news and current affairs:

- (a) the ABC progress without delay the conclusion of the service agreements between the News and Current Affairs Division and the three output divisions; and
- (b) the service agreements be subject to an evaluation process each year.

#### **Status**

22. The ABC has implemented this recommendation.

23. After some delay, service level agreements/administrative arrangements between News and Current Affairs Division and the Radio, Television and New Media Divisions were completed and implemented in early 2003–04. Each agreement/arrangement has clauses that subject them to annual review.

## **Independence, accuracy and impartiality (Chapter 3)**

### **Recommendation No.5 from the 2002 audit (para. 3.1)**

24. The ANAO recommends that, in order to improve reporting on the achievement of programming standards that have legislative force—*independence, accuracy and impartiality*—and to assist ABC personnel have a clearer understanding of what such standards mean in practice, the ABC develop appropriate reporting methodologies and arrangements that clearly differentiate the legislated standards from the other ABC editorial standards.

#### **Status**

25. The ABC has implemented this recommendation.

26. The ABC has introduced a number of reporting methodologies and arrangements to implement this recommendation. The Board receives regular certification from the Director of each Division that, to the best of their knowledge, Divisions are complying with ABC *Editorial Policies* and *Code of Practice*. The Board is also informed of the details of any events and complaints that could bring into question the ABC's compliance with *Editorial Policies*.

27. *Editorial Policies* now indicate that the statutory duties of the ABC Board, including maintaining the independence and integrity of the ABC and ensuring the accuracy and impartiality of the news and information. In addition, the ABC now publishes quarterly statistics on audience comments and complaints on its Internet website. One of the complaints subject groupings relates to the legislative requirements of independence, accuracy and impartiality.

### **Recommendation No.6 from the 2002 audit (para. 3.9)**

28. The ANAO recommends that, in order to reduce confusion and improve consistency and the clarity of documentation, the ABC produce a single statement of the required broadcasting standards, for use both within the ABC and for the purposes of notification to the Australian Broadcasting Authority (ABA) of the *Code of Practice* required under the ABC Act.

#### **Status**

29. The ABC has substantially achieved the thrust of the requirements of this recommendation.

30. Although a single statement has not been developed, the thrust of the recommendation—to reduce confusion and improve consistency and clarity—has been substantially achieved. The ANAO observed increased alignment between the *Code of Practice* and the *Editorial Policies* since the 2002 audit.

31. The ABC indicated that it does not envisage the creation of a single statement because the Code has a particular legislative status, while *Editorial Policies* cover additional matters. Nevertheless, any future refinement of *Editorial Policies* will involve a review of the Code to ensure that the language of each reflects the other.

### **Recommendation No.7 from the 2002 audit (para. 3.17)**

32. The ANAO recommends that, in order to strengthen existing editorial arrangements, the ABC clarify the following:

- (a) the differences between news and current affairs as generic program titles and news and current affairs as specific programs produced by the News and Current Affairs Division;
- (b) the status of 'information' programs and the applicability of the *Editorial Policies* to them; and
- (c) responsibility for reporting within the Corporation about the independence, accuracy and impartiality of the ABC's information programs.



**Status**

33. The ABC has implemented Recommendations (a) and (c) and partially implemented Recommendation (b).

34. The *Editorial Policies* now provide sufficient clarity on their applicability to news and current affairs genres. In addition, and as noted above, each Director certifies that their Division is complying with *Editorial Policies*, including the legislative requirements of independence, accuracy and impartiality. Revisions made to *Editorial Policies* since the 2002 audit now requires information programs to be separated into two categories. However, ambiguity over the definition of the categories means there is a risk that the relevant editorial policies may not be consistently applied across the two categories of information programs. The ABC should address this ambiguity, as a priority.

35. The ABC considers that the *Editorial Policies* are sufficient to enable program makers and managers to make reasonable judgements as to what standards must be applied to the hundreds of ABC programs that are broadcast daily throughout Australia and internationally.

**Recommendation No.8 from the 2002 audit (para. 3.26)**

36. The ANAO recommends that, in order that the Board is more able to assure itself and Parliament about the achievement of legislative requirements for the ABC's news and information programs, the ABC:

- (a) extend the current system of quality review to include an assessment of the Charter requirements of independence, accuracy and impartiality and use the data to generate appropriate reports to the Board on the achievement of these requirements; and
- (b) apply a similar extended system of quality review to ABC current affairs and information programs, including information programs produced outside the News and Current Affairs Division.

**Status**

37. The ABC has implemented Recommendation (a) and partially implemented Recommendation (b).

38. Program quality reviews conducted by the News and Current Affairs Division now address the issues of independence, accuracy and impartiality. As well, exception reports are generated regularly for the Board. The coverage of program quality reviews has been extended to all programs within the News and Current Affairs Division and news and information programs on ABC On-line. However, ambiguity over the categorisation of information programs means there is a risk that program quality reviews conducted outside the News and Current Affairs Division may not be undertaken for all

information programs comprising both news and information relating to current events. The ANAO has made a recommendation in this regard.

### **Recommendation No.9 from the 2002 audit (para. 3.42)**

39. The ANAO recommends that, to enable the Board to assure itself that the ABC is delivering a news and information service that is independent, accurate and impartial, the material regularly presented to the Board on the basis of audience feedback be improved by addressing the issues of independence, accuracy and impartiality which should be supported by appropriate statistical surveys or other analysis.

#### ***Status***

40. The ABC has implemented this recommendation.

41. Statistics on audience feedback, including complaints and appreciations, are provided regularly to the Board and published on the ABC's Internet website. The ABC has an accessible, responsive and transparent process for handling complaints that relate to issues of the independence, accuracy and impartiality of its news and information programs.

## **Performance management (Chapter 4)**

### **Recommendation No.11 from the 2002 audit (para. 4.1)**

42. The ANAO recommends that the ABC:

- (a) align its internal performance measuring, targeting and reporting framework with the external performance reporting requirements of the outcome, outputs-based system of accrual budgeting and accounting; and
- (b) refine its management information systems to incorporate both financial and non-financial information using this framework.

#### ***Status***

43. The ABC has implemented Recommendation (a) and has partially implemented Recommendation (b).

44. The ABC regularly monitors its performance against the PBS performance indicators (and the more specific targets set in ABC Divisional Plans). This performance is also regularly reported to the ABC Board.

45. The ABC's model to allocate divisional costs and revenue on an outputs/outcomes basis is reasonable. Nevertheless, the model cannot separately attribute costs and revenues at the line-item level of disclosure

required in the financial statements. The ABC noted that this is the first year of the model's application and that it will be reviewed in detail in 2003–04 when line-item level disclosure can be addressed for future reporting periods.

46. The ABC does not yet have a single performance measuring, targeting and reporting framework that also satisfies the external requirement for an outputs-based system of accrual budgeting and accounting. However, the ABC now has an improved ability to generate performance and financial information on an outputs/outcomes basis.

### **Recommendation No.12 from the 2002 audit (para. 4.22)**

47. The ANAO recommends that, in order for Parliament and the public to readily assure themselves that ABC programming adequately meets the ABC's Charter, the ABC:

- (a) publish specific information of adequate detail and of sufficient quality relating to the Charter in the Corporate Plan, the Portfolio Budget Statement and the Annual Report; and
- (b) publish expert research on a periodic basis (say every five years) reporting findings about the extent to which ABC programming meets the Charter together with the outcomes of surveys of consumer and audience satisfaction with ABC programming.

### **Status**

48. The ABC has implemented Recommendation (b) and partially implemented Recommendation (a).

49. The ABC has reintroduced an annual *Newspoll* survey to measure community appreciation of ABC programming, the extent to which the ABC is meeting its Charter and the quality and coverage of news and current affairs. Results indicate that most people continue to feel the ABC performs a valuable role; provides quality content; and is doing a good job in fulfilling its various Charter obligations. Although the Corporate Plan and PBS broadly reflect the ABC's Charter, the linkage between their contents is difficult to identify as the documents are structured differently. Further, the annual report does not clearly identify the Charter's importance to the ABC and does not report performance against all aspects of the Charter surveyed by *Newspoll*.

50. The ABC indicated that it anticipates that the new Corporate Plan will demonstrate the linkage with the Charter obligations more explicitly. This will also be reflected in subsequent Annual Reports.

### **Recommendation No.13 from the 2002 audit (para. 4.33)**

51. The ANAO recommends that the ABC:

- (a) publish in its Annual Report analyses of audience reach and share for radio, television and on-line; and
- (b) include strategies in the Corporate Plan (and where appropriate, the PBS) to address trends disclosed in the analyses of audience reach and share and report the results of the strategies in its Annual Report.

#### ***Status***

52. The ABC has implemented Recommendation (a) and is on track to implement Recommendation (b) when the next ABC Corporate Plan is finalised in late 2003–04.

53. The ABC's latest annual report contains extensive information on audience reach and share; gives some insight into potential reasons for unfavourable trends; and outlines the strategies the ABC intends to implement to address them. The ABC is well placed to have strategies included in its 2004–07 Corporate Plan that will address trends disclosed in analysis of audience reach and share.

### **Recommendation No.14 from the 2002 audit (para. 4.38)**

54. The ANAO recommends that, in view of the ABC's responsibility to broadcast to the Australian public, the ABC adopt cost effective strategies to assess ABC performance in relation to the whole of the Australian population, especially the population of regional and rural areas outside the main population centers.

#### ***Status***

55. The ABC has implemented this recommendation.

56. In conjunction with other broadcasters, the ABC uses surveys to determine the extent to which programming is viewed/listened to by Australians in both metropolitan and regional areas. Through the annual *Newspoll* survey of metropolitan and regional Australia, the ABC also surveys Australian's attitudes to the ABC, including those people who do not watch or listen to ABC programming.

## Addressing JCPAA Report 393 recommendations (Chapter 5)

57. All three JCPAA recommendations build on matters addressed by the ANAO in the 2002 audit report. The ANAO has assessed progress against the JCPAA recommendations by reference to progress against the 2002 audit recommendations.

### JCPAA Recommendation 1 (para. 5.1)

58. The Committee recommends that the Australian Broadcasting Corporation develop and implement a process for measuring performance data in urban, regional and rural Australia which provides timely and effective information in relation to its fulfilment of Charter obligations.

#### *Status*

59. The ABC has implemented this recommendation due to the actions taken to address Recommendation Nos.9 and 14 from the 2002 audit.

### JCPAA Recommendation 2 (para. 5.7)

60. The Committee recommends that the Australian Broadcasting Corporation, as a matter of priority, develop and implement a process for using performance data to inform Corporate planning.

#### *Status*

61. The ABC has partially implemented this recommendation due to the actions taken to address Recommendation Nos.1, 2, 4, 11 and 12 from the 2002 audit.

### JCPAA Recommendation 3 (para. 5.14)

62. The Committee recommends that the Australian Broadcasting Corporation specifically report on its performance against Charter obligations in its annual report to Parliament.

#### *Status*

63. The ABC has substantially implemented this recommendation due to the actions taken to address Recommendation Nos.5, 8, 9, 12 and 13 from the 2002 audit.

# Recommendations

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**Recommendation  
No.1  
Para. 3.40**

The ANAO *recommends* that:

- (a) all formal program quality reviews of news and information programs conducted by the ABC, regardless of their origin, explicitly address the Charter requirements of independence, accuracy and impartiality; and
- (b) the ABC communicates the results of reviews, and progress against the planned program quality review program, regularly to the Board.

*ABC Response:* Agreed.

# **Audit Findings and Conclusions**





# 1. Introduction

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*This Chapter provides an overview of the ABC and its operating environment, the overall findings and conclusions from the 2002 audit, and the follow-up audit's objective and scope. The Chapter concludes with an outline of the report structure.*

## The Australian Broadcasting Corporation

### Background

**1.1** The Australian Broadcasting Corporation was originally established in 1932 as a statutory authority, then known as the Australian Broadcasting Commission. The Australian Broadcasting Commission became the Australian Broadcasting Corporation (ABC) in 1983 with the passage of the *Australian Broadcasting Corporation Act 1983* (the ABC Act).

**1.2** Today, the ABC provides four national radio services, one national television service—simulcast in analog and digital, nine metropolitan and 50 regional radio stations, international radio and television services, on-line services, and content and services on emerging platforms including interactive television and SMS. The ABC also has more than 100 Shops and Centres throughout Australia. Symphony Australia and the state Symphony Orchestras are financially and administratively independent, although structured as wholly owned subsidiaries of the ABC.

**1.3** The ABC is one of Australia's core institutions that helps to reflect Australia's national identity; foster the arts; and encourage cultural diversity. The presence of an independent national broadcaster, such as the ABC, is considered by many commentators to play a vital role in any well functioning democracy.<sup>1</sup>

### Funding arrangements and staffing

**1.4** Before 1988–89, ABC funding was provided on an annual basis. Since then, funding has been provided under a triennial funding arrangement, where the government sets an ongoing funding base that is indexed each year.

**1.5** Funding for the ABC in 2003–04 is expected to be \$857.0 million comprising \$722.6 million in appropriations from Parliament and \$134.5 million revenue from other sources. Over 80 per cent of the ABC's appropriations (\$591.4 million) and all of the ABC's other source revenue are

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<sup>1</sup> Senate Select Committee on ABC Management and Operations 1995, *Our ABC*, Commonwealth of Australia, Canberra, p. 7.

directed to or sourced from the ABC's Radio, Television and New Media broadcasting.<sup>2</sup>

## **Organisational structure**

**1.6** As at 30 June 2003, the ABC employed a total of 4321 staff (calculated as full time equivalents). The ABC is geographically distributed across Australia, with a small number of staff located overseas.

**1.7** The ABC is structured on a divisional basis, as shown in Figure 1.1.

## **ABC legislative framework**

### **Charter requirements**

**1.8** Section 6 of the ABC Act sets out the Charter of the ABC. The Charter was created with the aim of defining the ABC's functions and duties for the first time in legislation. The Charter requires the ABC to provide innovative and comprehensive broadcasting services of a high standard, as part of the Australian broadcasting system that contributes to a sense of national identity and informs, entertains and reflects the cultural diversity of the Australian community. The Charter requires a balance to be achieved between programs of wide appeal and more specialised programs. The breadth of the Charter allows the ABC considerable room for interpretation of its responsibilities and the manner in which it acquits them.

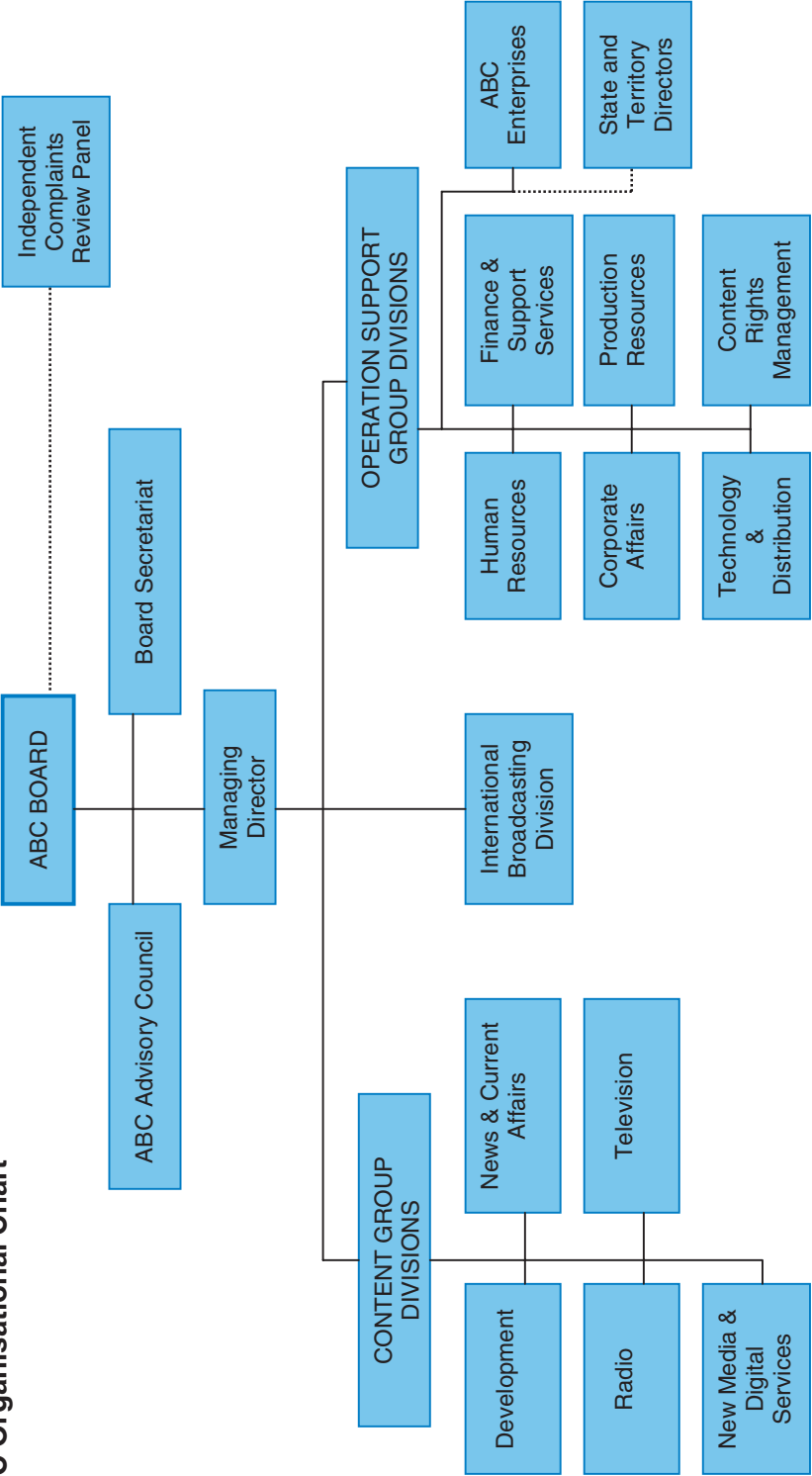
### **Duties of the Board**

**1.9** Section 8 of the ABC Act sets out the duties of the Board. The ABC Board is charged with ensuring the functions of the Corporation are performed efficiently and with the maximum benefit to the people of Australia while maintaining the independence and integrity of the ABC.

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<sup>2</sup> Portfolio Budget Statements 2003–04, *Communications, Information Technology and the Arts Portfolio*, p. 166.

Figure 1.1  
ABC Organisational Chart



## **Other key ABC Act requirements**

### *News and information*

**1.10** Section 27 of the ABC Act requires the ABC to develop, maintain and broadcast daily an independent service of news and information.

### *Corporate Plan*

**1.11** Part IVA of the ABC Act requires the ABC to produce a Corporate Plan covering specific matters, including objectives for the Corporation, as well as overall strategies and policies to achieve the Corporation's objectives to fulfil its functions and to ensure the Board fulfils its duties. In addition, the plan must include such performance indicators and targets (whether financial or operational) as the Board considers appropriate.

### *ABC Annual Report*

**1.12** Section 80 of the ABC Act specifies the matters that must be included in the annual report. In particular, the ABC must report on an assessment of the extent to which the operations of the ABC have achieved its objectives, as specified under the Corporate Plan, and fulfilled the functions of the ABC.

## **Other key legislative requirements**

### *Portfolio Budget Statements*

**1.13** In accordance with the *Commonwealth Authorities and Companies Act 1997* (CAC Act), and the annual budget cycle, the ABC prepares a Portfolio Budget Statement (PBS). This accompanies the appropriations legislation when it is submitted to Parliament for approval. The PBS has a significant planning and goal-setting function, as it is required to present targets for outcomes and outputs of the organisation, coupled with estimates of the resources needed to produce them.

### *CAC Act requirements for Annual Reports*

**1.14** Section 9 of the CAC Act requires an annual report to be presented to Parliament. Section 80 of the ABC Act specifies particular matters that must be reported against. The Commonwealth Authorities and Companies Orders 1998 specifies additional requirements for annual reports. For example, annual reports must contain a review of how Commonwealth authorities have performed in terms of their principal outputs and contribution to outcomes. The presentation of outcome and output information should be consistent with that in the relevant PBS under the arrangements for accrual budgeting.

## *ABC Code of Practice*

**1.15** Under the *Broadcasting Services Act 1992*, the ABC Board is required to develop a Code of Practice relating to programming matters and to notify this to the Australian Broadcasting Authority (ABA). A person may complain to the ABA on the grounds that the ABC has acted contrary to its Code of Practice.

## Overall conclusion of the 2002 audit

**1.16** Overall, the Australian National Audit Office (ANAO) found that:

The ABC Charter sets out the functions and duties of the ABC and defines the qualities of the programs it is required to produce and the outcomes it is required to achieve. The audit did not disclose any evidence to indicate that the ABC does not comply with its Charter requirements. Nevertheless, there was significant scope for the ABC to improve its strategic planning and measurement so that the Corporation can demonstrate just how well it is performing against its Charter requirements.

The arrangements for strategic direction setting were undergoing considerable change at the time of the audit. The ANAO supports the initiatives currently under way by the Board and ABC management that are designed to improve the effectiveness of the strategic planning process by aligning divisional goals with corporate goals, linked to the Charter. Such framework initiatives are necessary but are not, in themselves, sufficient to ensure that they function as they are intended. As in any other public sector organisation, successful implementation will require a culture throughout the organisation that supports such changes. The Board and ABC management have an important role to play in this regard.

The Corporate Plan is the principal instrument of the Board in setting and reviewing the ABC's priorities and performance. The ANAO found that past ABC Corporate Plans have not clearly informed stakeholders of the ABC's corporate objectives, priorities or performance indicators. The new ABC Corporate Plan 2001–04 represents a significant improvement on the previous Corporate Plan. When combined with the improved reporting framework approved by the Board, the Board is better placed to ensure that the programs broadcast on radio, television or provided on-line clearly indicate the Board's interpretation of the Charter and reflect the priorities it has determined.

Board policies and practices were generally in accord with better practice, including the ANAO's Corporate Governance Better Principles and Practices Guide or steps have recently been taken to more closely align them with the Guide.

The organisation structure that has recently been established positions the Corporation well to implement the Board's strategic directions. The internal control and accountability arrangements have been strengthened as part of the planning framework and a new internal budget setting process more closely aligned with Corporate Plan objectives and strategies should enable the Board

and the Managing Director to take strategic and informed decisions on the allocation of resources against defined priorities and performance standards.

The performance information used by management and published in key accountability documents could have been more extensive. Although the ABC collects a wide range of data, there are significant gaps and the data could be used more strategically. For the new planning and reporting framework to be fully effective, work is required to collect and integrate valid and reliable performance information, including financial information, that is aligned with the new Corporate Plan. Improvement is also required in the use of audience research data.

The initiatives that have been taken recently, if accompanied by the commitment and support of the Board, ABC management and staff, should enable the ABC to assure Parliament, through the responsible Minister, that it is meeting its Charter obligations, efficiently and effectively.

**1.17** The ABC, in its response, generally agreed with the overall conclusion. It reiterated that:

Most of the consequent recommendations of the ANAO are consistent with the policies and/or strategic intent of the ABC Board and management. However, the implementation of recommendations will be subject to a progressive rollout.

**1.18** Of the 14 recommendations made by the ANAO, the ABC agreed with 12 and agreed with qualification to the remaining two.

## **Follow-up audit objectives, scope and methodology**

**1.19** The objective of the follow-up audit is to determine the extent to which the ABC had implemented the recommendations from the 2002 audit report and the associated Report 393 produced by the Joint Committee of Public Accounts and Audit (JCPAA). The recommendations from the two reports formed the scope for the follow-up audit.

**1.20** In this follow-up audit, the ANAO examined the report submitted by the ABC to the JCPAA in August 2003 on progress towards implementing the recommendations of the 2002 audit and the JCPAA Report.<sup>3</sup> The ANAO also examined other key ABC documents and reports and interviewed relevant ABC staff at the ABC's offices in Sydney between September and November 2003. The follow-up audit was conducted in conformance with ANAO Auditing Standards and cost approximately \$160 000.

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<sup>3</sup> The ABC has published its submission to the JCPAA in full in Appendix 6 of the 2002–03 ABC Annual Report.

## Report structure

**1.21** The report is organised into five chapters. Chapter 1 provides an overview of the ABC and its operating environment, overall findings and conclusions from the 2002 audit, and the follow-up audit's objective and scope. Chapters 2, 3 and 4 address the ABC's implementation of the 2002 audit recommendations as follows:

- Chapter 2: ABC Corporate Planning—concerning strategic and operational planning within the ABC (Recommendation Nos.1–4 and 10);
- Chapter 3: Independence, accuracy and impartiality—concerning the application of, and adherence to, editorial legislative requirements (Recommendation Nos.5–9); and
- Chapter 4: Performance management—concerning ABC performance measurement, monitoring and reporting (Recommendation Nos.11–14).

**1.22** Chapter 5 considers the ABC's implementation of the three recommendations made by the JCPAA in its review of the 2002 audit report.

## 2. ABC Corporate Planning

*This Chapter considers the ABC's implementation of Recommendation Nos.1–4 and 10 from the 2002 audit concerning strategic and operational planning within the ABC. The ANAO concluded that Recommendation Nos.1 and 3 are on track for timely implementation, Recommendation Nos.2 and 10 have been implemented and Recommendation No.4 has been partially implemented .*

### 2004–07 Corporate Plan (Recommendation No.1)

#### Major findings of the 2002 audit

**2.1** The ANAO concluded that the new *ABC Corporate Plan 2001–04* represents a significant improvement on the previous Corporate Plan. The changes, when fully implemented, have the potential to produce real improvement in the governance and performance of the ABC. The ANAO notes, however, that the monitoring and evaluation of performance in relation to the new plan, especially the defined targets will depend on the successful completion of a range of projects currently under development. These relate to the compilation of valid and reliable performance, including financial, information.

#### Recommendation No.1 from the 2002 audit

**2.2** The ANAO recommends that the ABC's next Corporate Plan:

- (a) address the matter of the strategies and policies that the Corporation will follow to ensure the Board fulfils its duties as required under Section 8 of the ABC Act; and
- (b) include verifiable efficiency and other targets of the expected performance to be achieved during the life of the Plan.

#### Findings of this audit

**2.3** The ABC is currently developing its next Corporate Plan covering the period 2004–07. The ABC is introducing a Corporate Business Plan to accompany the 2004–07 Corporate Plan. The Corporate Plan will contain high-level goals, strategies, performance indicators and targets and be available to the public. The Corporate Business Plan will be primarily a document for internal use within the ABC and will contain strategies, performance indicators and targets linked to, but more specific than, those in the Corporate Plan.

**2.4** A draft of the Corporate Plan 2004–07 was not available at the time of the audit. Nevertheless, the ANAO examined the outline to the proposed



2004–07 Corporate Plan and Corporate Business Plan. It indicates that the Corporate Business Plan will specify the interactions between the Board and the Divisions required to meet Corporate-wide governance requirements. The ANAO considers that the ABC should ensure that these governance requirements extend to the Board's duties under s8 of the ABC Act.

**2.5** The ANAO also examined the performance indicators and targets in the 2001–04 Division Plans for Radio, Television and New Media, which were being prepared during the 2002 audit. They indicate that the ABC is well placed to have performance indicators that improve on those appearing in the 2001–04 Corporate Plan. Nevertheless, scope exists for ABC to include a greater range of efficiency performance indicators for Television, and to a lesser extent, Radio, such as those used in the ABC's international benchmarking survey. These include:

- overhead as a percentage of gross expenditure;
- cost per broadcast hour;
- cost per average number of weekly viewers/listeners; and
- utilisation of production resources.

**2.6** The ANAO has recently tabled an audit on *Annual Performance Reporting* (Audit Report No.11 2003–04) that examined, among other things, the specification and reporting of agency performance indicators and targets in five Australian Public Service agencies. The ANAO suggests that it would be beneficial for the ABC to consider the observations of the Annual Performance Reporting report when developing the 2004–07 Corporate Plan and Corporate Business Plan.

## Conclusion

**2.7** The ANAO considers that the ABC is on track to implement this recommendation when the next Corporate Plan is released in late 2003–04.

## Aligning Portfolio Budget Statements to the Corporate Plan (Recommendation No.2)

### Major findings of the 2002 audit

**2.8** The ABC's 2001–02 PBS can be significantly improved. In particular the PBS does not provide a clear and understandable account of the extent to which the Board expects to achieve the Charter obligations during the year by means of the proposed appropriations.

**2.9** In addition, the day-to-day operational management of the Corporation should be designed to achieve the objectives set out in the Corporate Plan and

connect to the PBS and the annual report. Accordingly, there should ideally be a consistent framework for strategic planning, operational management, and financial and performance reporting.

## **Recommendation No.2 from the 2002 audit**

**2.10** The ANAO recommends that, in order to streamline the planning process and improve the information available to Parliament when reviewing the appropriation proposed for the ABC, future PBSs align more closely with the ABC's Corporate Plan.

## **Findings of this audit**

**2.11** The ABC has attempted to integrate the structure of the 2001–04 Corporate Plan into the PBS by indicating that the three outputs to Outcome 1<sup>4</sup> are supported by the four strategic objectives listed in the Corporate Plan (that is, Relevance and Appeal, Distinctiveness, Organisational Capability and Value for Money).

**2.12** All of the 'Quality' performance indicators listed against Outputs 1.1, 1.2 and 1.3<sup>5</sup> in the 2003–04 PBS can be matched back to the 2001–04 Corporate Plan, including Level and Mix of Genre Content, Genre diversity and industry ranking of ABC Online. However, most of the 'Quantity' indicators in the PBS cannot be matched to the Corporate Plan. For example, indicators such as 'number of broadcast hours' and 'number of radio stations' listed in the PBS cannot be found in the Corporate Plan. The Corporate Plan instead uses terms such as audience share and reach.

**2.13** The ABC indicated that it had previously reported that it had brought the PBS and Corporate Plan documents into appropriate alignment, notwithstanding the fact that certain performance indicators used in the PBS do not reflect exactly those in the Corporate Plan. Indicators such as 'number of radio stations' or 'number of broadcast hours' are useful in demonstrating value for money in the PBS context. However, the performance information does not change significantly, except when, for example, the ABC establishes a new radio station (an infrequent occurrence). As a consequence these indicators are much less useful in the Corporate Plan, which incorporates performance indicators that demonstrate trends measurable over a three-year period.

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<sup>4</sup> Outcome 1 is 'Audiences throughout Australia—and overseas—are informed, educated and entertained'.

<sup>5</sup> Outputs 1.1, 1.2 and 1.3 relate to broadcasting using Radio, Television and New Media, respectively.

**2.14** The ABC also indicated that it intends to further improve the integration of the performance information framework in the 2004–07 Corporate Plan and future PBS and Annual Reports. However, the next review of the PBS is not scheduled until 2005, which is about a year later than the scheduled completion of the Corporate Plan.

**2.15** In the context of improving the ABC's performance information framework, the ANAO considers that it would be beneficial for the ABC to also consider the observations of the Annual Performance Reporting audit report while developing the ABC's next PBS.

## Conclusion

**2.16** The ANAO considers that this recommendation has been substantially implemented.

## IT strategic planning (Recommendation No.3)

### Major findings of the 2002 audit

**2.17** In the absence of a corporately aligned IT planning framework, there is a real risk that technological, not business need, will continue to drive much of the ABC's IT development. Making decisions about divisional specific IT systems and acquisitions without the benefit of a plan for ABC's corporate architecture that would specifically reflect the goals and strategies of the ABC's new Corporate Plan could mean the continuation of problems regarding interdivisional system compatibility and interoperability. The absence of an IT plan specifically designed to implement the new Corporate Plan impedes management's ability to plan the delivery of programming and services, to make informed decisions that support strategic management and achieve the productivity and efficiency improvements that the effective use of IT infrastructure can deliver.

### Recommendation No.3 from the 2002 audit

**2.18** The ANAO recommends that, in order to realise a range of business and accountability benefits from its IT platform:

- (a) the objectives of individual IT projects should be aligned with the strategic direction of the Corporation; and
- (b) consideration should be given in the IT strategic plan to the acquisition of a suitable capability to capture and report on performance information relevant to the ABC's new Corporate Plan.

## Findings of this audit

**2.19** The ABC indicated to the JCPAA in August 2003 that its Corporate IT Strategy had not yet been completed. The ABC cited uncertainty over the ABC's triennial funding, and therefore the funding of IT, as the main reason for the delay.

**2.20** The ANAO considers that the development of the IT Strategy has been slow given that the Strategy provides the framework for selecting, managing and controlling IT projects—irrespective of the funding available for IT projects. It has now been nearly two years since the 2002 audit report outlined the IT strategic planning deficiencies. The ABC does not expect the Strategy to be completed until March 2004.

**2.21** In preparing the Corporate IT Strategy, the ABC has recognised the problems with its previously uncoordinated approach to IT. The current IT environment is substantially unintegrated, with duplication of systems and information. This does not allow for the easy production of corporate-wide data, which results in higher IT support costs. The major change in strategic direction for the next Plan is to integrate corporate information and systems.<sup>6</sup>

**2.22** Representatives from the Technology and Distribution Division indicated that the value of IT projects worthy of funding far exceeds the funding available. The draft Corporate IT Strategy 2004–2006 therefore:

- sets out a number of principles that provide a good framework for information management so activities and decisions can be consistently planned and implemented and systems maintained;
- outlines six strategies necessary to support the ABC's operations; and
- includes criteria for prioritising projects.

**2.23** The Technology and Distribution Division also indicated that funding for new corporate performance management systems would be considered along with that for other IT proposals. However, the former were, generally, of a lower order priority for funding than projects with a more direct operational role (for example, Content Planning and Scheduling systems and ABC Content Storage and Management systems). Nevertheless, one of the principles guiding IT management is that 'Each new IT system and service should be capable of capturing and reporting key performance measures where expressed in the ABC's Corporate Plan'.<sup>7</sup> Consequently, the ABC will rely on the new IT

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<sup>6</sup> (Draft) ABC Corporate IT Strategy 2004–06 Supplementary References, p. 5.

<sup>7</sup> *ibid.* p.33.

systems that it can fund to deliver relevant and timely performance information.

**2.24** The Technology and Distribution Division indicated that it vets IT project proposals using the criteria in the draft IT Strategic Plan and monitors the status of approved projects. However, the ANAO suggests that this approach may not have the necessary authority or rigor in the ABC until the IT Strategy Committee is established, as envisaged under the Plan.

## Conclusion

**2.25** The ANAO considers that the ABC is on track to implement this recommendation late in 2003–04 once the IT Strategic Plan has been completed and the Plan’s governance arrangements for IT have been put in place.

## Schedule management (Recommendation No.4)

### Major findings of the 2002 audit

**2.26** Schedule management in the ABC involves the compilation of a broadcast schedule to continuously give the best mix of genre, timeslot and audience demographic over a given timeframe. As well as putting together a schedule of programs to broadcast, schedule management also involves a review of performance against set program objectives revealed by regular day-to-day monitoring and longer-term evaluation of the performance of individual programs.

**2.27** The ABC’s approach to schedule management underwent some change during the audit and the ANAO supports the reforms in progress. However, there remains scope for further improvement.

### Recommendation No.4 from the 2002 audit

**2.28** To improve decision-making in schedule management and enable better measurement and reporting of achievement against Charter obligations, the ANAO recommends that the ABC:

- (a) integrate financial information and performance information at the planning phase of schedule management;
- (b) improve the specification of program objectives, including setting qualitative and quantitative targets directed at higher standards of performance, including increased reach and share; and
- (c) make better use of time series information and information about the behaviour and attitude of audiences and those who do not use ABC services, including time use analysis information.

## Findings of this audit

**2.29** The ABC, in its progress report to the JCPAA, indicated that it had implemented this recommendation, as evidenced by the results from audits conducted into Television, Radio and New Media commissioned by ABC Group Audit.

**2.30** The ANAO examined the relevant audit reports and their supporting working papers. The ANAO determined that it would place reliance on the findings of the Radio and New Media commissioning audits, as audit coverage was sufficient to address Recommendation No.4. However, the ANAO decided to conduct additional fieldwork into Television commissioning, as ABC audit coverage did not extend to the full gamut of Television scheduling. The ABC Group Audit also conducted their fieldwork some 18 months ago while the television commissioning process was evolving.

**2.31** The ANAO's findings concerning commissioning in Radio, New Media and Television are outlined below.

### *ABC Radio*

**2.32** Radio Network Plans indicate that focus groups for each network are conducted regularly and the results integrated into Network program scheduling.

**2.33** ABC Group Audit found that the Radio commissioning process was generally being adhered to. Specifically, ABC Group Audit found that:

- ongoing and new programs go through the Radio Commissioning process at least once annually;
- program proposals are guided by the strategies and targets in Radio Network Plans or Station Plans (in the case of ABC Local Radio);
- program proposals are costed;
- in the case of ongoing programs, they contain performance data (averaged for 12 months) including audience reach and share, production criteria, ABC Charter requirements and performance indicators included in Network and Divisional Plans; and
- in the case of new programs, the program's five-city audience target are being set for both reach and share for the next 12 months.

**2.34** Significantly, ABC Group Audit found that commissioning proposals did not contain:

- in the case of new and ongoing programs, a comparison of proposed program costs per broadcast hour against appropriate internal and/or external benchmarks; and
- in the case of ongoing programs only, a comparison of proposed program costs per broadcast hour against prior years costs and/or a comparison of total program budgets between years.

**2.35** The ABC indicated that an ABC Group Audit recommendation to ABC Radio to address these shortcomings has since been actioned satisfactorily.

### *New Media*

**2.36** Reports on the New Media Division Plan (in a performance monitoring context) and the Content Plans (in a forward planning context) evidence the range of research available and used within the Division.

**2.37** ABC Group Audit found that the New Media Content Plans produced annually for each gateway (that is, genre) provided a strong link between the New Media Division Plan and New Media programs. The Content Plans for each gateway outlined, among other things:

- the available funding and staff;
- the content required for the year;
- projects underway and to be commissioned;
- links and cross-promotional activities between other ABC Divisions and stakeholders external to the ABC (for example, the Department of Education, Science and Training in respect of the 'Science' gateway); and
- the current and target audience and 12 month projection.

### *ABC Television*

**2.38** ABC Television programming and scheduling documentation clearly indicates the importance of audience research and other social studies to the Television scheduling process.

**2.39** ABC Television applies a top-down approach to setting the Television schedule. At a broad level, genre categories are first allocated to time-slots over a standard week. This forms a viewing template on which ABC programming is based week to week. Then, depending on the funding available, ABC Television fills the genre categories with relevant programs that the ABC produces or co-produces, acquires from others or has in its available inventory



(for example, re-runs).<sup>8</sup> The Director of Television authorises the programming strategy and the programs to be broadcast to meet the strategy.

**2.40** The ANAO noted that there is currently little evidence to indicate that the Board is formally informed whether the television programs scheduled for broadcast are expected to meet the Corporate objectives for which the Board is accountable.

**2.41** In light of the ANAO's observation, ABC Television proposed to formalise existing processes to evidence that the Managing Director, and through him, the Board, is kept informed that television programming meets corporate performance objectives. In this context, the ANAO supports the ABC Television proposal, which would see the Director of Television:

- briefing the Managing Director at the time the generic schedule is completed, noting that this meets Charter, Corporate and Divisional plan performance requirements. The Managing Director could then forward this information to the Board for noting;
- briefing the Managing Director at the time of the annual television 'launch' announcements, advising in general terms that programming meets Charter, Corporate and Divisional plan performance requirements (subject to areas where programming is yet to be completed). Again, the Managing Director could then forward this information to the Board for noting; and
- providing updates in the monthly Governance reports to the Board, when necessary, noting any significant initiatives that will keep Television on track to meet performance requirements or noting issues that will have an impact on the ability of Television to meet its obligations.

**2.42** The ANAO examined the Television program commissioning process and found that each produced or co-produced program follows a standard commissioning process before being produced. It is during this process that all issues concerning the production, including amount and source of funding, production facilities and budgets, delivery dates and broadcasting rights are determined. The ANAO noted that ABC Television tracks the cost of each commissioned and acquired program against its own budget, and the total cost of all commissioned and acquired programs against the total Television programming budget.

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<sup>8</sup> News and current affairs programs are produced and funded by the News and Current Affairs Division. ABC Television quarantines time in the schedule for news and current affairs programs.



**2.43** However, the ANAO found that, with one exception, commissioning proposals contained no information indicating how the cost of these proposals compared to earlier series of the same program (applicable to most of the commissioning proposals examined by the ANAO); and contained no production cost benchmarks for the various genre. Consequently, the ABC did not have the best information available to it to ensure the reasonableness of estimated production costs.

**2.44** The commissioning proposal exception was a brief to the Board seeking their approval to acquire a new series of a long-running serial drama.<sup>9</sup> The ANAO found that the Board briefing document prepared by ABC Television compared the new agreement to the previous one in terms of price, and included an estimate of what the commercial broadcasters pay per hour for like programs (and what they would be prepared to pay for this program).

**2.45** ABC Television indicated during the audit that the commissioning process now requires budgeted production costs to be compared against a like program, or previous series, for all produced or co-produced programs.

## Conclusion

**2.46** The ANAO considers that Recommendations (a) and (b) have been implemented by the Radio and New Media Divisions, but only partially implemented by the Television Division. Recommendation (c) has been implemented by all three Divisions.

## Inter-divisional service arrangements (Recommendation No.10)

### Major findings of the 2002 audit

**2.47** The provision of news and current affairs programs involves not only the generation of editorial content by the News and Current Affairs Division, but a broader process of ABC decision-making about formats, scheduling, interfaces with other program content, resource priorities, presentation style and staffing. These matters are of direct concern to the managements of the Radio, Television and New Media divisions.

**2.48** An optimum way of generating such inter-divisional cooperation and accountability is through the negotiation of service level agreements or other documented arrangements that clearly reflect the varying objectives, mutual obligations and quality assurance imperatives of the different elements of the chain of production and presentation. The ABC advised the ANAO that such

<sup>9</sup> Board approval was required as the cost of the acquisition exceeded the delegations of the Director of Television.

service level agreements were under negotiation between the News and Current Affairs Division and the three output divisions.

### **Recommendation No.10 from the 2002 audit**

**2.49** The ANAO recommends that, in order to assist the monitoring of the effectiveness of the inter-divisional service arrangements for news and current affairs:

- (a) the ABC progress without delay the conclusion of the service agreements between the News and Current Affairs Division and the three output divisions; and
- (b) the service agreements be subject to an evaluation process each year.

### **Findings of this audit**

**2.50** After some delay, the service level agreements/administrative arrangements between the News and Current Affairs Division and the Radio, Television and New Media Divisions were completed and implemented in early 2003–04.

**2.51** The Radio and Television Service Level Agreements establish some formal feedback arrangements between these Divisions and the News and Current Affairs Division at either monthly or quarterly intervals. These Service Level Agreements also explicitly note that they are subject to review annually. The New Media Administrative Arrangement contains an option to review the arrangement after it has been in operation for 11 months.

**2.52** The Directors of News and Current Affairs, Radio, Television and New Media indicated that the agreements/arrangements are working effectively and any issues raised during the year will be addressed at that time or when agreements are reviewed annually.

### **Conclusion**

**2.53** The ANAO considers that this recommendation has been fully implemented.

### 3. Independence, Accuracy and Impartiality

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*This Chapter considers the ABC's implementation of Recommendation Nos.5–9 from the 2002 audit concerning the application of, and adherence to, editorial legislative requirements. The ANAO concluded that Recommendation Nos.5, 6 and 9 have been implemented and Recommendation Nos.7 and 8 have been partially implemented.*

#### Adherence to *Editorial Policies* (Recommendation No.5)

##### Major findings of the 2002 audit

**3.1** The concepts of independence, accuracy and impartiality are used extensively in the ABC's corporate documents to describe the requirements it imposes on the production of news and information programs. The qualities of 'accuracy' and 'impartiality' are enjoined in the ABC Act at s8; the quality of 'independence' is less directly referred to in s8 but quite explicitly in relation to the service generally in s27.

**3.2** The editorial standards documents reflect concrete efforts on the part of the ABC to clarify the professional standards and approaches required of the ABC as a public broadcaster meeting a very wide range of public interests in information. However, consideration could be given to improving the presentation of the programming standards in the *Editorial Policies* and other documentation by, among other things, highlighting the legislated standards.

##### Recommendation No.5 from the 2002 audit

**3.3** The ANAO recommends that, in order to improve reporting on the achievement of programming standards that have legislative force— independence, accuracy and impartiality—and to assist ABC personnel have a clearer understanding of what such standards mean in practice, the ABC develop appropriate reporting methodologies and arrangements that clearly differentiate the legislated standards from the other ABC editorial standards.

##### Findings of this audit

**3.4** The ANAO found that the ABC has introduced a number of reporting methodologies and arrangements to improve the reporting of the ABC's adherence to *Editorial Policies*. These include a regular certification process to the Board, clarifications made to the *Editorial Policies* and regular public disclosure of the ABC's adherence to editorial legislative requirements.

**3.5** The ANAO found that the Directors of each Division prepare Governance Reports for the Board each month, that contain certifications that

to the best of their knowledge, Divisions are, among other things, complying with *ABC Editorial Policies* and *Code of Practice*. The reports also contain sections describing, where applicable, any events or complaints that could bring into question each Division's adherence to *Editorial Policies* and *Code of Practice*.

**3.6** The *Editorial Policies* document, significantly revised in August 2002, now indicates that the statutory duties of the ABC Board include maintaining the independence and integrity of the ABC and ensuring the accuracy and impartiality of news and information.

**3.7** In March 2003, the ABC introduced quarterly publication of ABC Audience Comments and Complaints on its Internet website. It contains statistics on the number of compliments, contacts and complaints—with the latter categorised according to subject. One of the subject groupings is 'matters of fairness, accuracy and independence', which relate to the legislative requirements of independence, accuracy and impartiality. The details of all upheld complaints are also published on the ABC's Internet website.

## **Conclusion**

**3.8** The ANAO considers that this recommendation has been fully implemented.

## **Single statement of broadcasting standards (Recommendation No.6)**

### **Major findings of the 2002 audit**

**3.9** Presented as part of the ABC's *Editorial Policies*, though as an appendix, is an 'ABC Code of Practice for Broadcasting Programs'. This appendix is the document relating to 'codes of practice for programming matters' required to be notified by the ABC Board to the Australian Broadcasting Authority (ABA) under s8(1)(e) of the ABC Act. The Codes have a statutory based role to play in ABA consideration of certain complaints that may be made against the ABC.

### **Recommendation No.6 from the 2002 audit**

**3.10** The ANAO recommends that, in order to reduce confusion and improve consistency and the clarity of documentation, the ABC produce a single statement of the required broadcasting standards, for use both within the ABC and for the purposes of notification to the ABA of the *Code of Practice* required under the ABC Act.

## Findings of this audit

**3.11** The Board adopted a major revision of *ABC Editorial Policies* in August 2002. This revision was underway, but not completed, during the 2002 audit.

**3.12** The ANAO compared the *Code of Practice* to the *Editorial Policies* and found that, like their predecessors, the *Editorial Policies* and *Code of Practice* are still separate statements. Nevertheless, the ANAO noted that the consistency of the language and terminology between the two statements has improved markedly. Of the provisions in the *Code of Practice*, most have the same or similar wording in the *Editorial Policies*.

**3.13** The Board has periodically sought a 'stocktake' of the existing *Editorial Policies* to evaluate the process of implementation and determine whether significant issues need to be addressed. The ABC has indicated that the format and presentation of the ABC's *Editorial Policies* would be examined to ensure a clear distinction between matters of policy and guidelines for staff. This will be addressed in the next full review of the *Editorial Policies* expected in 2005 (which is consistent with the established pattern of conducting major reviews about every three years).

**3.14** In any event, the ABC indicated that it does not envisage the creation of a single statement because the Code has a particular legislative status, while *Editorial Policies* cover additional matters.

## Conclusion

**3.15** The ANAO considers that although a single statement of broadcasting standards has not been developed, the thrust of the requirements of the recommendation—to reduce confusion and improve consistency and clarity—has been substantially achieved. Nevertheless, a single statement would better demonstrate this clarity and ensure that alignment is maintained as the *Editorial Policies* are revised from time to time.

**3.16** The ABC indicated that any future refinement of *Editorial Policies* would involve a review of the Code to ensure that the language of each reflects the other.

## Editorial arrangements (Recommendation No.7)

### Major findings of the 2002 audit

**3.17** The ABC *Code of Practice* for Broadcasting Programs contains separate section dealing with 'News, Current Affairs and Information Programs' and 'News and Current Affairs Programs'. The ANAO noted that the content of these sections overlaps with, and provides concrete specification of elements of, material in the *Editorial Policies*. The guidance they provide also extends the

concepts of impartiality and balance beyond the discussion in the *Editorial Policies*.

### **Recommendation No.7 from the 2002 audit**

**3.18** The ANAO recommends that, in order to strengthen existing editorial arrangements, the ABC clarify the following:

- (a) the differences between news and current affairs as generic program titles and news and current affairs as specific programs produced by the News and Current Affairs Division;
- (b) the status of 'information' programs and the applicability of the *Editorial Policies* to them; and
- (c) responsibility for reporting within the Corporation about the independence, accuracy and impartiality of the ABC's information programs.

### **Findings of this audit**

**3.19** Revisions made to the *Editorial Policies* since the 2002 audit now provide sufficient clarity on their applicability to the news and current affairs genres. However, there is still some ambiguity over the applicability of certain editorial policies to particular information programs produced outside of the News and Current Affairs Division.

**3.20** Changes to *Editorial Policies* now require information programs to be separated into two categories: information programs comprising both news and information relating to current events; and those relating to factual programs (for example, sport, lifestyle, history). Different editorial policies apply to each category. News and Information programming is subject specifically to the legislative requirements of independence, accuracy and impartiality. The separation of information programs in this way is based on legal advice obtained by the ABC after the 2002 audit.<sup>10</sup>

**3.21** Although, *Editorial Policies* clarify their applicability to different categories of information programs, its practical application is more problematical. As the meaning of the term 'news and information relating to current events' is not defined, there is a risk that the relevant editorial policies may not be consistently applied across the two categories of information programs. The ANAO considers that the ABC should, as a priority, clarify its

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<sup>10</sup> The legal advice indicates that the term 'information' in s8 and s27 of the ABC Act means 'information programs comprising both news and information relating to current events'.

meaning of ‘news and information relating to current events’ or specify which of the categories each of its information programs falls into.

**3.22** Responsibility for reporting internally on the ABC’s adherence to the legislative requirements of independence, accuracy and impartiality lies with the Directors of each ABC Division. Each month, the Directors certify to the Board that, to the best of their knowledge, their Divisions are complying with *ABC Editorial Policies* and the legislative requirements of independence, accuracy and impartiality.

## Conclusion

**3.23** The ANAO considers that Recommendations (a) and (c) have been fully implemented and Recommendation (b) has been partially implemented.

### *Summary of ABC response*

**3.24** *ABC Editorial Policies* (2002 edition) clearly differentiates between News and Information programming (including Current Affairs) and other types of Factual Content. However, there is a limit to which *Editorial Policies* or any other policy framework can be prescriptive for every situation. The ABC considers that the *Editorial Policies* are sufficient to enable program makers and managers to make reasonable judgements as to what standards must be applied to the hundreds of ABC programs that are broadcast daily through Australia and internationally.

**3.25** The ABC will nonetheless examine further the definition of News and Information programming in the context of the next scheduled review of *ABC Editorial Policies*. But, at this time, it is doubtful that any refinement will serve to lessen further any risk of inconsistent application. The full text of the ABC’s response can be found at Appendix 1.

## Program Quality Reviews (Recommendation No.8)

### Major findings of the 2002 audit

**3.26** Internal program quality reviews were undertaken systematically by the News and Current Affairs Division, for both radio and television programs. However, the quality reviews for radio and television news bulletins did not assess programs directly around the Charter concepts of independence, accuracy and impartiality. Current affairs and information programs generally, did not appear to be subject to the same process of regular quality review.



## Recommendation No.8 from the 2002 audit

**3.27** The ANAO recommends that, in order that the Board is more able to assure itself and Parliament about the achievement of legislative requirements for the ABC's news and information programs, the ABC:

- (a) extend the current system of quality review to include an assessment of the Charter requirements of independence, accuracy and impartiality and use the data to generate appropriate reports to the Board on the achievement of these requirements; and
- (b) apply a similar extended system of quality review to ABC current affairs and information programs, including information programs produced outside the News and Current Affairs Division.

## Findings of this audit

**3.28** ABC management undertakes program quality reviews after a program has been broadcast. They are designed to provide formal assurance that programs are meeting their brief, that program content adheres to *Editorial Policies* (including the Charter requirements of independence, accuracy and impartiality) and that high production values (for example, lighting, sound) are maintained.

**3.29** The ANAO considered program quality reviews in the context of the broader editorial control exercised over news and information programs broadcast by the ABC. The ANAO found that the ABC has systems and processes in place to ensure the independence, accuracy and impartiality of news and information before it is broadcast. These include:

- experienced professional staff appropriately assigned to programs;
- assigning editorial responsibility to senior program management for every broadcast;
- 'upwards referral' of editorial issues as appropriate, to senior News and Current Affairs management independent of programs; and
- production technology that supports the accuracy, integrity and monitoring of broadcast content through all production stages.

**3.30** A limited examination by the ANAO confirmed that these pre-broadcast systems and processes are operating as intended.

**3.31** In October 2002, an information paper was prepared for the Board that summarised progress and planning for program quality reviews conducted by the News and Current Affairs Division. The report reiterated that formal reviews on all the news and current affairs programs were to occur from the



start of 2003. The frequency of the reviews would range from monthly to twice yearly depending on the nature of the program. Reviews would specifically address independence, accuracy and impartiality as well as other *Editorial Policies*, the program brief and production values. Serious issues arising from program quality reviews were to be reported in the monthly governance reports to the Board. A new section on program quality reviews was to be included in ABC annual reports.

**3.32** The ANAO found that program quality reviews are being conducted regularly and in a professional manner. The reviews are addressing compliance with *Editorial Policies* including legislative issues of independence, accuracy and impartiality. The ANAO observed that there is an appropriate mix of staff involved in the reviews. This includes senior editorial managers independent of the programs, as well as program management and staff. Staff discussions indicate that the program reviews are fulfilling a range of useful functions. They provide a forum for immediate feedback to production staff, are a tool for program monitoring by senior editorial managers, and promote general staff awareness on quality issues.

**3.33** However, the ANAO noted that formal documentation of the reviews was inconsistent. Although some reviews specifically addressed programs' adherence to *Editorial Policies*, others documented editorial policy issues on an exception basis. Given the legislative requirements of independence, accuracy and impartiality, it would seem prudent to formalise the structure of review reports to always include specific reference to the adherence to *Editorial Policies*. Increased consistency, in the format of program quality review reports, would also assist summary reporting of their results and trend analysis. The ABC indicated that it has since acted to make the format of these reports consistent.

**3.34** The ANAO observed that reports to the Board contained occasional updates about the program quality reviews. Also, monthly Governance Reports to the Board were noted to contain an explicit statement from each Director that their Division adhered to *Editorial Policies*. However, in regard to progress, no summary information on program quality reviews against planned activity, as described in the October 2002 paper, had been supplied to the Board. To provide additional assurance, the ANAO considers that summary quantitative and qualitative information on the results of the program reviews could be reported annually to the Board. This would facilitate evaluation of issues such as frequency, coverage and scope. Summary qualitative information might address notable trends and provide the basis for future planning of program quality reviews.

**3.35** In regard to annual reporting for 2002–03, the ANAO noted that the News and Current Affairs Division included general qualitative information about program quality reviews, including that no serious issues had been

uncovered. Future annual reporting by the ABC may also benefit from the inclusion of summary quantitative information.

**3.36** The ABC has extended its program quality reviews to all programs produced by the News and Current Affairs Division. In addition, program quality reviews for news and information programs on ABC On-line began in November 2003. For programs produced outside the News and Current Affairs Division, the ANAO was advised that program quality review coverage has been extended to those information programs categorised as ‘comprising both news and information relating to current events’ (see comments against Recommendation No.7). However, at the time of the audit, the ABC had not explicitly identified which of its information programs fell into this category.

**3.37** In addition, as the ABC has not defined the meaning of the term ‘news and information relating to current events’, there is a risk that formal program quality reviews may not be undertaken for all relevant information programs. The ANAO considers that this issue would be rectified should the ABC implement the action suggested at Recommendation No.7.

**3.38** Although not examined by the ANAO in great detail, documentation for program quality reviews for information programs produced outside of the News and Current Affairs Division does not appear to address programs’ adherence to *Editorial Policies*, including the Charter requirements of independence, accuracy and impartiality. Further, there has been no recent reporting to the Board on program quality reviews conducted outside of the News and Current Affairs Division.

## **Conclusion**

**3.39** The ANAO considers that Recommendation (a) has been fully implemented and that Recommendation (b) has been partially implemented. In reviewing the issues relating to the original recommendation and implementation progress to date, the ANAO has made a new recommendation in this regard.

### **Recommendation No.1**

**3.40** The ANAO recommends that:

- (a) all formal program quality reviews of news and information programs conducted by the ABC, regardless of their origin, explicitly address the Charter requirements of independence, accuracy and impartiality; and
- (b) the ABC communicate the results of reviews, and progress against the planned program quality review program, regularly to the Board.

*ABC response*

**3.41** Agreed. As noted by the ANAO, the ABC has acted to make sure that documentation of program quality reviews is consistent across News and Information programs. The Corporation remains committed to ensuring that the results of the ongoing schedule of program quality reviews are reported appropriately to the Board.

## Audience feedback (Recommendation No.9)

### Major findings of the 2002 audit

**3.42** The ANAO was satisfied that the ABC's administration of complaints was generally satisfactory. However, it was suggested that some improvements could be made to more closely align with better practice criteria. The reference for this was a 1999 consultants review of ABC complaints handling.

**3.43** The ANAO concluded that the Board could be better informed of the full picture about audience feedback (not merely feedback of a complaints nature) in regard to the ABC's news and information services. This suggestion encompassed audience surveys, also comprehensively addressed in Recommendation Nos.12–14.

### Recommendation No.9 from the 2002 audit

**3.44** The ANAO recommends that, to enable the Board to assure itself that the ABC is delivering a news and information service that is independent, accurate and impartial, the material regularly presented to the Board on the basis of audience feedback be improved by addressing the issues of independence, accuracy and impartiality which should be supported by appropriate statistical surveys or other analysis.

### Findings of this audit

**3.45** The ANAO found that the ABC has instituted comprehensive processes to provide information on audience feedback regularly to the Board. Each month, the Audience and Consumer Affairs (ACA) section reports to the Board on the numbers and nature of audience contacts for the month. Audience contacts, including appreciation and complaints, are analysed for the events or issues that instigated the contact and any significant trends are identified. ACA also prepares an analysis of the month's complaints for the Board that separately identifies Bias/Balance and Factual inaccuracy complaints. The details of all upheld complaints, including those determined by the ABA, are also reported to the Board.

**3.46** The Board also receives periodic audience survey information such as *Newspoll* statistical surveys. These address, among other things, general audience perceptions on compliance with the Charter requirements such as balance and even-handedness. The *Newspoll* survey also addressed community perceptions of particular ABC news and information programs in this regard.

**3.47** As reported in the 2002–03 Annual Report, 186 363 audience contacts were logged. These comprised 44 408 complaints, 21 759 appreciation and 120 196 other contacts (such as requests for information and suggestions). *Newspoll* audience survey results for 2003, had 81 per cent of respondents indicating that the ABC does a good job of being balanced and even handed, and only nine per cent indicated the ABC was doing a poor job.

**3.48** In its August 2003 submission to the JCPAA, the ABC reported that it had made significant changes to its complaint handling processes. Consequently, the ANAO examined these revised processes in some detail.

### **Complaints handling at the ABC**

**3.49** Changes to complaints handling in August 2002 have significantly enhanced the management of complaints in the ABC. ACA now provides an effective complaints management role that is independent of program makers. Within the ABC, ACA coordinates responses to complaints, examines their quality and prepares the correspondence to complainants. ACA also prepares regular reports for the Board, management and the public. The ANAO found that ACA is adequately resourced, and is professionally skilled, in complaints handling. The appointment of a Complaints Review Executive (CRE), in November 2002, added an extra layer of review to the overall process. This person has expertise in the *Editorial Policies* and, although internal to the ABC, is independent of the day-to-day program management. The introduction of a quarterly public report on complaint handling on the ABC's website from March 2003 has also enhanced the transparency and accountability of ABC complaints handling.

**3.50** The ABC has a tiered structure for complaints handling. This is an effective and efficient strategy because it caters for a high volume and wide variety of complaints. Complainants with serious issues can seek to escalate their complaints to increasingly independent expert reviewers up to and including the ABA. For written complaints, the major complaints handling tiers are: ACA, the CRE, the Independent Complaints Review Panel (ICRP) and the ABA.

**3.51** Complaints examined by the ANAO that were handled by ACA, CRE and ICRP, were processed in accordance with the procedures outlined in the *Editorial Policies*. The ANAO did not assess whether individual adjudications

were correct but did assess evidence of appropriate consideration being given. Available documentation suggests that management and program staff of the News and Current Affairs Division are generally responsive to complaints and act to address issues upheld or of concern. Crucial documents such as complaint letters and final responses are routinely retained in hardcopy or electronic form. However, other documents such as internal emails from program areas responding to complaints are less systematically retained, although program areas may retain these documents. The ABC is in the process of purchasing a new electronic document handling system that will provide a range of enhanced functions. The ABC should consider, where practical and cost-effective, retaining internal correspondence routinely for quality assurance purposes.

**3.52** For a complaints handling process to work well, complainants, stakeholders and the general public must have confidence in its workings. Complaints should be reviewed as objectively as possible through meeting professional standards and community expectations. The cornerstones to fostering and maintaining confidence are the independence, impartiality and professional bearing of those who review the complaints; the transparency of the complaints review process; and adherence to natural justice principles. These cornerstones are generally evident through the different tiers of review in ABC complaints handling—ACA, CRE and ICRP.

**3.53** Although implicit in the operations of the complaints handling process, the ANAO sees merit in the Program Complaints section of the *Editorial Policies* being more explicit on how the ABC would ensure that natural justice principles would be adhered to in each review tier. The *Editorial Policies* make it clear that program makers review the original complaints and have an opportunity to provide draft comments that are taken into account in the responses. However, the *Editorial Policies* are not as clear when the ABC can seek further information from complainants. Another issues is whether this additional information should also be reviewed by program makers to allow them an opportunity to comment.

**3.54** The ANAO also observed that the *Editorial Policies* were ambiguous in terms of the role of the Managing Director in vetting review reports from ICRP. The Managing Director does not edit ICRP reports. His role is to be informed of their contents before they are issued to the complainant and others, and then made public. The next revision to the *Editorial Policies* should better clarify the Managing Director's role.

**3.55** The ANAO review of recent ICRP cases noted that some took up to four months to complete from initial referral. Nevertheless, responses averaged less than 60 days and only two of the nine complaints completed in 2002–03, took greater than 60 days to respond. Reasons for the delays included panel members being unavailable, especially around Christmas/New Year, the

period between scheduled ICRP meetings, and delays in receiving legal waiver forms from complainants. Although the over 60 days responses are in the minority, complainants should be made explicitly aware of procedures or events that may delay completion. Complainant correspondence indicates that complainants may not routinely be aware of procedural requirements that impact on the timeliness of final responses.

**3.56** The ABA reviews complaints relating to the ABC's *Code of Practice*, where complainants are dissatisfied with ABC responses. As noted in the 2002–03 Annual Report, 10 matters were considered by the ABA in 2002–03 (17 in 2001–02 and 20 in 2000–01), with one breach of the *Code of Practice* upheld (six in 2001–02 and 10 in 2000–01). The upheld breach related to the ABC's failure to respond to a complainant within 60 days. As noted in the ABC's 2002–03 Annual Report, the ABC received 12 391 written/email complaints of which 73 per cent were responded to with 28 days. Only 1.4 per cent of responses took greater than 60 days. These occurred mainly in peak complaint periods.

**3.57** The ABC Board is receiving useful and timely information on complaints handling to enable monitoring of compliance with legislation and *Editorial Policies*. For the purposes of reporting to management, the Board and the public, the ABC categorises the complaints it receives. Although complaints involving serious allegations of bias or factual accuracy are categorised correctly, there is a risk that less serious allegations may be categorised inconsistently. This has implications for the quality of the information presented to the Board and published in the Annual Report. The current complaints 'subject' categories, on the complaints management system, are not mutually exclusive and combine categories of legislative significance with many others (47 categories in total). There is a resulting mix of complaints subjects by 'cause' and 'genre'. When categorising complaints, data entry operators are required to choose between bias/balance and factual accuracy, versus various program genres, sex and sexuality, management issues, and so on. As part of the introduction of a new complaints document system, ACA has initiated a review of subject categories. This should reduce the overall number and create separate fields for cause and genre. The ANAO supports this initiative.

**3.58** The ANAO found that the ABC has a complaints handling system that meets the broad criteria for better practice, as outlined in the Commonwealth Ombudsman's *A Good Practice Guide for Effective Complaint Handling*. The criteria categories assessed were: Commitment, Fairness, Access, Responsiveness, Effectiveness and Accountability.



**3.59** Available comparative information suggests that the ABC complaints handling process is at least equal to processes in other major public broadcasters around the world. During 2002–03, ACA compared the ABC’s complaints system to a range of media organisations including the BBC, CBC (Canada), PBS (USA), SBS and Australian commercial television networks. The complaints role of industry organisations, such as CTVA for commercial television and the Press Council of Australia for newspapers, was also considered. As is appropriate for a publicly funded broadcaster, the ABC is significantly more transparent and comprehensive in complaints handling and reporting than its commercial counterparts.

**3.60** The ABC has put structured activities and plans in place to continually review the effectiveness of its complaints handling system. For instance, the Board Editorial Policies Committee has a standing agenda item for a bi-annual review of complaints handling, including proposals to enhance the system. From time to time, the ABC also compares its complaint handling practices with those of relevant organisations nationally and internationally (such as the exercise cited above). In line with better practice, the ANAO encourages the ABC to continue developing its use of structured planning techniques such as gap analysis. This is particularly useful for identifying information deficits, emerging areas of risk and planning future quality assurance activities.

**3.61** The ANAO considers that the ABC complaints handling process adequately supports the achievement of legislative requirements and compliance with *Editorial Policies*. The ABC has an accessible, responsive and transparent process for handling complaints that relate to issues of independence, accuracy and impartiality. The ABC currently has a comprehensive and reliable reporting process to inform the Board, senior management and the public of recent complaints. This includes details of complaints reviews that consider issues of legislative significance such as independence, accuracy and impartiality.

## Conclusion

**3.62** The ANAO considers that this recommendation has been fully implemented.

## 4. Performance Management

*This Chapter considers the ABC's implementation of Recommendation Nos.11–14 from the 2002 audit concerning ABC performance measurement, monitoring and reporting. The ANAO concluded that Recommendation Nos.11 and 12 have been partially implemented and Recommendation Nos.13 and 14 have been implemented.*

### Outputs/outcomes-based financial and performance information (Recommendation No.11)

#### Major findings of the 2002 audit

**4.1** The ANAO concluded that there is scope for the ABC to better align its internal performance measuring, targeting and reporting framework with its financial management system so that the ABC has just one performance measuring, targeting and reporting framework that also satisfies the external requirement for an outputs-based system of accrual budgeting and accounting determined by the government and endorsed by Parliament for all Commonwealth authorities. This integration could be achieved in large measure by the use of a valid and reliable system for the classification of output, such as the new system of genres, IT software to combine performance information about the quantity of output broadcast, audience reach and share achieved, other relevant performance information and the financial data maintained on the ABC's SAP Financials suite of systems.

#### Recommendation No.11 from the 2002 audit

**4.2** The ANAO recommends that the ABC:

- (a) align its internal performance measuring, targeting and reporting framework with the external performance reporting requirements of the outcome, outputs-based system of accrual budgeting and accounting; and
- (b) refine its management information systems to incorporate both financial and non-financial information using this framework.

#### Findings of this audit

##### *Performance measurement and reporting*

**4.3** The ABC considers that its Corporate Plan is the primary document against which the ABC demonstrates its performance and accountability. Nevertheless, the ABC acknowledges the importance of the PBS as the



common means that Parliament uses to hold all Commonwealth departments and agencies to account for their performance.

**4.4** The PBS has a significant planning and goal setting function, as it presents to the Parliament targets for outcomes and outputs of an organisation, coupled with estimates of the resources needed to produce them. Better practice would suggest that an organisation's management should, as a minimum, regularly monitor their organisation's achievements against the financial and performance indicators and targets, as they appear in the PBS. Some of this monitoring could occur on an exception basis, where performance is only reported to management when an indicator/target is at risk of not being achieved.

**4.5** Historically, ABC management and accountability has been structured on a divisional basis (see Figure 1.1). In the ABC, this does not easily align with the reporting against the outputs/outcomes framework of the PBS. However, since the 2002 audit, the ABC has continued to improve the type and reliability of the performance information that is regularly presented on an outputs/outcomes basis to the ABC Board. From May 2002, the ABC introduced six-monthly Corporate Indicators Reports for the Board that report on the ABC's performance according to Output/Outcome measures in the PBS.

**4.6** The ANAO found that the ABC regularly monitors its performance against PBS performance indicators (and the more specific targets set in the ABC Divisional Plans). In addition, ABC performance is regularly reported to the Board, at least on an exception basis.

**4.7** However, the ANAO did observe that the Board monitors some performance indicators in a format different to the way they are reported externally. For example, the Board monitors weekly reach for Television whereas performance published in the Annual Report refers to four-weekly reach. The ANAO considers that the risk in having different reporting formats is that the Board may not be fully aware of the performance nuances disclosed by the different indicators.

**4.8** The ABC indicated that the next Corporate Plan will have a fully integrated set of performance measures and to streamline information, it is expected that reporting will be largely on an exceptions basis. This will result in the Board receiving twice-yearly reports that will detail what Corporate Plan targets are not being met or are in danger of not being met, the reasons behind these results and actions being taken to address the circumstances. The same report will provide an overall snapshot of how performance is tracking against high-level indicators and key result areas.

**4.9** The ANAO supports the ABC's proposed internal performance reporting framework but considers that it should also be extended to cover reporting against PBS performance measures, at least on an exception basis.

Better practice suggests that, as a minimum, monitoring should occur in the format in which the performance indicators will be reported externally. This does not preclude more frequent reporting to the Board on any performance issue that ABC management considers the Board should be aware of, or where corrective action requires the Board's approval.

#### *Outputs/outcomes financial reporting*

**4.10** Although the Parliament appropriated funding to each of the ABC's three Outcomes, the ABC determined the allocation of funding for Outcome 1 to each of its three outputs (that is, Radio, Television and New Media). The ABC based the allocations on a costing allocation model developed as part of the Output Pricing Review into the ABC's activities conducted in mid 2002. The PBSs contain estimates of ABC costs and non-government revenue for the coming year allocated between the three output groups. Actual costs and non-government revenue by output group are reported annually in a Note to the ABC's Financial Statements.

**4.11** The ABC internal budgeting and financial management, and therefore its support systems, are based on a divisional structure that reflects the three output groups and other divisions of the ABC that support the outputs (for example, News and Current Affairs, Technology and Distribution, Production Resources). To arrive at the cost of outputs, the ABC allocates the costs of the ABC support divisions across the three output groups. The ABC's financial management system (SAP) does not have the capacity to automatically attribute costs incurred by non-output divisions to the output divisions. Allocations are made outside the SAP system, using spreadsheets supported by the ABC's cost attribution model.

**4.12** As part of the Output Pricing Review, in September 2002, the ABC undertook extensive financial analysis of its 2001–02 costs and revenues to derive a model that could reasonably attribute ABC costs and revenues for 2002–03 to the Output Divisions. This was done at the account level in SAP Financials for each Division. Costs that could be directly attributed to one or more of the outputs were so attributed (for example, maintenance costs for properties where Radio solely broadcasts from were attributed fully to the Radio output). Other costs were allocated according to a predetermined allocation ratio. The ABC indicated that it will review the cost attribution model in detail each year.

**4.13** The ANAO found that the ABC's cost allocation model allocates total expenditure and total non-government revenue to the output groups on a reasonable basis. Nevertheless, the ANAO considers that the ABC could further enhance the logic of the attribution model of costs and revenues by output group. The ANAO's approach would vary the proportion of estimated

and actual expenditure attributed to each output. Expenditures and revenues reported for each output group under this approach would not be materially different to that currently reported. In addition, the surplus of operating revenue over operating expenditure for each output would also be similar under the two approaches.

**4.14** As well as reporting total expenditure and revenue by output group, expenditure and revenue must be reported at the line-item level (for example, ‘employees’, ‘suppliers’) in the financial statements.<sup>11</sup> However, the ABC’s cost attribution model cannot separately attribute costs and revenues at this level. Consequently, they have been attributed in the same ratios as the distribution of total costs and total revenues across the three output groups. The ABC notes that this is the model’s first year of application since the Output Pricing Review, and that it will be reviewed in detail in 2003–04 when this issue can be addressed for future reporting periods.

#### *Management information systems*

**4.15** The ABC does not yet have a single performance measuring, targeting and reporting framework that also satisfies the external requirement for an outputs-based system of accrual budgeting and accounting. However, the ABC now has an improved ability to generate performance and financial information on an outputs/outcomes basis.

**4.16** As the ANAO noted earlier in this section, the ABC monitors its performance against the PBS performance indicators, and has generated outputs/outcomes based financial information for financial statement reporting purposes. In addition, the ABC prepares financial reports on an outputs/outcomes basis for the Department of Finance and Administration each month. Each quarter, the Board also reviews output/outcomes based financial information on actual expenditure and revenue to date; and forecast expenditure and revenue for the year.

**4.17** The preparation of the above performance and financial information requires data to be collected from many separate systems of an operational nature distributed throughout the ABC. The data is then re-organised and collated centrally using various means—primarily spreadsheets. The lack of integrated systems means the ABC has to devote extra resources to create and manage the information, and it reduces flexibility.

**4.18** The ABC indicated to the JCPAA, in its August 2003 submission, that funding constraints limit the ABC’s ability to refine its management information systems in the foreseeable future. As at November 2003, funding

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<sup>11</sup> The *Requirements and Guidance for the Preparation of Financial Statements of Commonwealth Agencies and Authorities* effectively requires agencies to disclose major classes of expenses and revenues in line with disclosures in the Statement of Financial Performance.

to enhance, upgrade, or develop any new, corporate management information systems had not been allocated by the ABC committee responsible for approving all significant capital works (including IT projects).

**4.19** Nevertheless, the ABC will receive additional Budget funding towards improving the capture and reporting of its financial information on an outputs/outcomes basis.<sup>12</sup>

## Conclusion

**4.20** The ANAO considers that Recommendation (a) has been implemented and Recommendation (b) has been partially implemented.

### *ABC response*

**4.21** The ABC acknowledges the ANAO view that the performance measuring, targeting and reporting framework effectively reports performance and financial information on an outcome/output basis. Nevertheless the Corporation considers it important to focus continually on areas of improvement to management information systems. The request for additional Budget funding was in order to implement the recommendations of the Budget Estimates Framework Review (BEFR) and was made as part of the 2003-04 Additional Estimates. The additional Budget funding allocated from 2003-04 will enable the ABC to improve its reporting framework but is less than the amount requested to fully meet the Corporation's needs.

## Linking the Charter to the Corporate Plan, PBS and Annual Report (Recommendation No.12)

### Major findings of the 2002 audit

**4.22** Over the past 30 years the ABC has been consistently advised to improve the measurement of corporate performance. The advice has addressed the need, and recommended a range of practical methodologies, for measuring productivity, efficiency, effectiveness and the quality of broadcasting services. As significant initiatives to apply these methodologies have only begun in the last two years, the ANAO finds that the quality of ABC performance information published in the ABC's key accountability documents and the use of it by management did not maximise the ABC's position. For example, although the ABC collects a wide range of data there are significant gaps and the data could be used more strategically.

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<sup>12</sup> The ABC's Portfolio Additional Estimates Statement 2003-04 indicates that the ABC will receive \$151 000 in 2003-04 and around \$110 000 per annum thereafter.

## Recommendation No.12 from the 2002 audit

**4.23** The ANAO recommends that, in order for Parliament and the public to readily assure themselves that ABC programming adequately meets the ABC's Charter, the ABC:

- (a) publish specific information of adequate detail and of sufficient quality relating to the Charter in the Corporate Plan, the Portfolio Budget Statement and the Annual Report; and
- (b) publish expert research on a periodic basis (say every five years) reporting findings about the extent to which ABC programming meets the Charter together with the outcomes of surveys of consumer and audience satisfaction with ABC programming.

## Findings of this audit

**4.24** The ANAO notes that the 2001–04 Corporate Plan and 2003–04 PBS broadly reflect the ABC's Charter and contain information on the Charter's importance to the ABC and its contents. However, linking the contents of the Charter to the Corporate Plan and the PBS is difficult as the Corporate Plan and PBS are structured differently to the Charter. The ANAO considers that the linkage between the Charter and the Corporate Plan and PBS would be strengthened if the ABC more explicitly clarified: the links between the Corporate Plan's Strategic Objectives and the Charter; and the links between the PBS' Outcome Statements and the Charter. The ABC indicated that the next Corporate Plan, due for completion in late 2003–04, would make the links to the Charter more explicit.

**4.25** In June 2003, the ABC reintroduced an annual *Newspoll* survey to measure community appreciation of the ABC in both metropolitan and regional areas. Survey respondents were asked questions relating to their attitudes to:

- ABC Television, Radio and Online programming;
- nine other characteristics of the ABC Charter; and
- news and current affairs quality and coverage.

**4.26** Results indicate that most people continue to feel the ABC performs a valuable role; provides quality content; and is doing a good job in fulfilling its various Charter obligations. The ABC has provided a fair summary of the *Newspoll* survey in its latest Annual Report.

**4.27** Nevertheless, the ANAO found that reporting of the ABC's performance against some of the Charter requirements in the ABC's 2002–03 Annual Report was not comprehensive. Of the nine aspects of the Charter surveyed by *Newspoll*, three aspects were not reported. These were:

- good balance between wide appeal/specialised interest programs;
- encouraging/promoting Australian performing arts; and
- innovation.

**4.28** These were the only three aspects of the Charter surveyed that did not have a statistically significant increase in the percentage of people who felt that the ABC was doing a good job and/or very good job.

**4.29** In addition, although the ABC Charter was reproduced in the Annual Report, it was not easy to locate, and key references to the Charter in the Report did not clearly identify the Charter's importance to the ABC.

**4.30** The ANAO considers the reporting of the ABC's performance against the Charter would be improved if future Annual Reports:

- acknowledge more explicitly that the ABC's Corporate Plan and activities are driven by the ABC Charter; and
- outline performance against all aspects of the Charter surveyed by *Newspoll*.

## Conclusion

**4.31** The ANAO considers that Recommendation (a) has been partially implemented and that Recommendation (b) has been fully implemented.

### *ABC response*

**4.32** The ABC demonstrated to the ANAO how the requirements of the legislative Charter were validly interpreted and expressed through the Corporate Plan. It is acknowledged there are differences in language used to convert Charter requirements to strategy statements. Preparation for the proposed 2004–07 Corporate Plan include an exercise to 'map' legislative requirements to the Corporation's planning and performance reporting framework. It is anticipated that the new Corporate Plan will demonstrate the linkage with Charter obligations more explicitly. This will also be reflected in subsequent Annual Reports.

## Audience reach and share analyses (Recommendation No.13)

### Major findings of the 2002 audit

**4.33** Throughout the world, audience reach and share is an established means for comparing the performance of broadcasters. The ANAO considers

that the regular publication of analyses of reach and share data for radio, television and new media would assist Parliament to better understand the ABC's performance. As the analyses reveal underlying dynamics in the behaviour of Australians in relation to broadcast services, the value of the publishing reach and share trends would be enhanced by providing an account of such dynamics and of the ABC's strategies in response to them.

### **Recommendation No.13 from the 2002 audit**

**4.34** The ANAO recommends that the ABC:

- (a) publish in its Annual Report analyses of audience reach and share for radio, television and on-line; and
- (b) include strategies in the Corporate Plan (and where appropriate, the PBS) to address trends disclosed in the analyses of audience reach and share and report the results of the strategies in its Annual Report.

### **Findings of this audit**

**4.35** The ANAO considers that the ABC's 2002–03 Annual Report contains extensive information on audience reach and share; gives some insight into potential reasons for unfavourable trends (that is supported by research); and outlines the strategies the ABC intends to implement to address the unfavourable trends.

**4.36** The ANAO cannot form a definitive opinion on Recommendation (b), as drafts of the next Corporate Plan and Corporate Business Plan were not available at the time of the audit. However, an examination of the outline of the proposed Plans indicates that the ABC is well placed to have strategies included that will address trends disclosed by analysis of audience reach and share.

### **Conclusion**

**4.37** The ANAO considers that Recommendation (a) has been fully implemented and that Recommendation (b) is on track for implementation in late 2003–04.

## **Regional audience research (Recommendation No.14)**

### **Major findings of the 2002 audit**

**4.38** The OzTAM survey of audience reach and share is only conducted in five metropolitan centres. However, the ABC is required to broadcast to all Australians. This means that the ABC requires estimates of the audience behaviour of all Australians, not just those living in the five metropolitan cities surveyed. The ABC advises that although some regional audience data is



available from ACNielsen in some major regions, other rural regions remain unmeasured. This is because the economics of providing the same in-depth coverage as achieved in the metropolitan and major regions are unrealistic. However, the ABC advises that it wishes to explore alternative means to achieve measurement coverage of the whole of Australia.

### **Recommendation No.14 from the 2002 audit**

**4.39** The ANAO recommends that, in view of the ABC's responsibility to broadcast to the Australian public, the ABC adopt cost effective strategies to assess ABC performance in relation to the whole of the Australian population, especially the population of regional and rural areas outside the main population centres.

### **Findings of this audit**

**4.40** In conjunction with other broadcasters, the ABC uses various methods to determine the extent to which programming is viewed/listened to by Australians in both metropolitan and regional areas. The ABC also surveys Australian's attitudes to the ABC, including those people who do not watch or listen to ABC programming.

**4.41** The ABC has indicated that it is committed to conducting Radio ratings research in all major regional centres over time. Between August 2002 and June 2003, 14 rural and regional areas were surveyed, covering 31.7 per cent of the population of regional Australia. Subject to funding, the ABC is considering extending its survey coverage to areas not normally or regularly surveyed under the current industry approach. In 2002–03, the ABC also held numerous focus groups in regional areas, many outside the regional centres surveyed thus far, in an effort to improve its service to these areas.

**4.42** With respect to Television, daily ratings for aggregated television markets in regional Australia are available through Regional TAM, the audience viewing measurement system used by the industry. Regional TAM covers 86 per cent of people in rural and regional Australia. The only major regional centres not covered by Regional TAM—Darwin, Griffith and the Imparja broadcasting region—have been surveyed annually (over a two week period) using the diary method. The ABC anticipates that the same Regional TAM and diary surveys will continue in 2004.

**4.43** The ABC uses web-based tools to monitor the performance of ABC Online, including the use of ABC Online by rural and regional Australia. ABC Online also has a guest book where Internet users can record comments or observations on ABC programming (*The Backyard*). The ABC indicated that feedback received via the guest book is taken into account at program reviews.



The ANAO considers that this could be extended to broader analyses of ABC programming performance.

**4.44** The ABC has reintroduced an annual *Newspoll* survey to measure community appreciation of the ABC in both metropolitan and regional areas. Regional respondents comprised 43 per cent of all respondents, who were selected randomly after a quota had been set for each non-capital city area and a quota set for each telephone area code within each area. The ANAO is satisfied that the survey substantially represents a cross-section of the views of rural and regional Australia.

**4.45** The *Newspoll* survey contains analysis that, among other things, identifies the views of non-capital city respondents to most of the major questions asked in the survey, including the coverage of country news and information.

## **Conclusion**

**4.46** The ANAO considers that this recommendation has been implemented.

## 5. Addressing JCPAA Report 393 Recommendations

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*This Chapter considers the ABC's implementation of the three recommendations made by the JCPAA in its review of the 2002 audit report. The ANAO concluded that JCPAA Recommendation 1 has been implemented, Recommendation 2 has been partially implemented and Recommendation 3 has been substantially implemented.*

### JCPAA Recommendation 1

**5.1** The Committee recommends that the Australian Broadcasting Corporation develop and implement a process for measuring performance data in urban, regional and rural Australia which provides timely and effective information in relation to its fulfilment of Charter obligations.

**5.2** Progress against Recommendation Nos.9 and 14 from the 2002 audit is the relevant consideration here.

**5.3** The ANAO considers that the ABC complaints handling process adequately supports the achievement of legislative requirements and compliance with *Editorial Policies*. The ABC has an accessible, responsive and transparent process for handling complaints that relate to legislative issues of independence, accuracy and impartiality (ANAO Recommendation No.9).

**5.4** The ABC uses various methods or processes to determine the extent to which programming is viewed/listened to by Australians in both metropolitan and regional areas. Through the annual *Newspoll* survey, the ABC also surveys Australian's attitudes to the ABC including those people who do not watch or listen to ABC programming. Survey respondents were asked questions relating to their attitudes to:

- ABC Television, Radio and Online programming;
- nine other characteristics of the ABC Charter; and
- news and current affairs quality and coverage.

**5.5** Results indicate that most people continue to feel the ABC performs a valuable role; provides quality content; and is doing a good job in fulfilling its various Charter obligations (Recommendation No.14).

### Conclusion

**5.6** The ANAO considers that JCPAA Recommendation 1 has been fully implemented.

## JCPAA Recommendation 2

**5.7** The Committee recommends that the Australian Broadcasting Corporation, as a matter of priority, develop and implement a process for using performance data to inform Corporate planning.

**5.8** Progress against Recommendation Nos.1, 2, 4, 11 and 12 from the 2002 audit is the relevant consideration here.

**5.9** The ABC is on track for its next Corporate Plan to include improved performance indicators and targets (Recommendation No.1). In addition, the ABC indicated that it had brought the PBS and Corporate Plan into appropriate alignment, notwithstanding the fact that certain performance indicators used in the PBS do not reflect exactly those in the Corporate Plan (Recommendation No.2). However scope exists for the ABC to include a greater range of efficiency performance indicators for Television, and to a lesser extent, Radio, such as those used in the international benchmarking survey (Recommendation No.1).

**5.10** The ANAO found that the plans that drive the scheduling of programming in Radio, Television and New Media Divisions demonstrate the use of qualitative and quantitative research in the schedule management process. However, the Television Division can improve the assurance it gives to the Board, that television programming is expected to meet Corporate performance objectives for which the Board is accountable. The ANAO supports an ABC Television proposal made to the ANAO during the audit to address this observation (Recommendation No.4).

**5.11** The ABC does not yet have a single performance measuring, targeting and reporting framework that also satisfies the external requirement for an outputs-based system of accrual budgeting and accounting. However, the ABC now has an improved ability to generate performance and financial information on an outputs/outcomes basis (Recommendation No.11).

**5.12** Although the Corporate Plan broadly reflects the ABC's Charter, the linkage between their contents is difficult to identify as the documents are structured differently. The ANAO considers that the linkage between the Charter and the Corporate Plan would be strengthened if the ABC more explicitly clarified the links between the Corporate Plan's Strategic Objectives and the Charter. The ABC indicated that the next Corporate Plan, due for completion in late 2003–04, would make the links to the Charter more explicit (Recommendation No.12).

## Conclusion

**5.13** The ANAO considers that JCPAA Recommendation 2 has been partially implemented.

### JCPAA Recommendation 3

**5.14** The Committee recommends that the Australian Broadcasting Corporation specifically report on its performance against Charter obligations in its annual report to Parliament.

**5.15** Progress against Recommendation Nos.5, 8, 9, 12 and 13 from the 2002 audit is the relevant consideration here.

**5.16** The ABC now publishes quarterly statistics of Audience Comments and Complaints on its Internet website. Complaints are categorised according to subject, with one of the subject groups related to the Charter requirements of independence, accuracy and impartiality (Recommendation Nos.5 and 9). This information also appears in the ABC's latest annual report.

**5.17** Program quality reviews address issues of independence, accuracy and impartiality and exception reports are generated for the Board. In regard to Annual Reporting for 2002–03, the ANAO noted that the News and Current Affairs Division included general information about program quality reviews, including that no serious issues had been uncovered. Future annual reporting by the ABC may also benefit from the inclusion of summary quantitative information (Recommendation No.8).

**5.18** Although the ABC Charter was reproduced in the Annual Report, it was not easy to locate, and key references of the Charter in the Report did not clearly identify the Charter's importance to the ABC. Further, performance against some of the Charter requirements was reported in the ABC's 2002–03 Annual Report, but not comprehensively. Of the nine aspects of the Charter surveyed by *Newspoll*, three aspects were not reported. These were:

- good balance between wide appeal/specialised interest programs;
- encouraging/promoting Australian performing arts; and
- innovation (Recommendation No.12).

**5.19** The ABC's 2002–03 Annual Report contains extensive information on audience reach and share; gives some insight into potential reasons for unfavourable trends (that is supported by research); and outlines the strategies the ABC intends to implement to address the unfavourable trends (Recommendation No.13).

## Conclusion

5.20 The ANAO considers that JPCAA Recommendation 3 has been substantially implemented. The ABC's Annual Report can better reflect the ABC's performance against all of the Charter obligations, as determined by the *Newspoll* survey.

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Canberra ACT

31 March 2004



P. J. Barrett

Auditor-General



# Appendices





## Appendix 1: ABC Response to ANAO Draft Report

### Draft Summary—ABC Response

The ABC welcomes the acknowledgment that it has achieved considerable progress towards implementation of the original 14 ANAO recommendations and the related three JCPAA recommendations.

It may be noted that the 14 major ANAO recommendations consist of 25 parts. According to the ANAO's assessment, the ABC has fully implemented or is on track to implement 19 of these parts (76%) and has partially implemented the remaining six.

This reflects the strong and continuing commitment of the ABC Board and management to achieving high standards of corporate governance. The Board has received quarterly progress reports on implementation and is represented on an ANAO Implementation Steering Committee convened by the Managing Director.

### Chapter 2: ABC Corporate Planning

The ABC notes that Recommendations 1, 2, 3 and 10 are considered to be implemented or on track for timely implementation. The following comments relate to Recommendation 4(a)(b), which is partially implemented.

#### *Recommendation 4(a)(b)—Schedule Management*

Noted.

### Chapter 3: Independence, Accuracy and Impartiality

The ABC notes that Recommendations 5, 6 and 9 are considered to be fully implemented. The following comments relate to Recommendations 7(b) and 8(b), which were partially implemented.

#### *Recommendation 7(b)—Editorial Arrangements*

*ABC Editorial Policies* (2002 edition) clearly differentiates between News and Information programming (including Current Affairs) and other types of Factual Content. News and Information programming is subject specifically to the legislative requirements of independence, accuracy and impartiality.

Other types of programs of Factual Content, by their nature, explore or present particular points of view (eg educational, review, documentary, magazine, sports and lifestyle programs). These programs, although not impartial, are required to comply with all relevant *Editorial Policies*. Every effort must be made in these programs to ensure that factual content is accurate and in context and does not misrepresent any viewpoint.

There is a limit to which *Editorial Policies* or any other policy framework can be prescriptive for every situation.

Necessarily the ABC requires program makers and editorial managers to exercise professional judgement in applying *Editorial Policies*, appropriately—especially in those cases where the lines of demarcation are less clear-cut. This does not currently arise in ABC Television: the network does not broadcast News and Information programming apart from those supplied by the ABC's News and Current Affairs Division. In ABC Radio, on the other hand, some program formats encompass both News and Information and Factual Content. Presenters on ABC Local Radio, for example, conduct current affairs-style interviews during parts of their on-air shifts before altering the tempo to include material such as lifestyle, film reviews and other general interest stories.

The ABC believes it is appropriate to impose a test of reasonableness on the detailed application of *Editorial Policies*. It considers that the *Editorial Policies* are sufficient to enable program makers and managers to make reasonable judgements as to what standards must be applied to the hundreds of ABC programs that are broadcast daily throughout Australia and internationally.

Although the ANAO identified a risk of inconsistent policy application, it did not provide specific evidence as to where the ambiguity might lay or instances in which programs were incorrectly classified.

The ABC will nonetheless examine further the definition of News and Information programming in the context of the next scheduled review of *ABC Editorial Policies*. But, at this time, it is doubtful that any refinement will serve to lessen further any risk of inconsistent application.

### ***Recommendation 8(b)—Program Quality Reviews***

As noted by the ANAO, the ABC has acted to make sure that documentation of program quality reviews is consistent across News and Information programs.

The Corporation remains committed to ensuring that the results of the ongoing schedule of program quality reviews are reported appropriately to the Board.

***New Recommendation 1***

Agreed.

## **Chapter 4—Performance Management**

The ANAO found that Recommendations 13 and 14 had been fully implemented. These comments relate to Recommendations 11(b) and 12(a), which were partially implemented.

***Recommendation 11(b)—Outputs/Outcomes-based Financial and performance Information***

The ABC acknowledges the ANAO view that the performance measuring, targeting and reporting framework effectively reports performance and financial information on an outcome/output basis. Nevertheless the Corporation considers it important to focus continually on areas of improvement to management information systems. The request for additional Budget funding was in order to implement the recommendations of the Budget Estimates Framework Review (BEFR) and was made as part of the 2003-04 Additional Estimates. The additional Budget funding allocated from 2003-04 will enable the ABC to improve its reporting framework but is less than the amount requested to fully meet the Corporation's needs.

***Recommendation 12(a)—Linking the Charter to the Corporate Plan, PBS and Annual Report***

The ABC demonstrated to the ANAO how the requirements of the legislative Charter were validly interpreted and expressed through the Corporate Plan. It is acknowledged there are differences in language used to convert Charter requirements to strategy statements. Preparation for the proposed 2004-07 Corporate Plan included an exercise to 'map' legislative requirements to the Corporation's planning and performance reporting framework. It is anticipated that the new Corporate Plan will demonstrate the linkage with Charter obligations more explicitly. This will also be reflected in subsequent Annual Reports.

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