

# **CPMR Discussion Paper 18**

## **A Review of Annual Progress Reports**

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## Foreword

This paper is the eighteenth in a series undertaken by the Committee for Public Management Research. The Committee is developing a comprehensive programme of research designed to serve the needs of the future developments of the Irish public service. Committee members come from the Departments of Finance, the Environment and Local Government, Health and Children, the Taoiseach, and Public Enterprise, and also from Trinity College Dublin, University College Dublin and the Institute of Public Administration.

This series aims to prompt discussion and debate on topical issues of particular interest or concern. The papers may outline experience, both national and international, in dealing with a particular issue. Or they may be more conceptual in nature, prompting the development of new ideas on public management issues. They are not intended to set out any official position on the topic under scrutiny. Rather, the intention is to identify current thinking and best practice.

We would very much welcome comments on this paper and on public management research more generally. To ensure that the discussion papers and wider research programme of the Committee for Public Management Research are relevant to managers and staff, we need to hear from you. What do you think of the issues being raised? Are there other topics you would like to see researched?

Research into the problems, solutions and successes of public management processes and the way organisations can best adapt in a changing environment has much to contribute to good management, and is a vital element in the public service renewal process. The Committee for Public Management Research intends to provide a service to people working in public organisations by enhancing the knowledge base on public management issues.

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General information on the activities of the Committee for Public Management Research, including this paper and others in the series, can be found on its world wide web site: [www.irlgov.ie/cpmr](http://www.irlgov.ie/cpmr); information on Institute of Public Administration research in progress can be found at [www.ipa.ie](http://www.ipa.ie).

## **Acknowledgements**

I would like to acknowledge the help of my colleague Orla O'Donnell, who assisted with the analysis of annual progress reports. I would also like to thank Carolyn Gormley and Karen Isaac for their help in the preparation and presentation of the paper and the IPA's Publications Division for its production.

Responsibility for the content of the paper, however, rests with the author.

**Richard**  
**March 2001**

**Boyle**

## **Executive Summary**

This paper examines annual progress reports produced by government departments and offices. The Public Service Management Act, 1997 mandates the publication of progress reports to illustrate progress in the implementation of strategy statements. International experience in the assessment of annual performance reports is drawn on to help determine criteria against which to judge the quality and relevance of annual progress reports. Three main criteria (with sub-criteria) are used in the review: accessibility, quality of performance reporting and promotion of learning.

The review examines annual progress reports produced covering the years 1998 and 1999. From this review of experience to date with the first two rounds of annual progress reports, a number of limitations in current practice are identified. Among the issues highlighted in the review, the following are of particular concern.

- Only just over half the departments and offices surveyed produced a progress report annually.
- In several reports, due to the way information is presented, it is difficult if not impossible to assess progress against the objectives and strategies as contained in the strategy statement.
- Nearly all the reporting is activity- and output-based. It is not possible in most cases to form a judgement as to what is happening as a result of this activity i.e. the results.
- Little use is made of comparative data to put progress reporting in context. Year-on-year trends are infrequently used, but are the most common source of comparative data. The level of performance is rarely contrasted with expected performance levels.
- Reports are generally data-deficient, with little use of performance information or performance indicators. In some cases where performance indicators have been listed in strategy statements, they are not subsequently used in the progress reports.
- Reports focus almost exclusively on listing achievements. There is little in the way of balanced discussion or identification of areas where progress has not been made.

- There is little or no discussion in reports on the continued relevance of objectives and strategies. Some objectives and strategies are simply not reported on. In other cases, new objectives and strategies are included in the reports, but there is no discussion of why this is done.
- Many reports give little sense of what lessons are being learned from implementation and from changes in the environment.

The current state of play with regard to annual progress reports on the implementation of strategy statements is disappointing. In general, the reports do not provide a sufficiently balanced and informed picture of how departments and offices are progressing against agreed objectives and strategies. The widespread absence of data, and focus on activity reporting, makes assessment of performance difficult if not impossible in many cases.

If annual progress reports are to be a useful part of the public accountability process, they will need to change. In particular, three issues are identified which require further consideration:

- *the development of guidance on the role of annual progress reports and ongoing central support.* This guidance should not be over prescriptive. If it is, there is a danger that it will lead to routine form-filling exercises.
- *the establishment of appropriate quality assurance systems and procedures to assure the quality of information in annual progress reports.* Independent, external validation of reports should be considered. The Comptroller and Auditor General may have a role to play here. Care is needed to avoid over-bureaucratic and blame-apportioning approaches. The emphasis should be on promoting good practice.
- *the encouragement of active use of annual progress reports by the Oireachtas, citizens, and management and staff of departments and offices.* More use of reports in the management and accountability of departments and offices will lead to more pressure to improve the information contained in annual progress reports.

# 1

## Introduction

### 1.1 Focus of report

This paper provides a brief overview of practice with regard to the use of annual progress reports on the implementation of strategy statements. The paper places annual progress reports in the wider context of annual reporting of government activities and identifies criteria for assessing annual progress reports. It also highlights strengths and limitations of annual progress reports as an accountability tool. The assessment is done by way of an examination of annual progress reports produced covering the years 1998 and 1999.

### 1.2 Study background

Government departments and offices must produce annual progress reports on the implementation of their strategy statements. Strategy statements are a vital element of the government's public service modernisation agenda. As a formal expression of the strategic management process in government departments and offices, strategy statements are intended to set out the key strategies and objectives to be achieved over a three-year period. Under the Public Service Management Act, 1997, which gives statutory backing to strategy statements, departments and offices are required to provide 'progress reports to the Minister of the Government on the implementation of the strategy statement annually or at such intervals as the Government may by order from time to time direct' (section 4(1)b).

The annual progress report is intended to be a means of monitoring activity, enabling an assessment of the impact of strategy statements to be made. It is also a chance to highlight new issues or changing circumstances. As such, it is an important element in the accountability process.

A number of guidance documents issued by government illustrate issues to be covered in annual progress reports.

- Revised guidelines for the preparation of strategy statements, issued by the Department of the Taoiseach in 2001, indicate that it should be clear from the annual progress report whether or not strategies set out in the strategy statement are being achieved. The guidelines also state that, as well as indicating progress, the report should set out reasons for targets not met or problems encountered.

The guidelines reiterate the point made in guidance issued in 1998 that a department's annual progress report and annual report can be produced as one document, provided that the annual report conforms to the terms of the Public Service Management Act, 1997.

- A government decision of May 2000 requires each department to prepare a strategy for the development of e-public services. Progress on the preparation and implementation of the strategy should be included in departments' annual reports produced under the Public Service Management Act, 1997.
- A government decision of July 2000 on next steps in the Quality Customer Service Initiative includes a requirement that departments and offices report on progress on the goals and objectives of their Customer Action Plans in their annual reports.
- An aide memoire to government on a new Gender Equality Policy for the civil service notes that the secretary general must report annually to his/her minister on progress in relation to the equality goals and action plans specified in a department's strategy statement.

As these latter three requirements only came into place after the period covered by the annual progress reports reviewed in this study, reports are not assessed against these requirements here.

CPMR Research Report No.2, *The Role of Strategy Statements* (Boyle and Fleming, 2000), included a brief look at the first annual progress reports produced under the terms of the Public Service Management Act, 1997, which were published in late 1999. A number of important issues emerged from this brief assessment.

- A variety of styles of format and presentation were apparent. With some reports, it was difficult to discern the linkage with goals and objectives set out in the strategy statement. With others, the annual progress report followed the format of the strategy statement, reporting progress against objectives contained in the statements.

- Most reports gave little sense of problems encountered or targets not met. It was therefore difficult to reach judgements about performance.
- The target audience(s) for the reports seemed unclear. Some reports seemed to be aimed at the general public, with significant use of graphics, photographs etc. Other reports read more as working documents.

From this brief look at the first annual progress reports, it was evident that there are issues to be addressed about their purpose and role. In particular, the part played by reports in encouraging and directing implementation of the strategy statements would seem to need further investigation.

### **1.3 Terms of reference**

The terms of reference agreed for this study are that it would:

- analyse the content and role of annual progress reports, based on official documentation and legislation and discussions with key officials, and assess existing reports against their defined role;
- undertake a thorough review of relevant national and international research evidence on the role of annual reports in facilitating implementation of strategy in the public service;
- review practice with regard to the role of annual progress reports in a small number of government departments and offices;
- make recommendations as to the steps needed to ensure that annual progress reports promote implementation of strategy statements and play an effective role in the accountability process.

### **1.4 Study approach and methodology**

This study was started in the latter part of 1999 and was completed in Spring 2000. Two main sources of information were used.

- The literature on annual reporting, both academic and from official government sources, was reviewed. Journals and world wide web sites were accessed to provide information on good practice with regard to the role of annual reports.
- Annual progress reports produced by government departments covering the years 1998 and 1999 were reviewed. These published reports provide insight into the content and format of annual progress reports.

In addition, a small number of interviews were conducted with officials involved in producing annual reports.

### **1.5 Report structure**

Chapter 2 reviews the literature on annual reporting and examines the role of annual reports in public service management. Chapter 3 investigates international practice with regard to the assessment of information contained in annual reports and establishes criteria against which to assess annual progress reports. Chapter 4 presents an analysis of the 1998 and 1999 annual progress reports produced by government departments and offices based on the criteria identified in Chapter 3. Finally, in Chapter 5 conclusions are drawn and key issues identified from experience to date with annual progress reports. Steps to be taken are outlined which would allow annual progress reports to be developed as a vital element in the strategic management of government departments and offices.

## 2

# The Role of Annual Reporting

### 2.1 Introduction

In this chapter, the role and quality of annual reporting is examined. By way of introduction, the role of annual reporting in the public sector in general is outlined. This is followed by an investigation of the role of annual progress reports in public service modernisation.

### 2.2 The role of annual reporting in the accountability system

Annual reporting is a formal tool of accountability in a large number of public sector accountability regimes. The OECD (1997) notes that annual reports are used in a number of OECD countries to compare planned and actual performance, and to enhance accountability for financial and operational results. Extracts from guidance issued in England and New Zealand indicate the place of annual reports in the accountability system:

Performance measurement and reporting are intrinsic to the whole process of public management, including planning, monitoring, evaluation and public accountability. Performance results included in agency annual reports provide an important record of an agency's progress towards meeting objectives and their publication makes it possible to exert pressure for improvement. Good reports can help parliament and the public assess how well public money is being spent and what is being achieved with it (National Audit Office, 2000).

Departmental annual reports serve as a critical component of the accountability of Executive Government to Parliament and the public. Annual reports also enable chief executives to fully account to their ministers for the activities and stewardship of the public resources which they control. Annual reports complete the cycle of planning, resource allocation and output production (State Services Commission, 1990).

Both these extracts highlight that annual reports are seen as an important element of management practice. As the New Zealand quote emphasises, the annual report is part of the management cycle. Figure 2.1, derived from work undertaken by the Department of Finance, outlines the strategic management cycle for the civil service. Annual reports fit into the monitoring/feedback element of the process, providing information on progress with regard to the implementation of strategies and objectives.

Another point emphasised in the extracts is the role of annual reports in helping ministers, parliament and the public make a judgement on how well public resources are being used. In terms of public accountability, the annual report is a tool for informing interested stakeholders about a department's performance. As such, the report addresses three accountability concerns (Wolf, 2000):

- accountability as control, where the report is used to show compliance
- accountability as assurance, where the report demonstrates if plans and objectives are being pursued
- accountability as performance improvement, where the report demonstrates evidence of management improvement and learning.

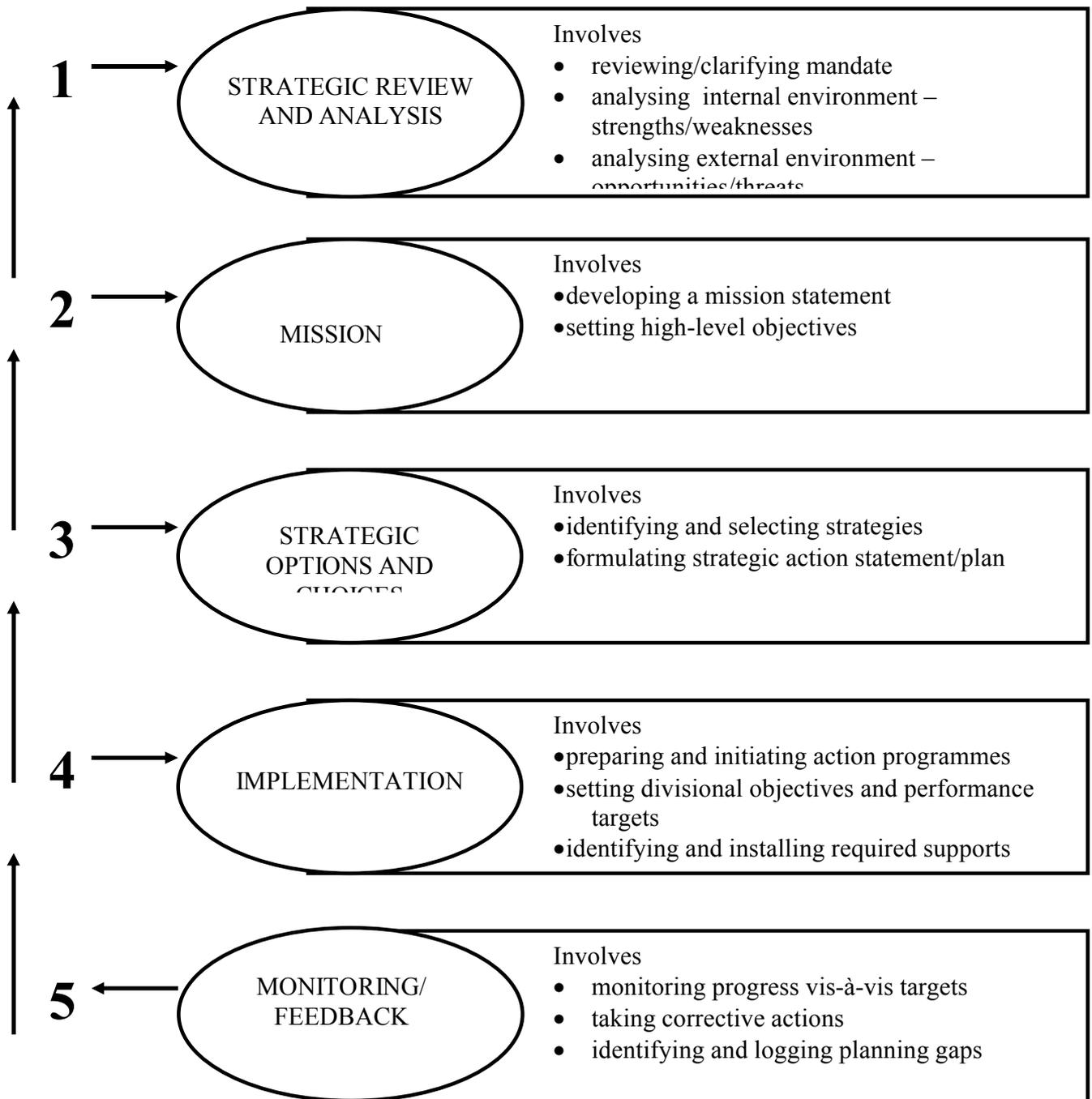
Less formally, annual reports can also be used by government departments to help in the management of relationships with stakeholders. As noted with regard to the role of a departmental annual report in the USA:

It can provide a major risk management tool, in that if you can persuade the majority of the public and particularly the Congress that this organisation is successful at a majority of what it does, it helps insulate you against the anecdotal story of something that went wrong from time to time. The anecdote can be managed and put in perspective.

Right around the world, not unique to the United States, the bane of government organisations is a legislature moving to micromanage the process of what they do on a day-to-day basis. Clever use of an annual report can help to insulate you against that micromanagement and help to build confidence in your ability to succeed in delivering the outcome the Congress and the administration wants from you (Friel, 1999).

Figure 2.1

Framework for the Strategic Management Process



Source: Department of Finance, *Framework for the Development of a Strategic Management Process in the Civil Service*, March 1994, Appendix A.

### **2.3 The role of annual progress reports in public service modernisation**

Annual progress reports of the type required under the Public Service Management Act, 1997 can be seen as a sub-set of annual reports more generally. The fact that the annual progress report can be combined with the annual report if departments wish is indicative of the fact that they serve a similar purpose.

The annual progress report provides information on the implementation of departmental strategy statements. As such, it is a way of showing progress in carrying out the public service modernisation programme as driven by the Strategic Management Initiative (SMI). This is a particularly important task, in that significant time and resources have been devoted to the SMI since its introduction in 1994. Yet there is very little information on the impact of the SMI. In this, Ireland is similar to most countries which have introduced public service modernisation programmes. In a review of evaluative evidence about the impact of new public management (NPM), Pollitt (1995) concludes that: 'Support for the NPM package as a whole is based more on faith and doctrine than on demonstrable track record'.

There are a wide range of benefits claimed for the SMI. The delivery of an excellent service for the government and the public is a key objective. Quality services, avoiding unnecessary regulations, better cross-departmental working, improved human resource management, and greater involvement of staff and users of services are among the ways this excellent service is to be achieved (*Delivering Better Government*, 1996, p. 2). Strategy statements are meant to indicate how departments will deliver these and other benefits. It is important that evidence is gathered to support judgements on the extent to which these objectives have been achieved. The annual progress report is one such evidence source.

Apart from Ireland, the USA also has a legal requirement for federal government agencies to produce an annual report showing progress against their performance plans. Under the Government Performance and Results Act of 1993 (GPRA), agencies are required to produce annual performance reports which show the degree to which performance goals set out in strategic plans and annual performance plans are met. Performance reports must include the following information:

- a comparison of actual performance with the projected levels of performance as set out in the performance goals in the annual performance plan
- an explanation, where a performance goal was not achieved, of why the goal was not met
- a description of the plans and schedules to meet an unmet goal in the future, or alternatively, recommended action regarding an unmet goal where it is concluded it is impractical or infeasible to achieve that goal
- an evaluation of the performance plan for the current fiscal year, taking into account the actual performance achieved in the fiscal year covered by the report
- eventually, actual performance information for at least four fiscal years (Office of Management and Budget, 2000).

Thus, in both Ireland and the USA, annual progress reports are intended to illustrate progress in the achievement of the main public service modernisation goals and objectives relevant to individual departments and agencies.

## **Judging the Quality of Annual Reporting**

### **3.1 Introduction**

No criteria exist to judge the quality of annual progress reports. Several OECD countries have, in recent years, developed guidance for departments producing annual reports and developed criteria against which the quality of annual reports can be judged. This experience is assessed here in the cases of the USA, Australia, the UK and Canada. Drawing from this experience, criteria are developed against which the quality of annual progress reports can be assessed.

### **3.2 International perspectives on the quality of annual reports**

#### *3.2.1 The USA*

As noted in Chapter 2, the USA has the nearest style annual report of other countries to the annual progress report, with the requirement under the GPRA for agencies to produce annual performance reports. The first set of these reports was produced in 2000, covering the fiscal year 1999. As outlined in section 2.3, the annual performance report should compare actual performance with the projected level of performance set out in the strategic plan and the annual performance plan of the agency. When a projected performance level is not met, the report must include an explanation, and describe steps for meeting the goal in the future.

Annual performance reports are formally reviewed by the General Accounting Office (GAO) and the results of these reviews reported to Congress. The main objectives of the GAO when assessing annual progress reports are to:

- identify and assess the quality of the performance goals, objectives and measures aimed at meeting key agreed outcomes outlined in the report; in particular, they assess whether performance goals and objectives have been set for each outcome, and whether the measures and indicators used are objective, measurable and outcome-oriented;

- assess an agency’s actual performance against each outcome specified in the report; this includes the degree to which goals and measures were met and the identification of unmet goals and measures.

The GAO review ensures that each annual performance report is externally validated. Particular issues, either of good/improving performance or poor performance/poor quality of reporting are highlighted and drawn to the attention of Congress.

At a more informal level, the Mercatus Center at George Mason University examined the first annual performance reports using a set of twelve criteria. These twelve criteria are outlined in Table 3.1, and are grouped around three questions.

- Does the agency report its accomplishments in a transparent fashion?  
Reports should be accessible, readable and useable by a wide variety of audiences, including Congress, the general public, the news media, stakeholders and interest groups.
- Does the report focus on documenting tangible public benefits the agency produced?  
Each report should contain goals and measures focused on actual results. If the reporting process does not review actual results achieved, then it does not fulfil the intent of the GPRA.
- Does the report show evidence of forward-looking leadership that uses performance information to devise strategies for improvement?  
Each report should identify and offer solutions to major management challenges by setting out a plan to improve policies and procedures in the next reporting cycle. Forward looking leadership means that the agency uses the information in the report to identify solutions to problems and to change future plans as needed. (Ellig, 2000)

The Mercatus Center study found a wide diversity of standards among agency annual performance reports. The most common strengths identified were the setting out of results-based goals, making reports accessible to the public and including baseline and trend data. The most common weaknesses in reports were the absence of cost data, and failure to demonstrate that agency actions actually made a difference to the results achieved.

*Table 3.1: Criteria used to judge the quality of U.S. Federal Agency  
Annual Performance Reports*

<p><i>Transparency</i></p> <ol style="list-style-type: none"> <li>1. Is the report easily accessible and easily identified as the agency's annual performance report?</li> <li>2. Is the report easy for a layperson to read and understand?</li> <li>3. Are the performance data reliable, credible and verifiable?</li> <li>4. Did the agency provide baseline and trend data to put its performance measures in context?</li> </ol>
<p><i>Benefits to the community</i></p> <ol style="list-style-type: none"> <li>5. Are the goals and objectives stated as results?</li> <li>6. Are the performance measures focused on results or activities?</li> <li>7. Does the agency demonstrate that its actions have actually made a significant contribution toward its stated goals?</li> <li>8. Did the agency link its goals and results to costs?</li> </ol>
<p><i>Forward-looking leadership</i></p> <ol style="list-style-type: none"> <li>9. Does the report show how the agency's results will make the country a better place to live?</li> <li>10. Does the agency explain failures to achieve targets outlined in its strategic plan?</li> <li>11. Does the report identify major management challenges?</li> <li>12. Does the report describe changes in policies or procedures to do better next year?</li> </ol>

Source: Ellig, 2000

### *3.2.2 Australia*

Guidance issued by the Department of the Prime Minister and Cabinet (2000), updated to take account of the Public Service Act 1999, sets out requirements for annual reports produced by federal departments and agencies. Annual reports must contain the following items:

- review by the departmental secretary, including a summary of significant issues and developments during the year
- departmental overview, a description of the department

- report on performance, this must show how the department has performed during the year in relation to the department's outputs and contribution to outcomes; actual results against outcomes and outputs must be reported, as must the extent to which the department is wholly or partly responsible for the outcome; the department's financial performance for the year should also be reported
- management and accountability report; this should include a report on corporate governance arrangements and the management of human resources
- financial statements, the audited financial statements and the Auditor General's report
- other mandatory information, including reporting on occupational health and safety, freedom of information, advertising and market research.

The Institute of Public Administration Australia (IPAA) have taken a strong interest in the quality of annual reports of departments and agencies. In partnership with private sector consulting organisations, the IPAA have an Annual Reports Awards, which has been running since 1983. Current criteria used to judge reports by the Western Australia division of IPAA provide a list of features that are considered to be characteristic of excellent reporting. These criteria are outlined in Table 3.2.

At the federal level, a review by a panel of judges of 1998/99 annual reports of departments and agencies found a generally high standard. However, the review did find with regard to performance reporting (regarded as a major assessment criterion) that quality continues to vary widely. Some departments and agencies went to significant lengths to illustrate what had been achieved, while others focused on activity reporting (Institute of Public Administration Australia, 2000).

*Table 3.2: Institute of Public Administration Western Australia Division  
Judging Criteria for Annual Reports*

<p><i>1. Overview of reporting and accountability</i></p> <p>Each report is expected to provide information about the organisation including: the environment in which it operates, highlights of what it set out to achieve and what it did achieve; and where the organisation is heading.</p>
<p><i>2. Performance reporting</i></p> <p>Providing a report to relevant stakeholders regarding the performance of the organisation in achieving what it set out to achieve. This includes discussion of performance against objectives. Service Charter information is of growing interest.</p>
<p><i>3. Communication and presentation</i></p> <p>The report format needs to ensure that stakeholders can find their way around the report and are able to understand the issues reported. The report needs to be able to meet the information needs of stakeholders, attract and hold their attention and have an impact on them making an informative impression.</p>
<p><i>4. Human resource management and the working environment</i></p> <p>The report should contain information on the organisation's approach to managing its workforce and reporting the achievements of its people.</p>
<p><i>5. Managing in a changing environment</i></p> <p>The report should include the clear identification of issues and risks as well as indicating the organisation's approach to these issues. This criteria also considers how the organisation reports its outlook and issues that will have an impact in the future, and the quality and completeness of disclosing and reporting key issues.</p>
<p><i>6. Financial reporting</i></p> <p>Financial reporting needs to present to the stakeholders accurate and reliable information in a format that demonstrates an appropriate level of disclosure in the accounts, notes to the accounts and throughout the report to enable comprehension of the financial position and performance of the organisation.</p>
<p><i>7. Corporate governance</i></p> <p>The report should contain information on the corporate governance of the organisation, including: statutory authority for the organisation's operations; organisational structure; members of boards; codes of conduct etc.</p>

Source: Institute of Public Administration Australia (2001)

Also, in the review of 1998/99 annual reports, the judging panel for the first time assessed the quality of online annual reports. This is in the context that from 1999-2000, annual reports must be accessible via the Internet. The review indicated that while about two thirds of departments and agencies published their 1998/99 annual reports online, the standard of presentation was abysmal. The judges noted that:

In short, we'd like the current trend of static reports frozen and barely viewable in PDF format, turned on its head: Government reports should be conceived for the Internet and other digital media from the outset, such as CD ROMs, and designed for printing as an ancillary requirement (Institute of Public Administration Australia, 2000).

Assessment criteria against which online annual reports were judged are outlined in Appendix I.

### *3.2.3 The United Kingdom*

The Cabinet Office (1998) have issued guidance on the coverage and content of annual reports produced by executive agencies. These agencies deliver many of the executive functions of government and were set up initially under the Next Steps initiative. Over seventy-five per cent of civil servants now work in executive agencies. The guidance highlights a range of issues that annual reports must address.

- *General.* The report should inform interested parties about the agency and its achievements in an attractive and readable way. It should complement the corporate and business plans.
- *Aims and objectives.* The report must set out the agency's aims and objectives.
- *Annual review of activity.* In the context of the corporate and business plans, the report should review the main areas of activity and provide a commentary on the year's achievements and changes in efficiency, quality, throughput and financial performance, giving reasons for any significant changes or developments.
- *Performance against targets.* The report must provide details of performance against ministerial targets over the past year. All performance information must be correctly calculated, reliable and fairly presented. Comparative information over time is particularly important. Where achievement of targets affects the pay of agency staff or

where non-financial targets are of particular importance, the performance against targets must be subject to validation, external to the agency.

- *Service First.* The report must demonstrate how services have been provided in accordance with the principles of public service delivery as set out in the Service First programme, including reporting on performance against Charter standards.
- *Selling government services into wider markets.* Where agencies have carried out commercial activity under the relevant Treasury guidance, the report must include a full account of such activity.
- *Information on future strategy.* The report must include information on the steps being taken to develop and improve its business, building on past achievements.

The National Audit Office (NAO) (2000) has undertaken a review of good practice in performance reporting in annual reports in executive agencies and non-departmental public bodies. The NAO focused on three main criteria when assessing and identifying good practice in performance reporting:

- *The relationship between reported performance and key activities.* The review found that a number of agencies have improved their performance reporting by:
  - aligning measures with aims and objectives
  - reporting on the outcome of activities
  - considering the information needs of stakeholders
  - providing a comprehensive view of performance.
- *The quality of performance data.* The review found that systems for collecting and validating performance data were likely to be more robust where agencies:
  - define the quality of data in advance
  - seek advice from specialists
  - establish clear performance measure definitions
  - designate who is accountable for performance data
  - ensure managers are active in obtaining good quality performance data
  - develop and implement effective controls over the collection of data
  - establish and implement clear guidelines for the validation of performance data.
- *The presentation of results.* The review found that performance information disclosed in annual reports is likely to be more meaningful and useful to readers when agencies:
  - present information clearly

- provide readers with sufficient information to enable them to make informal comparisons of performance achieved in different years
- provide readers with explanations of the activity being reported
- describe the quality of the performance information.

The National Audit Office (2001) has also conducted a review of performance measurement in government departments. In this review, they refer to criteria which have been developed by a group led by the Treasury for performance measurement systems. These criteria are outlined in Table 3.3

*Table 3.3 Core criteria for performance measurement systems  
in the public sector*

<b>Criteria</b>	<b>Explanation</b>
Focused	on the organisation's aims and objectives;
Appropriate	to, and useful for, the stakeholders who are likely to use it;
Balanced	giving a picture of what the organisation is doing, covering all significant areas of work;
Robust	in order to withstand organisational changes or individuals leaving;
Integrated	into the organisation, being part of the business planning and management processes; and
Cost-effective	balancing the benefits of the information against the costs

*Source: National Audit Office (2001)*

#### *3.2.4 Canada*

The Office of the Auditor General (OAG) (2000a) has developed criteria to assess the fairness and reliability of performance information in annual reports. In developing these criteria, the office reviewed practice in other legislative audit offices, examined the literature on performance reporting, and considered the needs of parliamentarians. Five main criteria were identified. Performance information with respect to objectives is deemed to be fair and reliable to the extent that it is:

- *relevant* – reports tangible and significant accomplishments against objectives.

- *meaningful* – tells a clear performance story, describing benchmarks and context against which performance is compared.
- *attributable* – demonstrates in a reasonable fashion the contribution to the reported accomplishments being made by the activities of the entity or program.
- *accurate* – adequately reflects the facts, to an appropriate level of accuracy.
- *balanced* – provides a representative yet clear picture of the full range of performance, which does not mislead the reader.

Table 3.4 presents the criteria in more detail, with sub-criteria for each one. These criteria were used in a review of departmental and agency reporting on performance to parliament (Office of the Auditor General, 2000b). In 1995, as part of a revision of the expenditure management system, an Improved Reporting to Parliament Project was initiated. This was reviewed by the Office of the Auditor General in 1997 and revisited in 2000. The 2000 review found some examples of good practice, but in general expressed disappointment at the pace of progress. The following points are highlighted.

- Few departments set out concrete statements of what they expect to achieve and then report back specifically against those expectations.
- In reporting what they have accomplished, departments focus too much on listing activities and outputs and too little on linking them to and reporting on the intended outcomes.
- Reporting makes too little use of evaluation findings on the results that activities are accomplishing and on how programs are contributing to outcomes
- There is little linking of financial and non-financial performance information; most accomplishments are not costed.
- Performance reports lack balance with most departments reporting only the ‘good news’ and making little mention of performance that does not meet expectations (Office of the Auditor General, 2000b).

*Table 3.4 Office of the Auditor General of Canada  
Audit Criteria for the Assessment of Performance Information  
in Annual Reports*

<p><i>1. Relevant</i></p> <ul style="list-style-type: none"> <li>• Logical relationships between objectives and accomplishments are presented.</li> <li>• Tangible and significant accomplishments are reported, using qualitative or quantitative measures.</li> <li>• Focused on outcomes with cost-related information and reported in a timely manner.</li> </ul>
<p><i>2. Meaningful</i></p> <ul style="list-style-type: none"> <li>• Program activity types and their outputs identified.</li> <li>• Program context includes the mission, mandate, and major priorities/strategies used in relation to the objectives and explains the external environment.</li> <li>• Expectations which are clear, concrete, linked to resources and consistent with the objectives, and represent an appropriate level of achievement.</li> <li>• Comparisons, including discussion and analysis, between actual and expected performance are made, along with comparisons with other programs, organizations and trends over time where appropriate.</li> <li>• Selective and concise information presented.</li> </ul>
<p><i>3. Attributable</i></p> <ul style="list-style-type: none"> <li>• Credible linkages shown between outputs and intermediate/final outcomes.</li> <li>• Contribution made by the program is discussed including evidence regarding attribution and role of external factors.</li> </ul>
<p><i>4. Accurate</i></p> <ul style="list-style-type: none"> <li>• Valid measures used.</li> <li>• Appropriate methods of data collection, analysis, and presentation have been implemented.</li> <li>• Information sources and limitations of data analysis and presentation are explained.</li> </ul>
<p><i>5. Balanced</i></p> <ul style="list-style-type: none"> <li>• All key aspects of performance are reported: what of significance has been achieved at what cost, including both strong or weak accomplishments, major challenges, significant unintended impacts, and what has been learned as a result.</li> <li>• Complementary set of measures provided.</li> <li>• Coverage of all objectives.</li> <li>• No distortions of information through presentation or tone, or through omission of information or context.</li> <li>• Emphasis on information presented is proportional to its importance/materiality.</li> <li>• Conclusions on performance supported by the evidence.</li> </ul>

*Source: Office of the Auditor General (2000)*

### 3.3 Criteria for judging the quality of annual progress reports

Drawing from the international experience of assessing the quality of annual reports, and from an understanding of the role intended for annual progress reports, it is possible to develop criteria against which to judge the quality of annual progress reports. Three main criteria, with associated sub-criteria, are established.

- *Accessibility.* A basic prerequisite of annual progress reports is that they are accessible to interested stakeholders. This requires reports to be:
  - *Available* – published by government departments and offices, as soon as practicable after the year-end; publication should be both in printed and electronic forms to ensure general availability;
  - *Readable* – that is, well structured and set out, using plain language as much as possible.
- *Performance reporting.* The most important feature of annual progress reports is that they report on performance in progressing the strategies and objectives contained in departmental strategy statements. In order to assess their success in doing this, the criteria developed by the Office of the Auditor General of Canada (2000a) are helpful. Performance reporting in annual progress reports should be:
  - *Meaningful.* The context within which progress is made (e.g. economic and environmental changes) should be outlined, and actual progress compared with expected levels of progress. Comparisons (over time, with other organisations, with other programmes, against agreed standards) should be used where possible to validate progress.
  - *Attributable.* The progress report should illustrate the particular contribution of the department or office to the reported progress. In other words, demonstrating that the outputs produced were aimed at the achievement of strategies and objectives and have actually impacted on the observed outcomes.
  - *Accurate.* The performance information used in the report to demonstrate progress should be reliable, credible and verifiable. Where there are limitations with the data, these should be explained.

- *Balanced*. Where there is an absence of progress, or limited progress, this should be reported to give a full picture of performance. Also, as well as reporting progress against objectives, unintended and unexpected developments should be reported on.
- *Learning*. Strategy statements and annual progress reports are part of a process of strategic management. As such, the progress report should not simply be seen as a static document. It should be seen as a chance to reflect changes in the environment, lessons learned and new thinking. This requires reports to be:
  - *Dynamic*. The report should indicate where objectives and strategies have been achieved, or changed, or are no longer pursued as a result of changing circumstances.
  - *Insightful*. The report should draw lessons from progress made and changes in the environment, outlining consequent changes in practice so as to continually improve on performance.

### **3.4 Conclusions**

Methods used to assess the quality of annual reports in a number of countries have been examined. From this experience, a set of criteria have been established against which the quality of annual progress reports can be judged. It is, however, important to remember that the reports themselves are only a part of the monitoring and feedback process. While high quality reports may encourage an active interest in annual progress reports, quality on its own is not a guarantee of use. It is also important to consider the place of the report in the accountability system, including issues such as their use by ministers and the Oireachtas, when assessing the role of annual progress reports. This broader issue of the reporting process is considered further later in this paper.

## **An Analysis of Annual Progress Reports**

### **4.1 Introduction**

The annual progress reports published by government departments and offices in 1998 and 1999 are examined in this chapter. The reports are assessed in terms of their compatibility with the criteria established in Chapter 3: accessibility, performance reporting and learning. These criteria were developed for this study, and after the annual progress reports were published. Consequently, it must be borne in mind that the reports were not produced with such criteria in mind. Individual reports are not ranked or scored against the criteria. Rather, the emphasis is on drawing out the main points emerging from the analysis.

### **4.2 The accessibility of annual progress reports**

The main concern here is that annual progress reports are available to interested stakeholders in a user-friendly form. Two sub-criteria, availability and readability, are used to indicate whether or not this aim is achieved.

#### *4.2.1 The availability of annual progress reports*

From a review of annual progress reports conducted for this study, the first point to emerge is that of the twenty-seven departments and offices reviewed, seven had produced no annual progress reports by February 2001, three had produced reports in 1998 but not in 1999, and three had produced reports in 1999 but not in 1998 (in these latter three cases, the reports produced covered progress in both 1998 and 1999). In other words, despite the requirement under the Public Service Management Act, 1997 that progress reports be produced annually, almost half the departments and offices reviewed failed to meet this basic requirement.

Of the sixteen annual progress reports published covering 1998, nine were subsumed in the annual report for the department/office. This figure had risen to eleven out of sixteen published covering 1999.

With regard to availability on the web site of the department/office, most reports are available on the web, though some are not. The experience with electronically available reports is very much in line with the Australian experience outlined in section 3.2.2: PDF format reports produced as an ancillary rather than designed with the web in mind.

#### *4.2.2 The readability of annual progress reports*

In general terms, the printed reports were well structured and set out. Reports did, however, tend to be heavily reliant on text, with limited use of tables, graphics and figures to highlight issues. Reports were generally user-friendly, though inevitably the use of jargon crept in, and scrutiny from a plain language perspective as a final check would be helpful. Also on the subject of language, only one report, that for the Department of Arts, Heritage, Gaeltacht and the Islands, was produced in both English and Irish formats. In a small number of other cases, the minister's foreword and/or introductory statement of the secretary general were produced in both English and Irish.

### **4.3 Performance reporting in annual progress reports**

The key role of annual progress reports is to show what progress is being made in achieving the objectives and strategies outlined in strategy statements. The reports are intended to promote accountability through comparing planned and actual performance.

#### *4.3.1 The relevance of annual progress reports*

At a very basic level, progress reports should clearly report performance against the objectives and strategies contained in strategy statements. Most, though not all, reports are structured in such a way that performance is reported against objectives and strategies. Two main styles of reporting are evident. In some reports, such as the Departments of Justice, Equality and Law Reform and Tourism, Sport and Recreation, progress is reported against each individual objective or strategy. In other reports, such as the Departments of Marine and Natural Resources and Social, Community and Family Affairs, progress is reported against objectives grouped together for particular sections or policy goals. However, there are also a few reports where the read across from objectives and strategies in the strategy statement to the information contained in the progress report is unclear. In some cases objectives and strategies are not clearly set out in the progress report, making judgement of progress difficult if not impossible. In other cases, objectives

are listed but in reading the following text it is clear that progress is not reported against all objectives. In general, annual progress reports which are combined with the annual report are no better or worse than the stand alone progress reports in terms of their clarity of reporting against objectives and strategies.

Good practice internationally indicates that progress should be reported, where possible, in terms of results achieved rather than simply listing activities during the period under scrutiny. This is in line with the increasing focus on outcomes in the public sector. In general, progress reports rated poorly here. Most reports focus on listing activities undertaken and outputs delivered to achieve objectives and strategies e.g. grants provided, licenses issued, reports produced. What happened as a result of this activity is not reported on. In some reports, such as the Departments of Enterprise, Trade and Employment and Finance, there is an attempt to look at results e.g. changes in inflation, long-term unemployment rates, export sales, jobs created. But the overall impression is of activity-based reporting rather than results-based reporting.

#### *4.3.2 The meaningfulness of annual progress reports*

If progress reports are to be meaningful, they should provide an understanding of the context within which progress is made. Similarly, they should compare actual with expected performance, using comparative data to validate progress. Some reports were good at setting the context for reporting progress, outlining changes in the environment and the implications this had for progress. For example, the Office of the Civil Service and Local Appointments Commissioners report indicated the implications of changes in the labour market for the work of the Office. Similarly, the overview section of the report of the Department of Tourism, Sport and Recreation provides a context for understanding progress toward sectoral objectives.

In general, reports were poor in explicitly comparing actual with expected performance. While some reports did note year-on-year changes, allowing progress to be tracked, many reports simply listed activities for the year under review, making judgement about progress difficult. This issue relates back to the general absence of specific, assessable objectives in strategy statements as noted in a previous CPMR study (Boyle and Fleming, CPMR Research Report No. 2, 2000). In many cases, the expected level of performance is not clearly set out in the first place. Comparative data, other than in some instances

comparing year on year, was relatively little used. Exceptions include reporting of progress against agreed customer service standards (for example in the reports of the Departments of Agriculture, Food and Rural Development, Social, Community and Family Affairs and the Office of the Revenue Commissioners) and reporting on the achievement of ISO accreditation by a business unit in the Office of Public Works. There is a particular issue concerning the tracking of performance of policy areas of departments and offices. As previous work for the CPMR indicates (Boyle, 1996), assessing policy work presents particular challenges. However, it is possible in many instances through a combination of setting milestones, developing relevant indicators and the wise use of evaluation studies to facilitate review.

#### *4.3.3 The attribution of progress in annual progress reports*

Information contained in progress reports should facilitate judgment on the contribution which activities and outputs produced in pursuit of a department/office's objectives and strategies are making towards desired outcomes. Ideally, it should be possible to distinguish where change is a result of pursuing strategies and objectives and where it is a result of external factors outside the control of the department/office. In many reports, it is difficult to judge the contribution made by departments and offices. While there is clearly a high level of activity reported, the precise part this activity plays in achieving desired outcomes is often implied rather than assessed. This difficulty obviously relates to the need, outlined above, to clearly specify in advance what results are expected and how proposed activities/outputs link to desired outcomes.

There are many and varied influences acting on outcomes such as changes in employment or pollution levels. Even where attempts are made to report on progress, it is often difficult to precisely attribute the influence of particular policies on outcomes. To this end, programme evaluation and expenditure reviews are intended to provide an in-depth analysis of cause and effect. Some progress reports usefully indicate the role that such evaluations are playing in facilitating better judgement of the contribution of policies and programmes to desired outcomes. For example, the 1999 annual report of the Department of Tourism, Sport and Recreation notes that an expenditure review of CERT (the state tourism training agency) activities was undertaken which has led to a re-assessment of CERT's role. The 1999 annual report of the Department of Agriculture, Food and Rural Development indicates that the Rural Environmental Protection Scheme (REPS) was subject to two independent evaluations during 1999. These evaluations estimated change in pollution levels and farm income arising from the REPS.

#### *4.3.4 The accuracy of performance information in annual reports*

Performance information should be reliable, credible and verifiable. A problem in assessing annual progress reports in this regard is that many of them contain very little in the way of performance information. Expenditure under particular programme and sub-programme headings is normally included, often as an annex, but there is little read across between this information and the cost of pursuing particular objectives and strategies. Where information is given on expenditure related to particular objectives, this is often a mere statement of the level of expenditure in the year under scrutiny, with no information as to whether this was above or below planned expenditure. The 1999 annual report of the Department of Public Enterprise contains a useful section in the financial statements setting out sectoral resource accounts for the different sectors under its control e.g. energy, communications. This is seen by the department as a first step in promoting the analysis of expenditure by aims and objectives and relating these to outputs, through the use of performance indicators.

Moving on from expenditure information, there is only limited reporting against performance indicators in the progress reports. This reflects the fact that performance measurement, as identified previously by the CPMR (Boyle and Fleming, 2000), was the weakest aspect of strategy statements. Few reports actually report progress by using performance indicators. Sometimes, even when performance indicators have been identified in strategy statements, these are not reported on in the progress reports. Where indicators are used, for example in the reports of the Departments of Agriculture, Food and Rural Development and Marine and Natural Resources, they provide useful information but still need to be further developed.

#### *4.3.5 Balanced reporting in annual progress reports*

Reports should indicate where there has been lack of progress as well as reasonable or exceptional progress. As the environment is constantly changing, reports should also highlight unintended and unexpected developments arising from the pursuit of objectives and strategies. But in general terms, the reports tend to highlight what has been achieved rather than drawing attention to areas where progress has not been made. To a large extent, the reports read as promotional documents for the department/office rather than balanced assessments of progress in implementing the strategy statement.

Some reports do attempt to bring some balance to the picture, reporting problems as well as successes. For example, in relation to customer service standards the reports for both the Department of Social, Community and Family Affairs and the Office of the Revenue Commissioners show where targets have been met but also where targets have not been achieved. However, the overall impression given is not one of balanced reporting but rather of selected coverage to emphasise accomplishments.

#### **4.4 Annual progress reports as learning documents**

As part of the strategic management process, progress reports have a role to play in displaying how an organisation is learning from its experience. The report is a chance to reflect changing circumstances and update the strategy statement. Objectives and strategies set at one point in time may or may not remain relevant. New issues may emerge. The annual progress report is an opportunity to inform stakeholders as to changes and the reasons for them.

#### *4.4.1 Reflecting the dynamic nature of strategy in annual progress reports*

Annual progress reports should indicate where, and why, objectives and strategies have been achieved or changed or are no longer pursued because of changing circumstances. In general, however, the progress reports tend to be very static in nature. Reports focus on outlining activities against objectives and strategies, but with little or no discussion about the continuing relevance of objectives. In some cases, objectives and strategies contained in the strategy statement are not reported on. In other cases, the reports contain progress reports on new objectives and strategies which are not included in the strategy statement. But there is no discussion as to the reason for these changes.

In a few reports, there is some attempt to review objectives in the light of changing circumstances. In the report of the Central Statistics Office for instance, in reporting progress on programme objectives, priority objectives for the coming year are identified. The report of the Department of the Taoiseach contains a 'next steps' section which outlines strategic objectives for the coming two years. But overall, the reports do not give a systematic picture of how objectives and strategies are changing over time.

#### *4.4.2 The insight role of annual progress reports*

The annual progress report provides an opportunity for drawing broad lessons from progress to date and changes in the environment. Reports tended to vary quite significantly in addressing this issue. Some did not address it at all, sticking simply to reporting progress against objectives and strategies. Others took the opportunity to outline environmental changes. The report of the Office of the Civil Service and Local Appointments Commissioners includes a discussion on recruitment trends at different grades, and notes in particular problems and issues arising at clerical level which need addressing. In the reports of the Department of Finance, changes in the economy are highlighted in discussions on progress. The 1999 report of the Office of the Revenue Commissioners contains a section on inquiries and investigations, including the Deposit Interest Retention Tax (DIRT) inquiry, and the implications of these for the working of the Office. But the general implications for strategy and strategic management in departments and offices of changing circumstances are seldom addressed in the progress reports.

#### **4.5 Conclusions**

From this review of experience to date with the first two rounds of annual progress reports, it can be seen that there is significant room for improvement in the reports as they currently stand. This review has identified a number of issues which are of particular concern.

- Only just over half the departments and offices surveyed produced a progress report annually.
- In several reports, due to the way information is presented, it is difficult if not impossible to assess progress against the objectives and strategies as contained in the strategy statement.
- Nearly all the reporting is activity- and output-based. It is not possible in most cases to form a judgement as to what is happening as a result of this activity i.e. the results.
- Little use is made of comparative data to put progress reporting in context. Year-on-year trends are infrequently used, but are the most common source of comparative data. The level of performance is rarely contrasted with expected performance levels.
- Reports are generally data-deficient, with little use of performance information or performance indicators. In some cases where performance indicators have been listed in strategy statements, they are not subsequently used in the progress reports.

- Reports focus almost exclusively on listing achievements. There is little in the way of balanced discussion or identification of areas where progress has not been made.
- There is little or no discussion in reports on the continued relevance of objectives and strategies. Some objectives and strategies are simply not reported on. In other cases, new objectives and strategies are included in the reports, but there is no discussion of why this is done.
- Many reports give little sense of what lessons are being learned from implementation and from changes in the environment.

In all, if annual progress reports are intended simply as promotional vehicles for departments and offices, then they are currently probably serving that purpose reasonably well. But if they are intended to be part of the accountability process, comparing planned with expected performance, they are in need of significant re-vamping and improvement.

## What Next for Annual Progress Reports?

### 5.1 Introduction

As mentioned in Chapter 2, annual progress reports are part of the management and accountability system. This system incorporates strategic planning and management, business planning, implementation, monitoring and evaluation, and reporting. Reporting is crucial in providing feedback on progress and highlighting new challenges and issues. In terms of accountability, the annual progress report provides an opportunity for departments and offices to provide information on results achieved to date. In particular, reports may have an assurance focus, demonstrating that strategies and objectives are being delivered on, and an improvement focus, demonstrating evidence of management improvement and learning.

However, as evidenced by the review of annual progress reports conducted in Chapter 4, at present the reports are little more than promotional documents outlining activities undertaken by departments and offices. In many ways, this is entirely understandable. This practice is in line with what organisational theory indicates, namely that administrators' interests in stability, meeting political interests and the promotion of a favourable image will lead to reports that cast programmes in a positive light in the absence of checks or incentives (see for example Dunleavy, 1991 and Schwartz, Mayne and Toulemonde, forthcoming). It is also understandable in political terms that ministers will be supportive of reports that show their stewardship of departmental activity in a positive manner. Indeed, from a learning and development perspective it is important that positive accomplishments be highlighted and outlined in reports, so that good practice can be disseminated and learned from.

What is important is developing a sense of a 'balanced' picture in annual progress reports. Too positive a picture will ultimately lead to a loss of credibility. This point is recognised in the review of performance reporting conducted by the Office of the Auditor General of Canada (2000b):

... selectively reporting only good news weakens the reliability of the entire performance reports – including the good news. Members of Parliament have repeatedly said that they do not trust the credibility of reports that present only good news.

While organisational and political interests will significantly influence the form and content of annual progress reports, the reports need to be seen as credible if they are to play their part in the public accountability process.

It is also important that the amount and quality of performance information contained in annual progress reports is improved. Strategy statements are in part intended to focus departments and offices more on the outcomes they are responsible for. Yet the reporting in annual progress reports at present is very activity oriented. Results-based management is not yet a significant feature of the Irish civil service. The more annual progress reports can be encouraged to include good quality performance information, the more departments and offices will be encouraged to engage with managing for results.

In order that progress be made enhancing the quality of information in annual progress reports and the credibility of the reports, action is needed on a number of fronts. Three issues in particular need to be considered in the context of enhancing the role of progress reports in the accountability system. One concerns guidance on the nature and role of annual progress reports. A second issue concerns the need for quality assurance systems and procedures to validate the reports. The third issue concerns the encouragement of active use of the reports.

## **5.2 Guidance on the nature and role of annual progress reports**

Guidance can provide a common framework for reports, and highlights key issues which need to be addressed in reports. It should be noted, though, that guidance needs to be handled sensitively. One concern with guidance is that it may enforce too much of a ‘straight jacket’ on departments, limiting their scope to meet their stakeholders’ needs. Another concern is that the issuing of guidelines can lead to routine ‘form-filling’ to meet the need of the guidelines rather than the desired end results. However, these concerns can usually be overcome by ensuring that the guidance is used to set a framework for

reporting and to identify issues to be covered, without being over prescriptive on the detail.

At present, other than a brief reference in the guidelines on the preparation of strategy statements issued by the Department of the Taoiseach in 2001, there is no guidance for departments and offices on the format and content of annual progress reports. This contrasts with the situation in countries such as Australia, Canada, New Zealand, the UK and the USA where central agencies have produced guidelines on the production of annual performance reports. These guidelines generally set out the types of information which reports must include.

In terms of central agency guidance, the Office of the Auditor General of Canada (2000b) indicates its expectations of the role of the Treasury Board Secretariat (TBS) with regard to performance reporting. It states that it expects the TBS to:

- have procedures in place to ensure a reasonable rate of progress in improving performance reporting
- provide adequate guidance and direction, leadership and demonstrated commitment, including the use of incentives and the building of expertise in departments
- gather and disseminate information on best practices and lessons learned
- work with parliamentarians to develop means of enhancing parliamentary use of departmental performance information
- report to parliament on the government-wide progress of performance reporting and managing for results.

### **5.3 Quality assurance procedures for annual reporting**

Quality assurance systems and procedures have a role to play in improving performance reports. In particular, quality assurance can be important in underpinning the accountability process by validating performance information. Such systems and procedures are in place in most of the countries reviewed in the course of this study. There are currently no formal quality assurance procedures specifically covering annual progress reports. However, under the *Programme for Prosperity and Fairness* (2000) sectoral Quality Assurance Groups have responsibility for overseeing performance indicators agreed for modernising the public service. It might be expected that these

performance indicators will feature in the relevant strategy statements and be reported on in annual progress reports.

Quality assurance approaches for improving annual progress reports must address the following key questions.

### *5.3.1 Who provides quality assurance?*

With regard to who does the assuring, both internal and external assurance approaches are in use in a number of countries. Internally, it is important that departments are responsible for the quality and integrity of the information they provide in annual progress reports. In some places, such as Canada, internal audit is seen as being important in verifying the accuracy and completeness of performance information in performance reports (Office of the Auditor General of Canada, 2000b). A review of audit and accountability in central government in the UK recommends that internal audit, reporting to an audit committee, be responsible for reviewing performance against plan (Sharman, 2001).

Independent, external scrutiny of information in performance reports is also a feature of assurance systems in a number of countries. Supreme audit institutions (SAIs) are playing an active role in assessing performance reporting in Canada and the USA. The UK review of audit and accountability mentioned above (Sharman, 2001) recommends that there should be external validation of departmental information systems as a first step in a process towards validation of key published performance data. The Comptroller and Auditor General's Office is seen as the body which should be responsible for external validation for central government. There is clearly merit in the idea of external assurance provide by SAIs, particularly when the information being assessed relates to the public reporting of performance with regard to the application of public money. However, this approach is not without criticism. Performance auditors may have a tendency to focus on weaknesses and have been accused of producing non-balanced reports (Schwartz, 1998). Sharansky (1984) suggests that the focus of work by state auditors is affected by political considerations of SAIs which seek to attract attention to their reports. The growth in what has been termed the audit society (Power, 1997), with SAIs playing an increasingly active role in scrutiny of departmental activity, is not necessarily an unambiguous benefit. External quality assurance of performance information by state auditors is an important element in quality assurance, but one which needs to be scrutinised to ensure that the benefits exceed the costs.

State auditors are not the only organisations to provide independent, external quality assurance of performance reports. The examples of the Mercatus Center in the USA and Institute of Public Administration Australia illustrate examples of other organisations scrutinising and assessing annual performance reports and highlighting strengths and weaknesses. In the Australian case, this assurance approach is tied in with an awards scheme, to promote good practice. Similarly, in the United Kingdom, a Treasury-led Technical Review Panel offers comments to departments on the quality of their draft Technical Notes (the documents which define how Public Service Agreement targets are to be measured and reported on). This process is intended to promote and share good practice (National Audit Office, 2001). In Ireland, the role of sectoral Quality Assurance Groups in reviewing public service modernisation indicators agreed under the *Programme for Prosperity and Fairness* has been mentioned above.

### *5.3.2 What criteria are used in quality assurance?*

In terms of the criteria that are used in assessing the quality of annual progress reports, this paper has identified a range of criteria in use in different countries that can be applied to progress reports. It is clear that the criteria in use must cover broader issues than simply the validity and reliability of performance information contained in performance reports. Issues such as relevance, meaningfulness and balance are also covered by criteria used to assess the information contained in performance reports. Further, there is evidence of criteria being developed and used to cover issues beyond the information in reports. These include criteria to assess the general availability and accessibility of the information and criteria to assess how the information contained in performance reports is designed to encourage active use of that information.

The criteria outlined in section 3.3, applied in Chapter 4, could be incorporated into assurance systems for assessing annual progress reports. They cover the range of issues outlined above and provide for a balanced assessment of annual progress reports.

### *5.3.3 Where should the focus of quality assurance be?*

From this review, two main approaches to quality assurance of performance reports can be identified. One relates to the assessment of individual reports. Whether done internally and/or externally by an SAI or by an independent organisation, the interest here is in providing assurance as to the quality of individual reports produced by departments and

agencies. The second approach relates to the assessment of systems and procedures, with a view to drawing from groups of reports to provide assurance as to the capacity and capability of the system. Examples of this latter approach include the UK National Audit Office (2000, 2001) reviews of good practice in performance reporting in executive agencies and government departments and the Office of the Auditor General of Canada (2000b) review of reporting on performance to parliament. This CPMR study can also be seen as an example of assessment at the level of systems and procedures rather than at the level of the individual report. These two approaches can be seen as complementary in that they are addressing similar quality assurance issues, but from different perspectives.

#### **5.4 Encouraging active use of annual progress reports**

Formally, under the Public Service Management Act, 1997, the annual progress report is a report by the secretary general of a department or head of office to the relevant minister of the government. However, as evidenced by international experience, to play its role in the accountability process a wider audience for performance reports might be expected, including the Oireachtas, citizens and departmental management and staff.

There is a sense though that very little use is made of annual progress reports at present. A search of the Houses of the Oireachtas web site and of the archives of major national newspapers found no references to annual progress reports.

In terms of encouraging use of annual progress reports by the Oireachtas, the Canadian Improved Reporting to Parliament Project offers some useful insights. Reports are presented to parliamentary standing committees as part of the Estimates process. The Office of the Auditor General (2000b) has recommended that parliamentary committees should have a stronger role, perhaps by explicitly empowering them to consider department performance reports and then report their findings to the House of Commons. In a similar manner, in the USA annual performance reports are submitted to the President and Congress. The Senate committee on governmental affairs is particularly involved in reviewing annual performance reports, as they receive observations by the General Accounting Office on each individual performance report.

In terms of encouraging use of annual progress reports by citizens, there is likely to be limited demand. However, people with a particular interest in specific issues may wish to use information to follow up progress. A more active and informed citizenship, involved more in the policy process, is increasingly seen as an important part of good public management practice (Boyle and Humphreys, 2001, CPMR Discussion Paper No. 17). To this end, it is important to ensure that reports are readily accessible, in both printed and electronic formats, to the general public.

Finally, in terms of encouraging use of annual progress reports by management and staff of departments and offices, reports need to be seen as part of the strategic management cycle. One of the issues raised in this review is that part of the problem of limited information in annual progress reports relates back to the vagueness of objectives and strategies in strategy statements. The clearer and more specific objectives and strategies are, the clearer and more specific performance information will be. If reports are used by management and staff to highlight weaknesses in specific areas, these issues can be tackled in future strategy statements and in the annual business plans for divisions and sections. In this way, the annual progress reports could be seen as part of a learning and developmental process oriented at improving performance over time. If this is to happen, reports must be widely circulated, provide the information needed including identification of weaknesses, and be promoted as an important part of the management process, particularly by senior management.

Also, in terms of their place in the strategic management process, it is important that the annual progress reports make use of information arising from the management information framework project. The management information framework aims to help improve financial and non-financial data management systems, to provide managers with better information for improved decision taking (Dixon, 2000). Annual progress reports can both (a) highlight deficiencies in existing information systems that can then be addressed in the management information framework and (b) make use where appropriate of information being delivered under the aegis of the management information framework.

## **5.5. Conclusions**

The current state of play with regard to annual progress reports on the implementation of strategy statements is disappointing. In general, the reports do not provide a sufficiently

balanced and informed picture of how departments and offices are progressing against agreed objectives and strategies. The widespread absence of data, and the focus on activity reporting, makes assessment of performance difficult if not impossible in many cases.

If annual progress reports are to be a useful part of the public accountability process, they will need to change. In particular, three issues have been identified which require attention:

- the development of guidance on the role of annual progress reports, and ongoing central support
- the establishment of appropriate quality assurance systems and procedures to assure the quality of information in annual progress reports
- the encouragement of active use of annual progress reports by the Oireachtas, citizens, and management and staff of departments and offices.

With regard to assurance in particular, a mix of approaches is likely to be needed. Internal assurance of individual annual progress reports, combined with independent external assurance, would help assure the quality of information contained in reports. Combined with assurance approaches focused more on development and learning, such as overviews of systems and procedures, there is scope to develop a balanced approach to assurance. It is particularly important to ensure that the benefits of assurance outweigh the costs of compliance. Just as ensuring balanced reporting is an aim of quality assurance of annual progress reports, so should balanced assurance approaches be a key aim in the assessment of annual progress reports.

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## **Appendix 1**

*Assessment Criteria used by Institute of Public Administration Australia for Judging the Quality of Online Annual Reports of Commonwealth Departments and Agencies 1998-99*

### ***Technical Issues***

- Do all the icons, buttons and links work correctly?
- Are there reasonable download times?
- Are there any errors in html coding?
- Do files open without error?
- Does the search engine work and locate relevant content for simple search items?
- Are there self-extracting downloads?
- What is the [www.caswt.org/bobby/rating/](http://www.caswt.org/bobby/rating/)?
- Are files following 8.3 file name protocol?
- Do images have alt text?
- Is it online and downloadable?
- Are there multiple download formats?
- Is there a text only version available for slow connections?

### ***Compliance Issues***

- Copyright statement
- Date of publication
- Expiry of review data
- Name and contact officer for further information

### ***Layout and style recommendations***

- Document image benchmarks
- Provision of appropriate AGLS metadata
- Provision of imprint details
- Compliance with Access Guidelines and Disability Rights
- Correct use of Coat of Arms

### ***Onscreen usability***

- Is the annual report easy to find?

- Is there a separate annual report search facility?
- Can readers easily understand where they are in the document through wayfinding aids?
- Can a reader easily navigate to a desired point in the document?
- Is the document's structure encapsulated in a TOC that gives the reader a sound understanding of the document content?
- Are the labels of icons, buttons and links easily understood and do they accurately represent what happens when the icon, button or link is selected?
- Are levels of interactivity included such as email contacts, feedback forms?

### ***Onscreen visual design***

Do the pages show signs of being designed specifically to be read on the screen? Things to look for will include the following:

- The text should be clearly laid out with adequate headings (every 3-4 paragraphs/250 words) and appropriate typography (a size and font that provides good screen legibility) which visibly structures the content to enable relationship building between topics and sections of information by scanning.
- The use of text-colour aids legibility and offers readers the best opportunity for greatest text comprehension
- Document text should not scroll left to right
- Text should not be overly granulated or separated (i.e. needing lots of link following), because this effectively loosens the linear sequence and impedes recall of specific information from a remembered location.
- Navigation and wayfinding devices should be intuitively designed and displayed clearly on all pages.

### ***Onscreen content and communication***

Does the document show signs of being re-written specifically for onscreen use?

- Text should be written in a way that facilitates scanning (bulleted lists, short sentences, descriptive headings).
- Material, especially financial tables, is best summarised and displayed in a way that facilitates an overall understanding of results.
- Links should be provided from summarised information to more detailed information.
- Hyperlinks and TOC should be used.

***Innovation***

- Does the implementation demonstrate innovation and desire to make best use of the medium?

Source: Institute of Public Administration Australia (2000)