

BUILDING A CULTURE OF ACCOUNTABILITY: THE EVOLUTION OF PERFORMANCE STATEMENT AUDITS


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In both the Public and Private sectors, it is important that individuals, programs and organisations are held to account to deliver performance outcomes. Within the private sector, profitability is the measure most often used, however we are seeing an evolution with the increased focus and priority given to Environmental, Social and Governance (ESG) reporting. Within Government the Annual Performance Statements is the way in which performance is measured and reported, implemented with the introduction of the Public Governance, Performance and Accountability Act 2013 (PGPA Act) which established the system through which accountability for public resources is to be governed.

In the public sector Annual Performance Statements is a regular audit topic on Internal Audit Work Programs. As the Australian National Audit Office (ANAO) continues to expand its external audit program, internal audit functions can help their agencies to prepare for external audit, and address findings and recommendations from ANAO work program.

Audits of Annual Performance Statements started to find their way onto our work programs around 2019 when the ANAO commenced its pilot program. These audits were focussed on the accuracy of the data presented in the statements. As time progresses, we are seeing more value being added by audits that assess the measures themselves and flesh out grey areas beyond prescriptive rules. Providing assurance that agencies have coverage of material or key activities, an appropriate balance of efficiency, outcome and output measures and a rigorous approach to measuring qualitative aspects of functions such as the provision of policy advice can provide a richer and more complete performance story to the public.

Off the back of a number of years of these rolling audit programs and ANAO insights, we are seeing Government agencies continuing to refine their measures, moving towards quality over quantity to tell a more compelling performance story. For example, the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA) has reduced their measures from 85 in the 2021-22 Corporate Plan to 45 in 2023-24 and the Department of Treasury consolidated its key activities from five to three in 2023-24 to allow for a more long-term strategic view on its performance. The processes supporting the planning, selecting, monitoring, reporting and validating of measures are also useful for Internal Audit to provide insight and their process expertise.



But what is the next iteration of these audits? As we move beyond accuracy and grey areas within the process, how can we continue to drive better performance outcomes?

Value can be added by Internal Audits with objectives to assess how the performance measures and statements are being used drive to better performance. This is harder to quantify and evaluate than when we assess the measures themselves and the processes that support them. As internal auditors, we have an obligation to bring value through our audits, identify performance improvements and look for opportunities to continue to mature.

Critical to achieving performance outcomes is the concept of accountability and who is accountable to drive performance of an organisation, function or capability. Internal Audit can consider how are individuals held to account, **how they are using this performance information to make decisions that lead to better performance outcomes** (or are they waiting for the end of the reporting period with a rearward facing view)?

Accountability refers to the obligation or willingness of individuals to take responsibility for their actions, decisions, and the outcomes resulting from them. It involves acknowledging and accepting the consequences—both positive and negative—of one's actions and fulfilling commitments made to others. In a broader sense, accountability is a fundamental aspect of ethical and responsible behaviour in personal, professional, and organisational contexts. It implies a commitment to transparency, integrity, and the understanding that actions have an impact on individuals, teams, and the overall performance of an organisation. In an accountability-driven environment, team members are free to share knowledge, provide constructive criticism, and own their successes and failures without fear of repercussion.

A culture of accountability can be very difficult to build. Within Government, with less reliance on profit as a means of measuring performance and there are often less tangible measures of performance. Arguably accountability can still be difficult in the private sector, how individuals are held to account for driving performance isn't always easy while maintaining a positive and healthy work culture. Successful performance goes beyond financial results and companies are starting to more actively measure and monitor other aspects of performance through ESG reporting.

A culture of accountability in an organisation requires a number of conditions to be present. Listed here are some criteria you can assess to form a view on the culture of accountability that in turn supports performance outcomes:



Leadership Role Modelling

Leaders should consistently demonstrate and model accountability in their actions and decisions. When employees see leaders taking responsibility for their actions, it sets a positive example for the entire organisation.

Clear Expectations and Communication

Clearly communicated expectations for individual and team accountability. Ensure that everyone understands their roles, responsibilities, and the impact of their work on the overall success of the capability, function and organisation.

Regular monitoring of Performance Metrics and KPIs

Regularly track and communicate progress, holding teams accountable for meeting these performance standards or to make decisions and adjustments when performance is lacking.

Recognise and reward individuals and teams for their accountability and successful outcomes. This can be through both formal recognition programs and informal acknowledgment of a job well done.

Accountability Framework

An accountability framework that outlines the consequences for both meeting and not meeting expectations that is transparent and consistently applied across the organisation.

Training and Development

Training programs that focus on accountability, teamwork, and communication to help employees develop the skills they need to take ownership of their work and collaborate effectively across silos.

Cross-Functional Collaboration

Collaboration across different departments and teams is encouraged and facilitated, fostering a culture where individuals understand the interconnectedness of their work with others and the overall performance of the organisation.

Feedback Mechanisms

Regular feedback mechanisms, such as performance reviews and 360-degree feedback, to provide individuals with insights into their personal performance in relation to their accountabilities for the organisations performance. The link between individual role and performance measure is clear and constructive feedback is provided to foster a culture of continuous improvement.

Conflict Resolution Training

Training on conflict resolution to help teams address issues constructively. A culture that addresses conflicts openly and seeks solutions promotes accountability.



Continuous Improvement Culture

A culture of continuous improvement where mistakes are seen as opportunities to learn and grow rather than as reasons for blame where employees are encouraged and expected to share lessons learned from both successes and failures.

Employee Involvement

Involve accountable employees in decision-making processes and give them a sense of ownership to take action to achieve in the organisation's goals. When employees feel a connection to the organisation's mission, they are more likely to take accountability for their contributions.

With these elements present, performance reporting can be more than just a tick the box exercise, it can drive performance outcomes that are achieved through the performance reporting and its supporting processes.

When setting the objective for your next audit of Performance Statements, think of performance measures beyond an exercise for corporate reporting or to prepare for an ANAO audit - consider how you can build upon the maturation of measures and processes to factor how performance measures can and should be used by the organisation to reinforce accountability and support decision making the improve the performance outcomes.

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