

Performance reporting in Ireland: the ongoing gap between rhetoric and reality

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Abstract

Purpose – The annual report is an important means of organisational accountability. In recent years, public sector organisations (PSOs) influenced by New Public Management have been expected to publish performance information which will enable the readers of the annual report to assess how the organisation is doing. The purpose of this paper is to examine the level of performance information published by a range of PSOs in Ireland to verify if the increased emphasis on performance reporting was having an impact on actual reporting by PSOs.

Design/methodology/approach – The research involved a detailed study of a number of annual reports published by Irish PSOs over two time periods. These organisations had an operational focus and were standalone.

Findings – The research finds that Irish PSOs publish a reasonable level of performance indicators but most of these indicators are not compared to a target; the majority of organisations do not publish any targets in their annual report. This makes it very difficult for the reader to assess how the organisation is doing. The level of reporting has not improved since the OECD report of 2008.

Originality/value – The research finds that there is a substantial gap between the rhetoric of reform as set out in official government documentation and the reality of reporting by Irish PSOs. This reduces the level of accountability and raises doubts about the performance and effectiveness of Irish PSOs.

Keywords Annual reports, Accountability, Performance reporting

Paper type Research paper

The public sectors in many countries have undergone a range of reforms over the last 30 years and these reforms have been widely described as New Public Management. It is suggested that the intention of these reforms was to make the public sector more “business like” with a greater emphasis on results (Gregory, 2012). The emphasis on results is a major change because, in the past, governments were mainly concerned with keeping expenditure within agreed budgetary limits. Now, they are also concerned with examining the results achieved by each programme and reviewing these results in conjunction with expenditure. It is suggested that the annual report can be a starting point in reviewing the performance of public sector organisations (PSOs) (Brady, 2008). The purpose of this paper is to examine the extent and range of performance information provided by a range of Irish PSOs in two separate time periods. In particular, the paper will review if the rhetoric of reform as enunciated by numerous Irish governments over the last 20 years is reflected in the reality of performance reporting through the annual reports of Irish PSOs. Therefore, this paper will examine what is meant by public sector performance, the importance of performance information, and the official position in Ireland. Then, the research methodology will be outlined. Following this, the research findings will be outlined. The final section will conclude with a discussion and some recommendations for change.



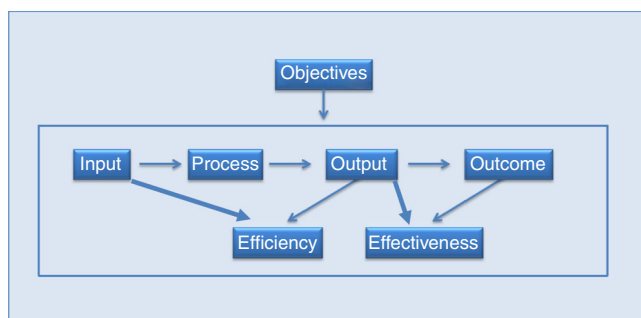
Public sector performance

It has been suggested that performance in the public sector can be reviewed in terms of efficiency and effectiveness (Anthony and Young, 2003). Efficiency is the relationship between inputs and outputs and the aim of efficiency is to minimise inputs, to maximise outputs or to do both. Effectiveness looks at the relationship between the outputs or outcomes and the objectives of the organisation. The importance of objectives is emphasised and it is suggested that the starting point in assessing performance is to look at the objectives for the organisation or programme (Boyle, 1995). The objectives should outline the desired outcomes for the organisation or programme. Managers must then decide on the outputs required to achieve these outcomes and, once these outputs have been decided upon, the necessary inputs must be chosen to produce these outputs. Figure 1 sets out a widely used performance-assessment model as applied to the public sector. The definitions associated with the various elements of the model are as follows:

- inputs – the resources used for a particular service, e.g. staff or equipment;
- process – the activities carried out by the organisation, e.g. number of visits made;
- outputs – the immediate products or services produced by an organisation, e.g. number of driving licenses issued; and
- outcomes – the impact that a product or service actually has on the recipients or society, e.g. a better-educated population.

Performance information

Information is required to allow stakeholders to assess the performance of an organisation. It is suggested that the provision of performance information fulfils two key roles, often at the same time (Smith, 1995). The first is an external role that relates to the need for PSOs to discharge their accountability through the provision of relevant information. It is argued by Ammons (1995) that PSOs should “report not only how much they spend, but also how much work they do, how well they do it, how efficiently, and ideally, what their actions achieve” (p. 37). The second role is the use of performance information to help managers make decisions that will improve the performance of the organisation. It is proposed that public sector performance can be improved through better planning and control of performance. The focus of this paper



Source: Boyle (1995, p. 6)

Figure 1. A performance assessment model

is on accountability. The importance of performance reporting by PSOs for accountability purposes is emphasised when it is suggested that “If those documents (non-financial performance reports) report poor performance, democracy requires departments to be held accountable for ensuring they remedy performance issues. If Parliament is unable to adequately assess entity performance because of the poor quality of performance reporting, then we would expect those entities and their oversight agencies responsible for the quality of reporting to be held accountable for their inadequate reporting” (Brady, 2008, p. 19).

A number of reasons have been put forward to explain the importance of performance information for PSOs. In the absence of market forces, performance information allows outsiders to evaluate how the organisation is doing (Talbot, 2000). It is also suggested that accountability would be impossible without accurate performance information (Boyne and Law, 1991). Furthermore, performance information can help provide clarity to PSOs as they try to balance competing needs (Moynihan *et al.*, 2011; Norman, 2006) and as an input into policy making (Gregory and Lonti, 2008).

Position in Ireland

Ireland was not immune to the major changes impacting the public sectors in many other countries. The changes in Ireland included the Comptroller and Auditor General being given powers to audit for value for money in 1993; the launch of the Strategic Management Initiative (SMI) which was intended to bring a more business-like approach to the work of the public sector (1994); and the Public Services Management Act of 1997 which required PSOs to prepare and publish strategy statements outlining their objectives for the next three years. In addition to these changes, a wide-range of supporting documents outlining the key requirements for strategy statements and annual reports were published by the main departments (Finance and Taoiseach (Prime Minister)). For example, in relation to the annual reports, the official documentation suggests that it should be clear from the annual report whether or not strategies set out in the strategy statement are being achieved (Department of the Taoiseach, 2004) Furthermore, given the importance of performance indicators, the Department of Finance (2006) has devoted a lot of effort into providing guidance on the implementation of performance indicators. A key document on performance indicators (Department of Finance, 2006) emphasises that the starting point for developing performance indicators is the outcomes set out in the strategy statement, and that these must cascade eventually to performance indicators. In addition, the need for clear alignment between the activities and outputs of the organisation and the desired outcomes was stressed.

Despite these official government efforts, there was a belief that the public sector was not delivering the required level of service. In 2007 the government invited the Organisation for Economic Co-operation and Development (OECD) to review the performance of the public services in Ireland. The reason for this review and the overall objectives were stated as follows (Department of the Taoiseach, 2007):

The Government is investing unprecedented levels of resources in public services. But problems remain - mainly with delivery on the ground and maximising return on investment. We want the OECD to examine rigorously the connections between the investment decisions that are being made at the Cabinet table in Government Buildings and delivery on the ground around the country in the key areas and issues affecting ordinary people (p. 1).

A key recommendation from this review (Organisation for Economic Co-operation and Development (OECD) 2008) was that there was a need for the development of a performance culture in the Irish public sector. This would involve the greater use of performance information to help organisations focus better on the results of their activities as opposed to focusing mainly on what is being spent. The overall assessment of the OECD in relation to Ireland was that there was a long way to go in developing a performance culture across the Irish public sector. The report states:

Despite the reforms following from the SMI, the overall political and managerial systems in Ireland, to a large extent, are still based on a compliance culture that emphasises controlling inputs and following rules [...] there has yet to be a shift in systems and incentives that would support a move to a performance culture that would make full use of the mechanisms in place to their intended purpose (p. 170).

The economic crisis which impacted Ireland from 2009 led to major questions being asked about the size and cost of public services. In November 2011, the new government published a reform plan (Department of Public Expenditure and Reform (DPER) 2011) which called for all PSOs to publish clear long-, medium- and short-term priorities, annual reports using performance indicators to outline progress on achieving priorities, and greater management by departments of PSOs operating under their aegis. Two progress reports (Department of Public Expenditure and Reform (DPER) 2012 2014a) outline many changes which have taken place across the public sector but reports no progress on the development of performance information (targets and indicators). In a revised reform plan (DPER, 2014b), there is a renewed emphasis on developing a performance culture and a focus on outcomes and results for citizens.

Research methodology

The research findings presented here are based on the same sample of annual reports examined over two time periods (2007 and 2012). The sample was based on organisations that could be matched with UK Executive agencies and the annual reports of 19 organisations were examined (these are listed in Appendix). All the organisations were standalone (not a sub-section of a government department) and had an operational focus. It is likely that organisations with an operational focus are better able to measure performance through quantitative measures than policy-making organisations.

For analysis purposes, information was considered disclosed if it was highlighted in some way (hard copy) and not contained in the main narrative of the annual report (soft copy) (Hyndman and Anderson, 1997) who used this approach in their review of performance reporting by UK executive agencies, where it was argued that soft copy was difficult for users to isolate and use. While it could be argued that this is just a matter of presentation, information, that is highlighted and concise was deemed to be substantially more useful in terms of communicating to users; this is particularly the case where users of annual reports have limited resources and are unlikely to be able to cross-examine the organisation's management. Furthermore, it is argued that "measures are more powerful than words as a mechanism of transcription due to their reproducibility, durability and communicability" (Townley *et al.*, 2003, p. 1060).

Research findings

The annual reports were analysed to identify the number of targets and indicators. Table I details the findings with respect to this, distinguishing between the 2007 and

2012 reports. This table shows that in 2007, the annual reports reviewed had a total of 421 indicators, while the 2012 reports examined had 589 indicators. In relation to targets, the 2007 reports had 174 targets; whereas, the 2012 reports had 127 targets. The average figures outlined in Table I confirm this, with the average for indicators increasing from 22.2 to 31.0, and the average number of targets dropping from 9.2 to 6.7. However, these changes can be largely traced to changes in the level of reporting by a small number of organisations. In relation to performance indicators, the Courts Service increased the number of indicators from 23 to 186. In relation to targets, the reduction can be traced to a reduced number of targets being reported by the Central Statistics Office (from 146 to 54). This is partially compensated by increased reported by two other organisations.

In order to verify the significance of Table I, it is important to conduct a statistical analysis of the data to examine the possible impact of outliers. This is presented in Table II which shows that for the 2007, the range of indicators went from one to 151, and for targets, the range was zero to 146. However, for the 2012 reports, the range for the indicators was one to 186, and for targets, the range was zero to 54. The calculation of the median demonstrates that outliers were having an impact on the calculation of the average; the median for the indicators in 2007 is 12.0 compared to an average of 22.2. However, for 2012, the median for the indicators is 22.0 compared to an average of 31.0. The impact of the outliers on the 2007 reports can also be seen by the fact that one organisation accounted for 84 per cent of the targets and five organisations accounted for 63 per cent of the indicators. Furthermore, 13 of the 2007 reports had no targets. Outliers are having a similar impact on the figures for 2012 with three organisations accounting for 90 per cent of the targets and five organisations accounting for 56 per cent of the indicators. In addition, 11 of the 2012 reports had no targets. These findings support the OECD's that Irish PSOs lack a performance culture and that very little has changed in the intervening five years.

Type of performance indicators/targets

As well as considering the number of performance targets and indicators that are produced by the organisations reviewed, this research also considered the nature and

Table I.

Average number of performance targets/ indicators included in annual reports

| | No. of organisation | Targets | Indicators |
|----------------------|---------------------|---------|------------|
| Total no. 2007 | 19 | 174 | 421 |
| Total no. 2012 | 19 | 127 | 589 |
| Average no. for 2007 | 19 | 9.2 | 22.2 |
| Average no. for 2012 | 19 | 6.7 | 31.0 |

Table II.

Statistical measures based on the performance targets/ indicators included in annual reports

| | 2007 | | 2012 | |
|--------------------|---------|------------|---------|------------|
| | Targets | Indicators | Targets | Indicators |
| Range | 0-146 | 1-151 | 0-54 | 1-186 |
| Median | 0 | 12.0 | 0 | 22.0 |
| Standard deviation | 32.6 | 32.1 | 14.4 | 40.3 |
| Average | 9.2 | 22.2 | 6.7 | 31.0 |

breadth of indicators used in reporting (targets were ignored because they were mainly work programme related). The performance of a private sector company is ultimately judged on profit; however, no similar measure exists for PSO's. Public sector performance is multi-faceted and therefore requires a range of indicators (Jackson, 1988). It has been suggested that there should be a balance struck between having a variety of performance information and being bounded so that the users of the information can build up a picture of how the organisation is performing without being overwhelmed by excessive data (Carter, 1991; Jackson, 1988). It is advocated that a taxonomy covering four broad areas (financial performance; volume of output; quality of service; and efficiency) should be developed (HM Treasury, 2003) and recommends that an explicit balance needs to be developed between these.

Table III largely uses the HM Treasury (2003) along with three additional categories added (work programme targets, effectiveness and other targets). The definitions associated with these categories are as follows:

- financial performance – relates to the finances of the organisation;
- volume – measures the output of the organisation;
- quality of service – relates to the delivery of that service to the recipient;
- efficiency – describes the relationship between the organisation's output and its inputs
- work programme – achievement of specific tasks by a certain date;
- effectiveness – the overall impact that the organisation may be having in terms of results; and
- other – this covers all other indicators that do not fall under the above headings.

Table III shows volume indicators account for 30 per cent of all indicators (125 in total) in 2007 whereas in 2012 volume indicators accounted for 24 per cent of the total (141 in total). In relation to quality, the 2012 reports had 63 quality indicators (15 per cent of the total) but the 2011 reports had 52 quality indicators (9 per cent of the total). Efficiency indicators continue to be very limited with only three organisations outlining five efficiency indicators in 2012. Furthermore, Irish organisations seem to have difficulty in outlining indicators of their overall effectiveness with only one organisation outlining such measures.

Given the model of performance outlined in Figure 1, it is likely that indicators relating to the categories of financial performance, volume, quality efficiency and effectiveness are likely to be of a higher order than those relating to work programme

| | 2007 | | 2012 | |
|-----------------------|----------------------|-----------------------|----------------------|-----------------------|
| | Number of indicators | % of total indicators | Number of indicators | % of total indicators |
| Financial performance | 15 | 4 | 22 | 4 |
| Volume of output | 125 | 30 | 141 | 24 |
| Quality | 63 | 15 | 52 | 9 |
| Efficiency | 1 | 0 | 5 | 1 |
| Effectiveness | 0 | 0 | 25 | 4 |
| Work programmes | 131 | 31 | 125 | 21 |
| Other | 86 | 20 | 219 | 37 |
| Total | 421 | | 589 | |

Table III.
Type and range
of performance
indicators disclosed
in annual reports

and other. These work programmes and other targets and indicators tend to be of an operational nature and, while it could be argued they provide support for the on-going and more focused overall work of the organisation, in themselves they are of a lower level in terms of external reporting. Given this, it is of note that a significant proportion of the indicators in both samples are of this nature. The 2007 reports contain 217 indicators under these two headings (51 per cent of the total), while, the 2012 reports contain 344 indicators (58 per cent of the total).

Discussion and conclusion

It has been suggested that one of the major changes in the management of the public sector in many countries has been a greater emphasis on what is being achieved with the money spent. Therefore, PSOs should examine their outputs and outcomes as well as their inputs. It is argued that performance information is critical if PSOs are to meet their accountability requirements and if this information is not being provided, parliament should demand it. The official Irish Government position fully supports the use of performance information to improve accountability and emphasises that the users of the annual report should be able to judge if the plans set out in the organisation's strategy statement are being achieved.

The research presented here suggests that there is a gap between the rhetoric of accountability and the reality as presented in the annual reports. Furthermore, there has been no improvement since the OECD report of 2008. The research outlines the findings over two time periods from a review of the same 19 annual reports. The 2007 review showed that Irish PSOs had an average of 9.1 targets and 21.3 indicators. However, the 2012 review showed that the average number of indicators had increased to 31.0 but that the average number of targets had decreased to 6.7. Furthermore, the vast majority of indicators and targets can be accounted for by a small number of organisations.

It is a matter of concern that the majority of the 19 organisations did not publish any targets in their annual report (13 in 2007 and 11 in 2012). The research made no attempt to judge the appropriateness of particular targets and indicators, nor is it necessarily the case that the production of more indicators is a good thing. Indeed, it may be that in some areas of the public sector there is a danger of producing too many, unfocused and low level, performance indicators and targets and this can lead to confusion (Lapsley, 1996). Nevertheless, given the unambiguous statement in Irish Government publications that PSOs should (and will) provide such performance information; the lack of reporting in Ireland is indicative of weak accountability. Readers of annual reports will have difficulty judging both performance (where actual performance is compared to a target) and the results being achieved by the organisation. As a consequence, there will be less pressure on management to improve performance (a state of affairs perhaps not unwelcomed by some managers in the public sector). Therefore, if this position is to change, politicians must demand this information.

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Appendix

Table AI.
Listing of
organisations
reviewed

| | Organisations reviewed |
|----|---|
| 1 | Attorney General's Office |
| 2 | An Bord Pleanala ^a |
| 3 | Central Statistics Office |
| 4 | Companies Registration Office |
| 5 | Environmental Protection Agency |
| 6 | FAS ^b |
| 7 | Food Safety Authority |
| 8 | Health Information and Quality Authority |
| 9 | Irish Courts Service |
| 10 | Irish Prison Service |
| 11 | National archives |
| 12 | National Roads Authority |
| 13 | Office of the Director of Corporate Enforcement |
| 14 | Ordnance Survey |
| 15 | Private Rental Tenancies Board |
| 16 | Property Registration Authority |
| 17 | Teagasc ^c |
| 18 | State Laboratory |
| 19 | Valuation office |

Notes: ^aThe Planning Board; ^bThe Irish Employment and Training Agency; ^cThe Agriculture and Food Development Authority

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