

Department of Family and Community
Services' Launch

**Triple Bottom Line Report
launch for FaCS**

30 October 2003

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Auditor-General for Australia



Address by Pat BARRETT AO, AUDITOR-GENERAL
at the launch of the Department of Family and Community Services'
Triple Bottom Line Report

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Triple Bottom Line, or TBL, reporting is a relatively new topic in the governance debate, but one that is rapidly growing in acceptance. However, TBL reporting has now been part of private sector reporting for well over a decade, particularly in the resources segments. Over this time, there have been considerable advances in the preparation of such reports. The progress in the area of TBL reporting is evident through the creation of the so-called Global Reporting Initiative (GRI) and the GRI's plans to prepare a sectorial supplement on TBL reporting for the public sector. In the public sector, considerable efforts have been made to address the environmental area, particularly by national and international auditing bodies.

While there is no agreed definition of precisely what TBL reporting comprises and covers, it is currently fairly widely accepted that, at its narrowest, the term TBL is used to describe the framework for measuring and reporting organisational performance against economic, social and environmental indicators. At its broadest, the term is used to capture the full set of values, issues and processes that organisations must address in order to create economic, social and environmental value and to minimise any harm resulting from their activities. This necessitates organisations being clear about their purpose and taking into consideration the needs of all their stakeholders. The emphasis is on organisational sustainability which also provides a framework for more effective risk management as part of good corporate governance.

In 2002-2003, the Department of Family and Community Services (FaCS), produced their first TBL Report. They are commended for taking the initiative to produce this report, the first-ever verified TBL report for a Commonwealth agency. From the outset of the TBL Report production process, FaCS staff and management operated in a fully open and transparent manner, including a request to the ANAO to perform an independent verification of its TBL Report.

The ANAO initially had a number of reservations around providing a verification statement over FaCS' first attempt to produce a TBL report, as we were concerned that if a large number of qualifications resulted, it may detract from the importance of the progress in public sector reporting the report would demonstrate. However, FaCS' commitment to being open and transparent and hence their enthusiasm for, and commitment to, the verification process, encouraged the ANAO to undertake this assignment. FaCS never approached their TBL report as merely a 'tick the box' process. The ANAO agrees that TBL reporting should be regarded as part of a comprehensive management reporting framework to all stakeholders. We were therefore pleased to be involved in this project with FaCS, despite the apparent audit risks involved.

Currently, no approved standards exist in relation to preparing or verifying TBL reports. Standards Australia recently issued a draft standard *General Guidelines on the Verification, Validation and Assurance of Environmental and Sustainability Reports (DR 03422)*, which the ANAO verification exercise complied with. Due to the lack of approved standards, at the commencement of the TBL verification process, the ANAO and FaCS agreed on the

procedures that would be performed and the 'error coefficient' which data would be assessed against. This was a pragmatic but justifiable approach in the circumstances and the results should be judged on that basis.

Following wide-ranging investigation, the ANAO was able to prepare a verification statement which is included in the published TBL Report being officially launched by the Minister for Family and Community Services here today.

The verification process was a beneficial learning experience for both my office and FaCS. The ANAO intends to build on its knowledge and experience in this area. In this respect, I would like to publicly thank PricewaterhouseCoopers (PwC) for their considerable assistance in the performance of the TBL verification and their guidance to the ANAO on the approach to TBL verification and preparation generally. It was a real team effort.

The combination of producing the TBL Report and going through the verification process has already resulted in FaCS making some changes to their work practices. In addition, a number of areas have been identified where future cost savings and efficiencies could be gained by the Department. For example, FaCS has already started to reset their printers so that double sided printing is the default setting. This has already resulted in a reduction in the Department's paper usage.

Going forward, FaCS plans to produce TBL reports for management during the year, in addition to an annually verified report. The production of these additional reports is intended to assist FaCS in ensuring they are achieving the improvements and efficiencies identified and that the values, issues and processes behind the TBL concept are integrated into every day practice within the Department. The ANAO is highly supportive of this management approach and commitment. It reflects the value that can be added through innovatory practices and is an example for all of us.

The initiative to undertake TBL reporting within the Commonwealth is commendable and in line with the contemporary principles of transparency and accountability for both financial and non-financial organisational performance. It has the support of the accounting profession, clearly indicated by the higher profile being given by the accounting bodies to the concept in recent years, for example, in the various professional publications and conferences. The program of external verification of TBL disclosures by FaCS will only strengthen the application of the above principles.

Finally, I would like to express special thanks to my staff, particularly Trevor Burgess, Rebecca Reilly and Carla Jago, as well as to the PwC staff involved in the FaCS TBL verification for their commitment to producing quality work resulting in a timely outcome for all concerned.