

The Auditor-General  
Audit Report No.40 2001-02  
Performance Audit

## **Corporate Governance in the Australian Broadcasting Corporation**

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Canberra ACT  
8 April 2002

Dear Madam President  
Dear Mr Speaker

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

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee  
Acting Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

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# Contents

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Abbreviations/Glossary	7
<b>Summary and Recommendations</b>	<b>9</b>
Summary	11
Introduction	11
Audit Approach	10
Overall Conclusion	12
ABC response	13
Key Findings	15
Legislative framework	15
Framework for Strategic Direction	17
Management Arrangements for Corporate Performance	21
Schedule Management	23
The News and Information Function in Focus	24
Measuring and Reporting Corporate Performance	27
Understanding the Audience-the Role of Audience Research	29
Recommendations	31
<b>Audit Findings and Conclusions</b>	<b>37</b>
1. Introduction	39
The Australian Broadcasting Corporation	39
The ABC's operating environment	40
ABC Legislative Framework	43
The ABC and Responsible Government	46
The ABC and the broadcasting industry	48
Previous reviews of the ABC	50
Recent developments	52
Audit objectives and methodology	52
Structure of the Report	54
2. Framework for Strategic Direction	56
Introduction	56
The role of the Board in direction setting	59
Governance initiatives under way	61
Corporate planning	65
Portfolio Budget Statements	70
Editorial Policies	76
Board practices	78
3. Management Arrangements for Corporate Performance	85
Introduction	85
Organisational structure	86
Internal control and accountability	90
Reporting to the Board	92
Alignment of planning and financial management	94
IT Management	95

<b>4. Schedule Management</b>	<b>100</b>
Introduction	100
Schedule Management Policies and Procedures	102
Program objectives, standards and targets	108
<b>5. The News and Information Function in Focus</b>	<b>113</b>
Introduction	113
Legislative requirements	115
News and Current Affairs editorial policies	116
News and current affairs procedures and practices	121
Complaints handling	128
Political and Election broadcasts	131
Inter-divisional service arrangements	132
<b>6. Measuring and Reporting Corporate Performance</b>	<b>134</b>
Introduction	134
Management performance information framework	137
Performance Information in the Annual Report	140
Alignment of internal and external goal setting	142
A better practice performance information framework	144
<b>7. Understanding the Audience - the Role of Audience Research</b>	<b>151</b>
Introduction	151
Australians and broadcasting services	152
ABC audience research	157
Audience reach and share: ABC Television	157
Regional data	162
Quality and outcome measures	164
New strategic focus of audience research	166
<b>Appendices</b>	<b>167</b>
Appendix 1 The Charter of the ABC and the Duties of the Board	169
Appendix 2 Audit Criteria	172
Appendix 3 Corporate Governance	177
Appendix 4 Previous ABC Corporate Plans	180
Appendix 5 The ABC's planning and reporting cycle	182
Statistical Appendices	187
<b>Series Titles</b>	<b>203</b>
<b>Better Practice Guides</b>	<b>206</b>

## Abbreviations/Glossary

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### Abbreviations

AAO	Administrative Arrangements Order
ABA	Australian Broadcasting Authority
ABC	Australian Broadcasting Corporation
ABC Act	<i>Australian Broadcasting Corporation Act 1983</i>
ABCAC	ABC Advisory Council
ABS	Australian Bureau of Statistics
ACA	Australian Communications Authority
ANAO	Australian National Audit Office
BSA	Broadcasting Services Act 1992
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CLERP Act	<i>Corporate Law Economic Reform Program Act 1999</i>
CRF	Consolidated Revenue Fund
Dix Report	<i>The ABC in Review—National Broadcasting in the 1980s</i>
DoCITA	Department of Communications, Information Technology and the Arts
FFSS	Funding, Finance and Support Services Division
Finance	Department of Finance and Administration
IT	Information Technology
ITS	Information Technology Services
JCPAA	Joint Committee of Public Accounts and Audit
KPIs	Key Performance Indicators
MOU	Memoranda of Understanding
PBS	Portfolio Budget Statement
QRS	Quality Ratings Survey





# **Summary and Recommendations**



# Summary

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## Introduction

1. The Australian Broadcasting Corporation (ABC) was originally established in 1932 as a statutory authority, then known as the Australian Broadcasting Commission. The then Prime Minister declared that the Commission's purpose was to inform, entertain and 'serve all sections and satisfy the diverse needs of the public'. The Australian Broadcasting Commission became the Australian Broadcasting Corporation in 1983 with the passage of the *Australian Broadcasting Corporation Act 1983* (ABC Act). Today, the ABC provides four national radio services, one national television service simulcast in analog and digital, two digital television multi-channel services, nine metropolitan and 48 regional radio stations, international radio and television services and an on-line service, as well as ABC Enterprises and Symphony Australia. The ABC is one of Australia's core cultural institutions that helps to form and reflect Australia's national identity, foster the arts and encourage cultural diversity. The presence of an independent national broadcaster, such as the ABC, is considered by many commentators to play a vital role in any functioning democracy.

2. The total budget of the ABC for 2001–02 is estimated to be \$865.4 million. It employs a total of 4116 staff (calculated as Full Time Equivalents).

## Audit Approach

3. The audit was undertaken following advice from the Joint Committee of Public Accounts and Audit (JCPAA) to the Auditor-General that assurance that ABC programming adequately reflects the ABC's Charter was an audit priority of Parliament. The objective of the audit is to provide Parliament with this assurance. The focus of the audit was on the governance arrangements of the ABC Board and management that enable the ABC to demonstrate the extent to which it is achieving its Charter obligations, and other related statutory requirements, efficiently and effectively.

## Audit objective and scope

4. The scope of the audit was as follows:

- Review the ABC's corporate governance framework against better practice models. The ANAO had regard to the ABC's unique role as a national public broadcaster established as a budget funded Commonwealth statutory authority subject to the *Commonwealth Authorities and Companies Act 1997*.

- Examine the ABC Board’s approach to the interpretation of the Charter requirements of the ABC and the setting of strategic directions, and management’s administrative arrangements for implementing the strategic directions established by the Board.
  - Examine the ABC’s performance information framework, the development, documentation and use of performance measures in relation to targets and/or objectives, the monitoring and reporting of performance and its inter-relationship with the corporate planning and budgetary processes, particularly in relation to the strategic directions set by the Board.
5. The audit did not examine the overall management of the ABC. In keeping with the audit scope, the audit examined ways in which the ABC aligns its strategic directions with its Charter requirements for programs broadcast on radio, television and on-line and assures itself, and Parliament, about the achievement of its Charter obligations. Further, the audit did not examine the operations of ABC Enterprises or symphony orchestras that operate as ABC-owned subsidiary companies.

## Overall Conclusion

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

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

8. The Corporate Plan is the principal instrument of the Board in setting and reviewing the ABC’s priorities and performance. The ANAO found that past ABC Corporate Plans have not clearly informed stakeholders of the ABC’s corporate objectives, priorities or performance indicators. The new *ABC Corporate*

*Plan 2001–04* represents a significant improvement on the previous Corporate Plan. When combined with the improved reporting framework approved by the Board, the Board is better placed to ensure that the programs broadcast on radio, television or provided on-line clearly indicate the Board's interpretation of the Charter and reflect the priorities it has determined.

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

10. The organisation structure that has recently been established positions the Corporation well to implement the Board's strategic directions. The internal control and accountability arrangements have been strengthened as part of the planning framework and a new internal budget setting process more closely aligned with Corporate Plan objectives and strategies should enable the Board and the Managing Director to take strategic and informed decisions on the allocation of resources against defined priorities and performance standards.

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

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

## ABC response

13. The ABC notes the finding that the audit found no evidence of failure by the Corporation to comply with its Charter obligations. It welcomes the ANAO's overall endorsement of directions in the Corporation's governance, first articulated by Chairman Donald McDonald in a discussion paper considered by the Board, in October 1999.

14. These initiatives together are intended to further enhance the effectiveness of the ABC as an outcomes-focused and accountable broadcaster that offers unique value to the people of Australia. The Corporation acknowledges that the full implementation of these initiatives will require a culture of continuing

support throughout the organisation. To this end, the Corporation's Board and senior management have particular responsibilities.

**15.** The ABC notes a conclusion by the ANAO that there remained scope for senior ABC staff to obtain a 'fuller understanding' of the workings of the ABC as a broadcaster within the public sector and better understand the Commonwealth's accountability framework. In response, it should be acknowledged that senior staff generally are involved with—and are responsible for—the ongoing process of implementing the Board's governance initiatives.

**16.** The ABC further notes ANAO acknowledgment of the successful efforts by the Board and management to significantly improve the Corporation's overall planning and reporting framework. Improved alignment of the key instruments of ABC governance—the Corporate Plan, Portfolio Budget Statement and Annual Report—is under-pinned by major continuing work on the development of improved divisional planning and reporting processes, better performance indicators, international benchmarking and management processes to support the provision of quality services to the community.

**17.** The audit concluded there remained significant scope for the ABC to improve its strategic planning and measurement in order to demonstrate how well it was performing against its legislative requirements. Most of the consequent recommendations of the ANAO are consistent with the policies and/or strategic intent of the ABC Board and management. However, the implementation of recommendations will be subject to a progressive rollout.

# Key Findings

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## Legislative Framework (Chapter 1)

**18.** The ABC Act, together with specific sections of other legislation such as the *Commonwealth Authorities and Companies Act 1997* (CAC Act), outline the role and functions, duties and powers of the ABC and constitute the legislative framework regulating the ABC.

### Charter requirements

**19.** Section 6 of the ABC Act sets out the Charter of the Corporation. The Charter was created with the aim of defining the ABC's functions and duties for the first time in legislation. The Charter requires the ABC to provide innovative and comprehensive broadcasting services of a high standard as part of the Australian broadcasting system that contributes to a sense of national identity and informs, entertains and reflects the cultural diversity of the Australian community. The Charter requires a balance to be achieved between programs of wide appeal and more specialised programs. It also acknowledges the ABC's role as an international broadcaster and as a provider of educational programs and a promoter of musical, dramatic and other performing arts in Australia. The breadth of the Charter allows the ABC considerable room for interpretation of its responsibilities and the manner in which it acquits them.

### Duties of the Board

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

### Other key ABC Act requirements

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

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

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

### **The ABC and Responsible Government**

**24.** The ABC, in common with other entities that comprise the ‘executive branch’ of the Commonwealth Government, operates under the Constitution and other legislation. As well, it operates in accordance with conventions of representative and responsible government implied by a number of provisions in the Constitution which have evolved through federal parliamentary practice over the last 100 years.

#### *ABC independence*

**25.** The ABC Act guarantees the independence of the Corporation from the government. In particular, the ABC Act provides for the following:

- Ministerial direction can only be given in respect of broadcasting a particular matter in the national interest. Apart from this, and any other express statutory provisions, the ABC is not subject to direction by or on behalf of the government. In fact, s78(7) of the ABC Act specifically exempts the ABC from s28 of the CAC Act that makes CAC Act entities subject to the general policies of the Commonwealth Government;
- restrictions are imposed on the ABC’s power to accept paid advertising or similar payments, ensuring that the ABC will not become subject to commercial imperatives in its choices of the selection, range or content of material for broadcast; and
- a governance structure is created for the ABC, wherein the Board of Directors and the Managing Director are provided with powers and obligations to ensure that they are able to deliver services with the assurance of independence and integrity, in accordance with standards and specifications set out in the Charter.

**26.** The only programming requirements imposed on the ABC are general directions to:

- broadcast programs that contribute to a sense of national identity and inform and entertain, and reflect the cultural diversity of, the Australian community;
- broadcast programs of an educational nature;



- broadcast daily sessions of impartial and accurate news and information relating to current events within and outside Australia; and
- broadcast Parliamentary proceedings.

### *ABC Accountability*

**27.** The ABC's accountability to Parliament largely derives from the combined effect of the Constitution, the ABC Act, the CAC Act, the annual appropriation acts and the Administrative Arrangements Orders.

**28.** As with any entity created and funded by Parliament, the ABC is subject to close scrutiny by Parliament and through the processes established by the Parliament. These processes require from the ABC a full, transparent account of performance, particularly in relation to the functions, powers, duties, privileges and resources approved by Parliament. Amongst other things, this would require disclosure to Parliament of the way in which the ABC has exercised its independence and the initiatives that it has taken to maintain the independence and integrity of the Corporation and fulfil its Charter and other obligations.

**29.** In the day-to-day working of the parliamentary processes of responsible government, the ABC discharges its responsibility to Parliament through the Minister for Communications and Information Technology. There is a range of provisions in the ABC Act, the CAC Act and other legislation or legislative instruments relevant to the administration of the ABC that also give other Ministers a role in relation to the administration of the ABC.

**30.** The practical ramifications of the ABC's accountability arrangements require the provision by the ABC of information to relevant departments and Ministers to assist the government's acquittal of its responsibilities to Parliament, both in relation to the affairs of the ABC and more generally within the public sector framework.

## **Framework for Strategic Direction (Chapter 2)**

**31.** Within the broad framework of governance created by its enabling legislation, two entities, the ABC Board and the Managing Director, undertake the administration of the ABC. The Board and management have established corporate governance arrangements for the administration of the ABC to give effect to the broad legislative framework established by Parliament.

**32.** The arrangements for strategic direction setting in the ABC were undergoing considerable change at the time of the audit. The ANAO supports the initiatives currently under way by the Board and ABC management that are

designed to improve the effectiveness of the strategic planning process by aligning individual and divisional goals with corporate goals, linked to the Charter, and at the same time enhancing corporate transparency and accountability.

33. The Board's capacity to monitor and evaluate the performance of the Corporation, in particular as to how well it is meeting its Charter obligations, could be improved. The Board is cognisant of the opportunity to strengthen aspects of its operations, particularly in measuring the ABC's achievement of value for money in the fulfilment of its Charter. The opportunity to make these improvements will flow from the improved planning, performance monitoring and reporting framework, once the latter is properly established.

### **Corporate planning**

34. The Corporate Plan is the principal instrument of the Board in setting and reviewing the ABC's priorities and performance.

35. The ANAO found that past ABC Corporate Plans have not clearly informed stakeholders of the ABC's corporate objectives, priorities, strategies, policies, expected results (including targets), contained actual measures of corporate performance (including quantitative targets), nor generally set higher levels of performance for the Corporation. Past Plans have not adequately addressed the strategies and policies to ensure that the Board is fulfilling its duties under the Act. In September 2001, the ABC Board approved a new Corporate Plan for the ABC, entitled the *ABC Corporate Plan 2001-04*.

36. The new *ABC Corporate Plan 2001-04* represents a significant improvement on the previous Corporate Plan. The changes, when fully implemented, have the potential to produce real improvement in the governance and performance of the ABC. The ANAO notes, however, that the monitoring and evaluation of performance in relation to the new plan, especially the defined targets will depend on an organisational commitment to, and the successful completion of, a range of projects currently under development. These relate to the compilation of valid and reliable performance, including financial, information. Success will depend on the capacity for the integration of these two sets of data, a more strategically focussed audience research function and the establishment of a performance management and reporting system that meets Parliament's requirements for external reporting and management's requirements for the practical task of efficiently managing the Corporation. The broad congruence between management operations and the planning framework of the new Corporate Plan should facilitate greater transparency in the internal administration of the ABC, and in turn allow for the Corporation to be able to provide Parliament with a full account of its performance.

**37.** The ANAO considered that the ABC's strategic priorities are more thoroughly articulated in the new *ABC Corporate Plan 2001-04*. They should lend themselves more readily to quantitative measurement, subject to the appropriate business reporting systems being put in place. In addition, there is a strong management requirement to ensure that appropriate performance standards are built into the planning system. The planning process itself proceeded on a much better integrated basis than appears to have been the case with the previous Corporate Plan, with a deliberate emphasis on aligning the Corporate Plan, the Portfolio Budget Statement and the Annual Report.

**38.** In October last year, the ABC Board approved an improved planning and reporting framework to support the new Corporate Plan. A consequence of the revised framework and the new Corporate Plan is that the Board is better placed to ensure that the schedules of programs to be broadcast by radio, television and on-line clearly indicate the Board's interpretation of the Charter and reflect the priorities it has determined. This is in part because the improved framework provides for the Managing Director to approve Divisional business plans which are provided to the Board for information. Such plans are required to show targets and performance measures in relation to the genres (that is, the category of program—for example, comedy, drama, education) and programs that relate directly to the objectives and targets of the Corporate Plan. The extent to which the new arrangements function in the way intended will only become apparent over the next few years.

### **Portfolio Budget Statements**

**39.** Portfolio Budget Statements (PBSs) serve three main purposes. They are a high level planning document, they provide information in direct support of the appropriation bills, and they are an accountability document.

**40.** As planning documents, the PBSs are to provide a statement of the government's strategic intent for the agency and an overview of the government's performance expectations of the agency against which the agency would report in its annual report. This would mean, for example, that an agency's PBS would set out the indicators and targets against which its performance would be measured and or assessed.

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

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

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

43. The ANAO found that the Board's capacity to monitor and evaluate the performance of the Corporation has been inhibited by a lack of such a consistent framework. The opportunity to redress this situation will flow from the recently introduced improved planning, performance monitoring and reporting framework, once it is properly established. It is designed to integrate internal management with the major external accountability documents—the Corporate Plan, the PBS and the Annual Report.

### **Editorial Policies**

44. One of the duties of the Board under the ABC Act, which has major impact on the strategic direction of the Corporation and compliance with the Charter, is the development of codes of practice relating to programming matters. The ABC Board has discharged this responsibility through its involvement in the development and approval of the *ABC Code of Practice*. The Corporation also uses the *ABC Editorial Policies* document, periodically reviewed and approved by the ABC Board, to articulate policies and guidelines on a broad range of matters relevant to management and staff as they work to give operational meaning to the requirements of the ABC Act. This document shapes the character, quality and credibility of ABC programs through articulating editorial principles and providing practical guidance to broadcasting staff.

45. The ABC was applying a comprehensive and rigorous approach to the updating and development of the ABC's programming standards. The ANAO considered that there would be value in testing the final document against the standards advocated by the Chairman in October 1999.

### **Board practices**

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

## Management Arrangements for Corporate Performance (Chapter 3)

47. The arrangements established by management to support the Corporation's ability to meet its statutory obligations are generally satisfactory.

### Organisational structure

48. The ANAO considers that the current organisational structure that has recently been established positions the Corporation well to implement the Board's strategic directions. The creation of separate divisions to develop the ABC's on-line and digital services, and to take full advantage of the value of the ABC's content rights, would appear to be forward-looking and reflective of the management innovation required of a modern national public sector broadcaster. The new role of the State Directors affirms the ABC's obvious strategic direction of attaching weight to the role of the ABC in the separate States/Territories and in decentralising some production functions outside Sydney and Melbourne.

49. The ABC is heavily dependent on close collaboration and coordination between divisions to deliver program outputs efficiently and effectively. Satisfactory structures have been established to achieve the required coordination.

### Internal control and accountability

50. The centrepiece of corporate governance at the management level of the ABC is regular meetings of the Executive Directors Group chaired by the Managing Director supported by four other peak management sub-committees. These committees appeared to be effective in their purpose as governing bodies for management purposes.

51. In prior years, annual divisional budgets have been set more on an historical basis rather than being driven by strategic needs linked to the Corporate Plan. However, under the new planning framework, divisional budgets will be allocated on the basis of the Corporate Plan targets established by the Board. This approach should enable the Board and the Managing Director to take strategic and informed decisions on the allocation of resources against defined priorities and performance standards.

52. Under the new planning framework, Divisional Plans also form a key part of the internal accountability control structure. Divisional Plans will be directly aligned with the defined objectives and targets of the Corporate Plan, and will be approved by the Managing Director and presented to the Board for information.

## Reporting to the Board

53. The Board requires each Division to produce monthly 'Activity Reports'. These are the principal regular vehicles for Divisional reporting to the Board. The ANAO noted that these reports provide considerable detail of a largely narrative kind on activities within Divisions. They deal *ex post* with matters. They rarely, if ever, identify strategic issues or areas of potential risks. In future, reports against the Corporate Plan and the Corporate Performance Indicators will also be provided to the Board twice yearly.

54. In addition each Head of Division provides a monthly sign-off to the Board that activity in their Division satisfied the requirements of the ABC *Editorial Policies* as well as reporting any breaches. Although there is no other formal statement of requirements for non-editorial matters, the ANAO found that basic accountability requirements are reasonably well understood at senior levels. Within the framework of corporate governance actually practised in the ABC there is a good understanding of the matters appropriate for reporting to the Board.

55. A number of senior executives of the ABC are new to the public sector. As a consequence, there is scope for a better appreciation of specific features of the Commonwealth's accountability framework. Their understanding of their responsibilities appears to be focused on their relationship with the Managing Director. They see the Managing Director, and of course the Board itself, as having exclusive responsibility for the public accountability aspects of their work and do not perceive any major role for themselves in this framework outside their line responsibilities to the Managing Director. This would appear to be an insufficient base for the achievement of corporate governance standards suggested by the ABC's publicly funded status. There is scope for senior staff to obtain a fuller understanding of the Board's statutory obligations which they must support, and to better understand the relationship between the ABC, as a publicly funded broadcaster, and the Commonwealth's accountability framework.

## Alignment of planning and financial management

56. As noted earlier, the Board has approved an improved planning and reporting framework. In the main, the new framework demonstrates a well aligned and integrated system of planning and budgeting. If financial and performance data was suitably integrated and the information aggregated on the basis of genres, for example, the ABC could proceed to manage resources more on the basis of the outputs produced and outcomes achieved than has hitherto been possible. The improved planning and reporting framework now approved by the Board would form a suitable framework to do this.

## IT Management

57. The cost effectiveness with which ABC programming and services are delivered, and the organisation is managed, depends, in part, on the quality of the IT systems in place. The ability to monitor and evaluate performance, either within the Divisions or for the organisation corporately, is limited by the lack of suitable corporate information systems that integrate both financial management and operational performance. This, in turn, impedes effective corporate governance at the management and Board levels.

58. The ABC recognises that there is scope to improve IT strategic planning and consider the full gamut of corporate business performance reporting needs in the light of the new corporate planning and reporting processes.

## Schedule Management (Chapter 4)

59. Schedule management is the main administrative process that determines the relationship between the Board's interpretation of the Charter and the programs actually broadcast. As the Board approves the Corporation's Corporate Plan and divisional budgets it, in a sense, approves the generic broadcast schedule. However, the Directors of both television and radio are responsible for the detailed management of the schedule.

60. The ABC's approach to schedule management changed during the audit. It developed from an approach more dependent on traditional practices and intuitive judgement to one more informed by articulated policies, research and business practices. These developments should strengthen the links between the ABC's Charter and the programs broadcast on television and radio. The ANAO supports such developments.

61. One of the changes was a review of genre classifications in order to make them more consistent and better reflect the intrinsic nature of various content categories. Sixteen major genre categories have been established that will be applied consistently across radio, television and new media.

62. As a result, the genre classification now established by the ABC has the potential to promote improved schedule management by allowing management to allocate resources and priorities to categories of programs (for example regional and rural, religion and ethics) rather than just individual programs (for example *Bush Telegraph*, *The Religion Report*) as at present. Furthermore, the new genres will enable program targets to be set and measured consistently across all media outlets of the ABC. This would go some way to enable the ABC to demonstrate it was achieving its Charter obligations. The new *ABC Corporate Plan 2001-04* states that, over the next three years, the distinctiveness of ABC services will be strengthened through the ABC's commitment to the genres.



**63.** Nevertheless, there remains scope for further improvement. These opportunities are largely in the areas of better integration of financial and performance information, making program objectives more operational and measurable, and making greater use of audience research data, including data about people's use of time.

## **The News and Information Function in Focus (Chapter 5)**

**64.** The ABC Act requires the establishment of a news and information function within the ABC and the broadcasting of news and information services by the ABC. The concepts of 'independence', 'accuracy' and 'impartiality' are prominent in the legislation.

**65.** The News and Current Affairs Division supplies the editorial content for most news and current affairs programs to the output Divisions (Radio, Television and New Media). These latter Divisions have no editorial decision-making role in regard to this content.

### **News and Current Affairs editorial policies**

**66.** The ABC's *Editorial Policies* statement is the principal document laying out the basis of the ABC's management of editorial content, including news and current affairs. The statement is a major Board-endorsed manual for program production and is currently under extensive revision. In addition, the News and Current Affairs Division has developed a Division-specific supplementary guide to assist personnel involved in its program production activity, the *ABC News and Current Affairs Presentation and Style Guide*. This *Style Guide* is intended to complement and extend the content of the *Editorial Policies* with specific reference to the requirements of the Division. The most recent edition of the *Style Guide* is August 1998. An updated version is being prepared.

**67.** The editorial standards documents reflect concrete efforts on the part of the ABC to clarify the professional standards and approaches required of the ABC as a public broadcaster meeting a very wide range of public interests in information.

**68.** However, consideration could be given to improving the presentation of the programming standards in the *Editorial Policies* and other documentation by:

- highlighting the legislated standards;
- streamlining their content;
- developing a single set of statements for internal use as well as external use by the ABA; and



- clarifying the applicability of the *Editorial Policies* to ‘information’ programs.

### **News and Current Affairs procedures and practices**

**69.** The ABC has a number of procedures in place to ensure news and current affairs programs meet the concepts of independence, accuracy and impartiality as well as complying with the ABC’s *Editorial Policies*, as they relate to news and current affairs, and the News and Current Affairs Division’s *Style Guide*.

**70.** The ANAO considered that the procedures and practices observed were effective in assisting the ABC to deliver news and current affairs programs that reflected the Charter requirements of independence, accuracy and impartiality. The News and Current Affairs Division:

- attaches suitable weight to the role of the ABC’s editorial policy documents;
- has introduced a centralised news collection system that facilitates quality control;
- is implementing arrangements for the sharing across media and programs of facilities and high cost items so as to allow a focus on quality;
- has dedicated editorial resources to oversight and review functions within and across media;
- has suitable arrangements to differentiate between factual news and analysis and commentary; and
- is giving appropriate attention to the front-end requirements of staff selection and training.

#### *Upward referral*

**71.** The concept of ‘upward referral’ of editorial decisions by less experienced and/or more junior editorial staff to more experienced and/or more senior levels when the former are ‘unsure’ about a matter or when a problem arises, is a key instrument of editorial control set out in the *Editorial Policies* documentation. The News and Current Affairs Division is equipped with extensive cross-media supervisory resources staffed by three or four suitably qualified and experienced senior executives. They are designated ‘upward referral’ points in respect of particular editorial judgments and have no direct responsibilities for program production.

**72.** The ANAO found that the concept of ‘upward referral’ functions satisfactorily. The ‘upward referral’ principle is appropriately articulated,

broadly understood and accepted by editorial staff. As well, it contributes to the ABC's capacity to produce news and information programs that reflect the required Charter qualities.

### *Quality review*

**73.** Internal program quality reviews are undertaken systematically by the News and Current Affairs Division, for both radio and television programs. Radio news bulletins are reviewed weekly. This process is documented and thorough in regard to metropolitan bulletins. However, no upward or external reporting is made of this review activity and it is not linked to the audience feedback analysis.

**74.** In addition, the quality reviews for radio and television news bulletins do not assess programs directly around the legislative concepts of independence, accuracy and impartiality. Current affairs and information programs generally do not appear to be subject to the same process of regular quality review.

**75.** The ANAO considered that the monitoring arrangements it observed for radio news could be adapted to form the basis for systematic reporting to the Board on the achievement of legislative requirements of independence, accuracy and impartiality in news and information programs generally. This would fill a gap in this area and place the Board in a stronger position to assure itself of the delivery of legislative requirements in the news and information areas.

### **Complaints handling**

**76.** The ANAO is satisfied that the ABC's administration of complaints is generally satisfactory. Moreover, when the recommendations of a review by a former Deputy Commonwealth Ombudsman are fully implemented, they could reflect industry best practice. As well, the Board could be better informed of the full picture about audience feedback (not just feedback of a complaints nature) on ABC's news and information services.

**77.** The ANAO found that the material regularly presented to the Board on the basis of audience feedback does not provide the Board, and in turn Parliament, with sufficient information enabling it to assure itself that the ABC is delivering a news and information service that is independent, accurate and impartial because:

- the raw material on which the analysis is undertaken is based on a self-selected sample, that is, it originates in the views of a sample of the population which initiated correspondence and is therefore not representative;
- it appears not to be statistically significant in terms of measuring audience assessment of related legislative values; and

- the categories on which data is collected are not the legislative requirements of independence, accuracy and impartiality.

### **Political and election broadcasts**

**78.** The ABC's approach to the control of standards of political and electoral broadcast matters was robust and effective.

### **Inter-divisional service arrangements**

**79.** The provision of news and current affairs programs involves not only the generation of editorial content by the News and Current Affairs Division but a broader process of ABC decision-making about formats, scheduling, interfaces with other program content, resource priorities, presentation style and staffing. These matters are of direct concern to the managements of the output Divisions that host news and current affairs programming and content as key components of channel strategies.

**80.** An optimum way of generating such inter-divisional cooperation and accountability is through the negotiation of service level agreements or other documented arrangements. In such circumstances, the process of negotiating an agreement and arriving at a shared understanding of objectives, service levels and performance indicators etc. can be just as important as the agreement itself.

**81.** The ANAO supports the establishment of such agreements but considers that they should be subject to an evaluation process, say annually.

## **Measuring and Reporting Corporate Performance (Chapter 6)**

**82.** Over the past 30 years the ABC has been consistently advised to improve the measurement of its corporate performance. The advice has addressed the need, and recommended a range of methodologies, for measuring productivity, efficiency, effectiveness and the quality of broadcasting services. As significant initiatives to apply these methodologies have only begun in the last two years, the ANAO finds that the performance information used by management and published in the ABC's key accountability documents could have been more extensive. For example, although the ABC collects a wide range of data there are significant gaps and the data could be used more strategically.

**83.** The ANAO expects that the governance initiatives endorsed by the Board in 1999 and now being implemented by ABC management will come to fruition over the next few years. They have the potential to improve significantly the quality of the ABC's performance information and, consequently, the

accountability of the ABC in demonstrating achievement of its Charter obligations. They should also assist ABC management to improve the performance and value for money outputs and outcomes achieved by the ABC.

**84.** The ANAO reviewed a final draft of the ABC's *2000–01 Annual Report*. This report does not have the shortcomings of that of the previous year and does comply with statutory requirements. In addition, the new Annual Report provides a more coherent, and corporate, account of performance in relation to the results expected with such results stated in terms of outcomes and outputs as required by the statutory guidelines.

**85.** However, the ANAO concluded that there is still scope for the ABC to better integrate its internal performance measuring, targeting and reporting framework with its financial management system. In this respect, the ABC would have just one performance measuring, targeting and reporting framework that also satisfies the external requirement for an outputs-based system of accrual budgeting and accounting. This integration could be achieved in large measure by the use of a valid and reliable system for: the classification of output, such as the new system of genres; software to combine performance information about the quantity of output broadcast, audience reach and share achieved; other relevant performance information; and the financial data maintained on the ABC's suite of financial systems.

**86.** In a report on the performance of national public broadcasters throughout the world, McKinsey & Company noted that the more successful national broadcasters will be those that, amongst other things, show a broad mix of high-quality programs that attract meaningful market shares, enjoy substantial and dependable funding, and have lean, efficient organisations. Effective performance reporting systems that demonstrate the achievement of high quality programs with meaningful market shares and an efficient organisation would place a public broadcaster in a stronger position to mount a credible argument for substantial and dependable funding.

**87.** Many overseas broadcasters set themselves targets in terms of audience reach and share in different timeslots, audience appreciation indices and the like. Although some broadcasters publish such targets, others do not. In addition overseas broadcasters are measuring the efficiency of production costs such as costs per hour per genre. Increasingly, overseas national public broadcasters are under more and more pressure to demonstrate the value for money their services are providing.

## Understanding the Audience—the Role of Audience Research (Chapter 7)

**88.** The extent to which the outputs and outcomes set for the ABC in its Charter are achieved depends, in large measure, on the extent to which Australians use the ABC's services. As a consequence, the ANAO analysed a range of time series data of audience reach and share for ABC Television.

### Audience reach and share: ABC Television

**89.** The ANAO found that, over the last 10 years, there has been a decline in the number of people watching free-to-air television. This is the result of a combination of an increase in alternative leisure activities such as the Internet, subscription television and less free time to watch free-to-air television for many. The analysis of audience reach and share for ABC Television showed that, over the last ten years, there has been a decline in the number of people watching the ABC as a proportion of the Australian population as a whole. On the other hand, the ABC's share of people who are watching television has increased. However, there has been a decline in ABC share of younger adult viewers (under 40), but an increase in ABC share of older viewers and children under 12.

**90.** Just what information such data might convey about the ABC and its audiences is unclear in the absence of other information about the reasons why it retains or loses viewers. Additional information about the reasons for variations in audience share would be of help to provide a better understanding of the performance of the ABC. Whilst audience share is a useful measure of the ABC's performance in relation to other broadcasters, additional measures may be needed to understand more fully why its share of the audience is changing and, more particularly, to guide the adoption of strategies to increase its share of particular audiences as well as its reach.

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

### Regional data

**92.** Although the ABC is required to broadcast to all Australians, the main audience ratings information is of five metropolitan cities only. This means that the ABC requires estimates of the audience behaviour of all Australians, not just

those living in the five metropolitan cities surveyed. The ABC advises that, although some regional audience data is available in some major regions, other rural regions remain unmeasured. This is because the economics of providing the same in-depth coverage as achieved in the metropolitan and major regions are unrealistic. However, the ABC advises that it wishes to explore alternative means to achieve measurement coverage of the whole of Australia.

### **New strategic focus of audience research**

**93.** The task of bringing all relevant research together for the ABC is one of the main tasks of the audience research function. The ABC advises that it is totally committed to research as an effective and robust means of guiding program and schedule development and the assessment of the Corporation's output. Importantly, it recognises that research, as a strategic tool, provides management with the means to better understand how the ABC can meet the needs of its audiences whilst maintaining the integrity of the Charter mandate.

**94.** The ABC appears to be somewhat behind the majority of overseas national public broadcasters in its measurement of the outcomes it expects to achieve. Overseas public broadcasters devote a considerable amount of effort to researching the effects that they have on audiences and the achievement of their public broadcasting mandate.

**95.** The entire research function is currently under review to develop a coherent research strategy to meet the needs of the ABC over the coming years. The ANAO supports the new strategic focus of the research function.

## Recommendations

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Set out below are the ANAO's recommendations with report paragraph references and the ABC's abbreviated responses. More detailed responses are shown in the body of the report. The ANAO considers that the ABC should give priority to Recommendations 1, 4, 8 and 12.

**Recommendation  
No. 1  
Para. 2.49**

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

- (a) address the matter of the strategies and policies that the Corporation will follow to ensure the Board fulfils its duties under s8 as required by the ABC Act; and
- (b) include verifiable efficiency and other targets of the expected performance to be achieved during the life of the Plan.

**ABC Response:** Agreed.

**Recommendation  
No. 2  
Para. 2.75**

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

**ABC Response:** Agreed.

**Recommendation  
No. 3  
Para. 3.54**

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

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

**ABC Response:** Agreed.

**Recommendation  
No. 4  
Para. 4.44**

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

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

**ABC Response:** Agreed with qualification.

**Recommendation  
No. 5  
Para. 5.23**

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

**ABC Response:** Agreed.

**Recommendation  
No. 6  
Para. 5.25**

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

**ABC Response:** Agreed.



**Recommendation  
No. 7  
Para. 5.28**

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

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

**ABC Response:** Agreed.

**Recommendation  
No. 8  
Para.5.50**

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

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

**ABC Response:** Agreed.

**Recommendation  
No. 9  
Para. 5.64**

The ANAO recommends that, to enable the Board to assure itself that the ABC is delivering a news and information service that is independent, accurate and impartial, the material regularly presented to the Board on the basis of audience feedback be improved by addressing the issues of independence, accuracy and impartiality which

should be supported by appropriate statistical surveys or other analysis.

**ABC Response:** Agreed.

**Recommendation  
No. 10  
Para. 5.76**

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

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

**ABC Response:** Agreed.

**Recommendation  
No. 11  
Para. 6.35**

The ANAO recommends that the ABC:

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

**ABC Response:** Agreed.

**Recommendation  
No. 12  
Para. 6.58**

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

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

of consumer and audience satisfaction with ABC programming.

**ABC Response:** Agreed.

**Recommendation  
No. 13  
Para. 7.40**

The ANAO recommends that the ABC:

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

**ABC Response:** Agreed with qualification.

**Recommendation  
No. 14  
Para. 7.44**

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

**ABC Response:** Agreed.



# **Audit Findings and Conclusions**



# 1. Introduction

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*This Chapter provides an overview of the ABC's operating environment, its legislative framework including its Charter, and other legislative requirements, as well as the accountability and independence framework established by Parliament. It provides a brief overview of the broadcasting industry in Australia. The Chapter concludes with an account of the objectives, scope and methodology of the audit and an outline of the report structure.*

## The Australian Broadcasting Corporation

### Background

**1.1** The Australian Broadcasting Corporation (ABC) was originally established in 1932 as a statutory authority, then known as the Australian Broadcasting Commission. The then Prime Minister declared that the ABC's purpose was to inform, entertain and 'serve all sections and satisfy the diverse needs of the public'.<sup>1</sup> Today, the ABC provides four national radio services, one national television service, simulcast in analog and digital, two digital television multi-channel services, nine metropolitan and 48 regional radio stations, international radio and television services and an on-line service, as well as ABC Enterprises and Symphony Australia. The ABC is one of Australia's core institutions that helps to reflect Australia's national identity, foster the arts and encourage cultural diversity. The presence of an independent national broadcaster, such as the ABC, is considered by many commentators to play a vital role in any functioning democracy.<sup>2</sup>

**1.2** The Australian Broadcasting Commission became the Australian Broadcasting Corporation in 1983 with the passage of the *Australian Broadcasting Corporation Act 1983* (ABC Act). One of the purposes of new legislation was to separate the legislation establishing and controlling the activities of the national broadcaster from the *Broadcasting and Television Act 1942*, the legislation that regulated the provision of commercial and public broadcasting and television services.<sup>3</sup> The new legislation was also aimed at giving effect to the recommendations of *The ABC in Review—National Broadcasting in the 1980s* (the Dix Report), which called for the reconstruction and modernisation of many areas within the ABC.<sup>4</sup> For example, the ABC Act defined the ABC's new powers,

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<sup>1</sup> Inglis, K. S., 1983, *This is the ABC*, Melbourne University Press, Melbourne, p. 5.

<sup>2</sup> Senate Select Committee on ABC Management and Operations, 1995, *Our ABC*, Commonwealth of Australia, Canberra, p. 7.

<sup>3</sup> House of Representatives Hansard, Australian Broadcasting Corporation Bill: Second Reading, 9 September 1982, p. 1273.

<sup>4</sup> House of Representatives Hansard, Australian Broadcasting Corporation Bill: Second Reading, 4 May 1983, p. 187.

functions and responsibilities for the first time in a Charter.<sup>5</sup> The Act also enhanced and strengthened the role of the ABC Board in ensuring the independence of the ABC, and established advisory councils in recognition of the potential contributions such bodies could make to the provision of the ABC's services.<sup>6</sup>

**1.3** The Act was amended in 1994 to further enhance the accountability of the ABC by requiring the ABC to publish a Corporate Plan. Complaints handling procedures were also strengthened by the amendments made at that time. The ABC's status as a body corporate that became subject to *the Commonwealth Authorities and Companies Act 1997* (CAC Act) enhanced its accountability requirements, including the level of information that it was required to provide to the public.<sup>7</sup> *The Corporate Law Economic Reform Program Act 1999* (CLERP Act) made consequential amendments to the CAC Act, clarifying the behaviour, including ethical behaviour, expected of directors of CAC entities, including the ABC.<sup>8</sup>

## The ABC's operating environment

### Funding arrangements

**1.4** Prior to 1988–89, funding was provided on an annual basis. Since then funding has been provided under a triennial funding arrangement. Under this arrangement, the government sets an ongoing funding base that is indexed each year.<sup>9</sup> This base funding is allocated within the ABC to programming, projects and other activities according to priorities determined by the ABC Board.<sup>10</sup>

**1.5** The total revenue of the ABC from all sources for 2001–02 was estimated to be \$865.4 million. This consists of:

- \$710.6 million from *Appropriation Act (No 1) 2001–2002*;<sup>11</sup>
- \$34.6 million from *Appropriation Act (No 2) 2001–2002* as equity injections and loans;<sup>12</sup> and

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<sup>5</sup> *ibid.*

<sup>6</sup> *ibid.*

<sup>7</sup> *ibid.*, p. 471.

<sup>8</sup> *Part 3, Division 4-Conduct of Officers* of the CAC Act was repealed and replaced by expanded provisions to maintain the alignment of the CAC Act with changes to the Corporations Law.

<sup>9</sup> Australian Broadcasting Corporation Portfolio Budget Statement 2001–02, p. 34.

<sup>10</sup> *ibid.*

<sup>11</sup> *Agency Resourcing 2001–2002 Budget Paper No 4 2001 Appropriation Act (no 1) 2001–2002*, p. 75.

<sup>12</sup> *Agency Resourcing 2001–2002 Budget Paper No 4 2001 Appropriation Act (no 2) 2001–2002*, p.206 . According to Note 1 in the PBS, some of these amounts will be treated as revenue from next financial year onwards.



- \$120.2 million estimated from non-appropriation sources namely, sales of goods and services: (\$114.0 million) and interest (\$6.2 million).<sup>13</sup>

**1.6** As noted above, the total of \$865.4 million includes \$34.6 million as equity injections and loans, so the actual total available revenue of the ABC for 2001–02 is estimated at \$830.8 million.

**1.7** The ABC Act prevents the ABC from accepting direct payment for broadcasting advertisements or programs, except on its international television service, but the ABC may still enter into co-production arrangements with other producers in order to share production costs.<sup>14</sup>

## **Staffing resources and organisational structure**

**1.8** As at 30 June 2001, the ABC employed a total of 4116 staff (calculated as Full Time Equivalents).<sup>15</sup> Staff are geographically dispersed across all Australian States and Territories and a small proportion of staff are located overseas.<sup>16</sup> According to the *ABC Annual Report 2000–2001*, the majority of staff work in New South Wales, although this includes staff who are employed with Head Office but may be based in other regions.<sup>17</sup>

**1.9** The ABC announced a restructure of the ABC's divisional operations in late June 2000 (Figure 1). The majority of National Networks and Local and Regional Services were replaced by separate output Divisions of radio, television and new media. A new Division of Program and Content Development was established, as well as a new Content Rights Management Division. News and Current Affairs remained as a separate Division providing content to the radio, television and new media output Divisions. All production resources were gathered together in the Production Resources Division and all technology, technical and content distribution functions were grouped into the Technology and Distribution Division. In December 2001, the Corporation announced a refinement of the structure, re-establishing a Deputy Managing Director role to be responsible for the Operations Group (Figure 2).

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<sup>13</sup> Australian Broadcasting Corporation Portfolio Budget Statement 2001–02 Appendix 1 p. 35.

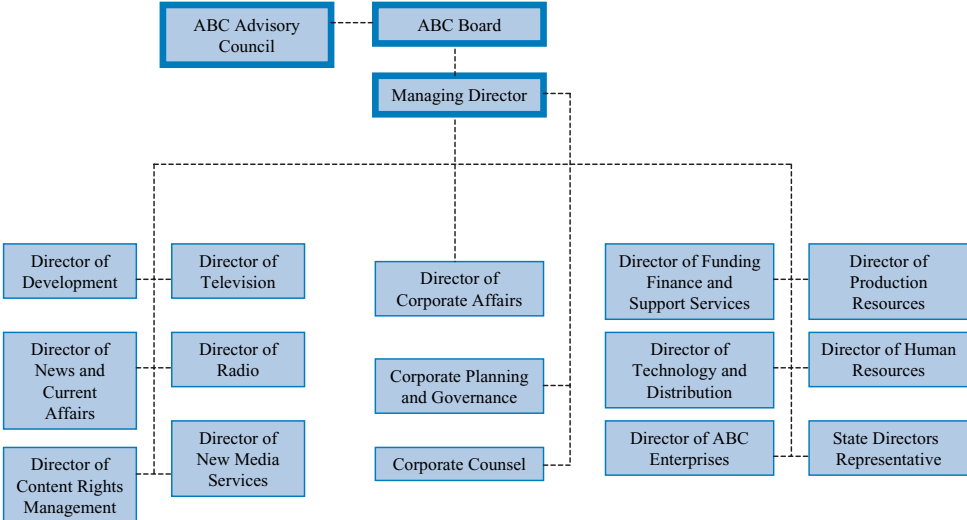
<sup>14</sup> Senate Select Committee on ABC Management and Operations, 1995, *op. cit.*, pp. 9–10.

<sup>15</sup> Figures taken from Australian Broadcasting Corporation *Annual Report 2000–2001*, p. 166.

<sup>16</sup> *ibid.*, p. 103.

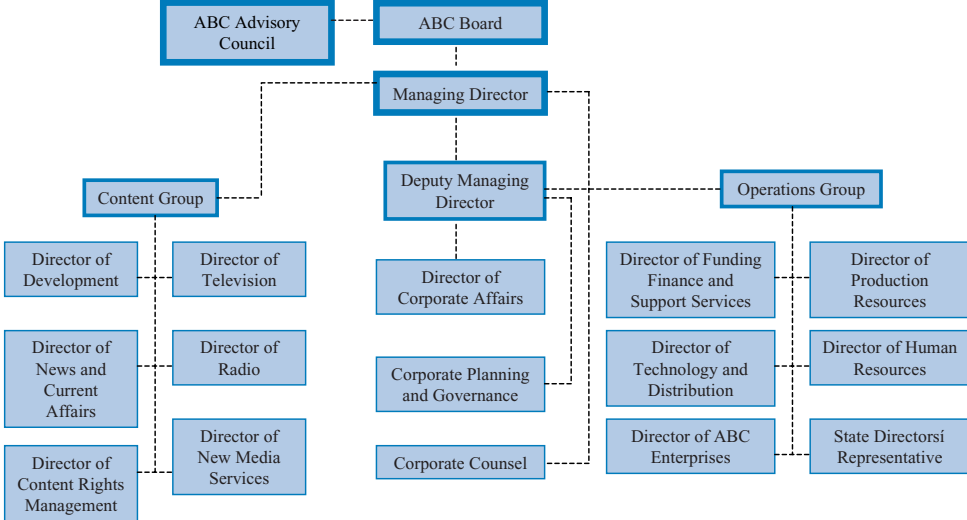
<sup>17</sup> *ibid.*, p. 166.

**Figure 1**  
**ABC organisational structure June 2000**



Source: ABC

**Figure 2**  
**ABC organisational structure December 2001**



Source: ABC

## ABC legislative framework

**1.10** The ABC Act, together with specific sections of other legislation, outline the role and functions, duties and powers of the ABC and constitute the legislative framework regulating the ABC.

### Charter requirements

**1.11** Section 6 of the ABC Act sets out the Charter of the Corporation.<sup>18</sup> The Charter was created with the aim of defining the ABC's functions and duties for the first time in legislation. The Charter requires the ABC to provide innovative and comprehensive broadcasting services of a high standard as part of the Australian broadcasting system that contributes to a sense of national identity and informs, entertains and reflects the cultural diversity of the Australian community. The Charter requires a balance to be achieved between programs of wide appeal and more specialised programs. It also acknowledges the ABC's role as an international broadcaster and as a provider of educational programs and a promoter of musical, dramatic and other performing arts in Australia.

**1.12** The breadth of the Charter allows the ABC considerable room for interpretation of its responsibilities and the manner in which it acquits them. This is similar to the Charters of many overseas national public broadcasters. However, unlike some other countries where government agencies have an active role in reviewing the volume and nature of the programs broadcast to ensure that public broadcasting objectives are met, Parliament has not required such arrangements in Australia.

### Duties of the Board

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

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<sup>18</sup> Other sections of the *Australian Broadcasting Corporation Act 1983* specify functions and responsibilities of the ABC some of which are in the same category as those in s6. These include (but are not limited to) s8, s25, s26, s27, s28, s29, s31, s31A, s31B, s31C, s31D, s79A and s79B. The ABC's legislative framework includes:

*Australian Broadcasting Corporation Act 1983;*  
*Parliamentary Proceedings Broadcasting Act 1946;*  
*Broadcasting Services Act 1992;*  
*Radiocommunications Act 1992;*  
*Commonwealth Authorities and Companies Act 1997;*  
*The Financial Management and Accountability Act 1997;*  
*The Auditor General Act 1997;* and  
*Broadcasting Services Amendment (Digital Television and Datacasting) Act 2000.*

**1.14** The Board is also responsible for developing codes of practice relating to programming matters and notifying those codes to the ABA.<sup>19</sup>

**1.15** The government's power to direct the ABC in the performance of its functions is limited to directing the broadcast of matter in the national interest. Apart from this and any other express statutory provisions, the ABC is not subject to direction by or on behalf of the government. In fact, s78(7) of the ABC Act specifically exempts the ABC from s28 of the CAC Act that makes CAC Act entities subject to the general policies of the Commonwealth Government.

**1.16** On the other hand, under s8(2) of the ABC Act, if the Minister provides the ABC Board with a statement of government policy on any matter relating to broadcasting, or any matter of administration that is relevant to the performance of the functions of the ABC and asks the Board to consider that policy in the performance of its functions, the Board is required to give consideration to that policy. The Board is required to include in the ABC's Annual Report the details of any requests from the Minister and the action (if any) taken by the Board in respect of the request.

**1.17** The Charter of the ABC (s6 of the ABC Act) and the duties of the ABC Board (s8 of the ABC Act) are set out in Appendix 1.

## **Other key ABC Act requirements**

### *News and information*

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

### *Corporate Plan*

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

**1.20** Parliament amended the ABC Act in 1994 to include Part IVA. The Second Reading Speech indicates that the amendments were introduced with the main intention of strengthening the accountability arrangements for the ABC.<sup>20</sup> Apart

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<sup>19</sup> ABC Act s8(1) (e).

<sup>20</sup> House of Representatives Hansard Wednesday 18 August 1993 pp. 155–157.

from a desire to strengthen the ABC's accountability, the provisions were also considered necessary because the ABC is involved in commercial activities requiring additional accountability arrangements.

### *Annual report*

**1.21** Section 80 of the ABC Act specifies the matters that must be included in the Annual Report that is prepared under s9 of the CAC Act. In particular, the ABC must report on an assessment of the extent to which the operations of the Corporation have achieved the objectives of the Corporation, as specified under the Corporate Plan, and fulfilled the functions of the Corporation. As noted earlier, the ABC is also required to include in the Annual Report details of any requests from the Minister to consider government policy made under s8(2) of the ABC Act and the action (if any) taken by the Board.

## **Other key legislative requirements**

### *CAC Act and Appropriations Acts requirements: Portfolio Budget Statements and Annual Report*

**1.22** Although the ABC is exempted from the operation of s28 of the CAC Act, it is subject to most other provisions of the CAC Act. In effect these, along with the machinery requirements of the annual appropriations acts and the annual budget cycle, require the ABC to prepare a Portfolio Budget Statement (PBS) to accompany the appropriations legislation when it is submitted to Parliament for approval. The PBS has a significant planning and goal-setting function as it is required to present targets for outcomes and outputs of the organisation, coupled with estimates of the resourcing needed to produce them. Explanations of the ABC's service and expenditure proposals are provided, to assist Parliament to understand the purposes to which the proposed appropriation relates.

**1.23** As noted earlier, s9 of the CAC Act requires an Annual Report to be presented to Parliament and s80 of the ABC Act specifies particular matters that must be reported against. In addition, the CAC Act specifies a number of additional requirements for annual reports. For example, provisions introduced in 1999–2000 have required organisations to ensure that the presentation of outcome and output information for authorities is consistent with the relevant PBS under the Commonwealth's accrual budgeting arrangements. The CAC Act<sup>21</sup> also requires the annual report of an agency to report on the organisation's achievement of the performance targets presented in the PBS.

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<sup>21</sup> CAC Act s9; *Commonwealth Authorities and Companies Orders 1998*.

## The ABC and responsible government

**1.24** The ABC, in common with other entities that comprise what the Full Court of the High Court in a joint judgement in the *Lange Case*<sup>22</sup> referred to as the 'executive branch' of the Commonwealth Government operates under the Constitution and other legislation. As well, it operates in accordance with conventions of representative and responsible government implied by a number of provisions in the Constitution which have evolved through federal parliamentary practice over the last 100 years.

**1.25** The High Court saw the 'executive branch' as '*...not confined to Ministers and the public service. It includes the affairs of statutory authorities and public utilities which are obliged to report to the legislature or to a Minister who is responsible to the legislature*'.<sup>23</sup>

**1.26** In the case of the ABC, while it is provided with considerable independence of action, it is, as is discussed below, accountable to Parliament through the Minister for Communication and Information Technology, consistently with the operation of those conventions of responsible government.

### ABC independence

**1.27** The ABC Act guarantees the independence of the Corporation from the government. In particular, the ABC Act provides for the following:

- Ministerial direction can only be given in respect of broadcasting a particular matter if, in the opinion of the Minister, it is in the national interest and only by laying details before both Houses of Parliament within seven days of a direction being given,<sup>24</sup> otherwise the ABC is not subject to direction by or on behalf of the Commonwealth,<sup>25</sup> so that the ABC is provided with an exemption from the general power of direction which the government of the day has over most other statutory bodies in the general government sector.<sup>26</sup>

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<sup>22</sup> (1997) 145 ALR 96 at 107.

<sup>23</sup> *ibid.*

<sup>24</sup> Section 78 of the ABC Act.

<sup>25</sup> Section 78(6) and (7) of the ABC Act.

<sup>26</sup> The 'general government sector' consists of budget-dependent Commonwealth departments, statutory authorities and other entities. All of these entities are dependent on the Commonwealth Budget for revenue. The Department of Finance and Administration (Finance) defines the sector in this way: 'The primary function of this sector is to provide public services that are mainly non-market in nature, are mainly for the collective consumption of the community, involve the transfer or redistribution of income and are financed mainly through taxes and other compulsory levies.' Finance listed nearly 170 entities in this sector. Department of Finance, (2001), *Financial Statements of the Commonwealth Government of Australia* for the year ended 30 June 2001 p. 6.

- Restrictions are imposed on the ABC's power to accept paid advertising or similar payments, ensuring that the ABC will not become subject to commercial imperatives in its choices of the selection, range or content of material for broadcast.
- A governance structure for the ABC is created, wherein the Board of Directors and the Managing Director are provided with powers and obligations to ensure that they are able to deliver services with the assurance of independence and integrity, in accordance with standards and specifications set out in the Charter.

**1.28** The ABC Board is charged with the duty *'to maintain the independence and integrity of the Corporation'*.<sup>27</sup> The only programming requirements imposed on the ABC are general directions to:

- broadcast programs that contribute to a sense of national identity and inform and entertain, and reflect the cultural diversity of, the Australian community;
- broadcast programs of an educational nature;
- broadcast daily sessions of impartial and accurate news and information relating to current events within and outside Australia; and
- broadcast Parliamentary proceedings.

## **ABC accountability**

**1.29** The ABC's accountability to Parliament largely derives from the combined effect of the Constitution (sections 53, 56, 61, 64, 81 and 83), the ABC Act, the CAC Act, the annual appropriation acts and the Administrative Arrangements Orders.

**1.30** As with any entity created and funded by Parliament, the ABC is subject to close scrutiny by Parliament and through the processes established by the Parliament. These processes include Parliamentary review of budget matters, the requirement for Annual Reports to be tabled and the examination of ABC matters by Parliamentary Committees. Such processes require from the ABC a full, transparent account of performance, particularly in relation to the functions, powers, duties, privileges and resources approved by Parliament. Amongst other things, this would require disclosure to Parliament of the way in which the ABC has exercised its independence and the initiatives that it has taken to maintain the independence and integrity of the Corporation and fulfil its Charter and other obligations.

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<sup>27</sup> The ABC Act ss 6(2)(a)(iii), 8(1)(b), 25(4) and 27(1).

**1.31** In the day to day working of the parliamentary processes of responsible government, the ABC discharges its responsibility to Parliament through the Minister for Communications and Information Technology. There is a range of provisions in the ABC Act, the CAC Act and other legislation or legislative instruments relevant to the administration of the ABC that also give other Ministers a role in relation to the administration of the ABC.

**1.32** The ABC therefore acquits its accountability responsibilities not only by providing information to Parliament, including financial and performance information and compliance with legislative provisions, but also through briefings and providing other information needed by Ministers to perform their responsibilities as members of the Executive accountable to Parliament. Current practice across Commonwealth administration is that all entities, including those in a similar situation of independence of government direction as the ABC, assist Ministers to acquit their responsibilities as best they can by the provision of timely and relevant information.

**1.33** Therefore the practical ramifications of the ABC's accountability arrangements require the provision by the ABC of information to relevant departments and Ministers to assist the government's acquittal of its responsibilities to Parliament, both in relation to the affairs of the ABC and more generally within the public sector framework. It is also important to the ABC. How effectively the ABC manages its relationships with the relevant departments and Ministers contributes to the ABC's achievement of its statutory goals, including the maintenance of the independence and integrity of the Corporation.

## The ABC and the broadcasting industry

**1.34** The *Broadcasting Services Act 1992* (BSA) provides the framework for regulating the Australian broadcasting industry. Regulations have been developed under the BSA to cover Australian content, political broadcasting, the promotion of fair and accurate reporting, inappropriate content and some areas of advertising. As the ABC is categorised as a national broadcasting service under the BSA, with some exceptions, it is not subject to the regulatory regime established by the BSA.

**1.35** The main provisions of the BSA that applies to the ABC prescribes the process for the investigation of complaints about the ABC. Apparatus licences issued under the *Radiocommunications Act 1992* determine the location and power of ABC transmitters and have a bearing on the Charter by impacting on the ability of audiences to receive ABC broadcast programs.



**1.36** While it has been a publicly-owned national broadcaster since its inception as the Australian Broadcasting Commission in 1932, the ABC is also an integral part of the radio, television and new media production industries and the news and information media. Like the commercial television broadcasters, the ABC is involved in the significant transition to digital television, and now manages the infrastructure for transmission of its programs as well as production facilities.<sup>28</sup> The ABC is responsible for the full broadcast cycle, largely controlling broadcast material from its conception or acquisition to its delivery to audiences.

**1.37** Media consumption habits and preferences vary significantly across the Australian population.<sup>29</sup> There are increasing demands on people's use of time that presents increased challenges to the free-to-air broadcasters including the ABC. Apart from increased pressures of the work place, there is a growing diversity of cultural, recreation, leisure and information pursuits. The new technologies of pay-television, the Internet and personal computers may take a higher priority or even precedence over traditional broadcast services for an increasing proportion of the population.

**1.38** The Productivity Commission reports that the impact of these various trends (work pressures, diversity of pursuits and new technologies) vary significantly with people according to age, occupation, gender, region and place of residence and family circumstances.<sup>30</sup> The time of day is relevant, as is the day of the week. Seasonal factors are important, as is time in relation to the cycle of work and recreation throughout the year. Nevertheless, there are many standard patterns in people's use of time, their use of broadcasting and media services and their preferences for particular modalities and varieties of broadcasting services in relation to time, season, age, gender and a range of well known demographic characteristics. All of these considerations have a bearing on the outcomes that Parliament requires of the ABC, the strategies the ABC uses to achieve them, and the outcomes it actually achieves. These matters are discussed further in Chapter 7.

**1.39** Though the impulses that drive the ABC are not commercial—the legislation ensures this—reaching the people who comprise audiences is a task that is as important to the ABC as it is to commercial broadcasters. For it to maintain relevance for Australian audiences into the future, it must be in a position to keep abreast of technological developments such as multimedia and digital broadcasting and utilise the new technologies that audiences, as

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<sup>28</sup> The transmission facilities used by the ABC are now owned by a private company ntl Australia. However, the ABC contracts the use of the facilities from ntl Australia and by means of the contract exercises overall control over the facilities.

<sup>29</sup> Productivity Commission, (2000), *Broadcasting, Inquiry Report No 11*, 3 March 2000 Ausinfo, Canberra, p. 65.

<sup>30</sup> *ibid.*, Ch. 7.

consumers, want to use. It must also be alert to changing audience tastes and activities that compete for people's time.

**1.40** In this broadcasting and media environment, the ABC has the challenge of increasing, or at least maintaining, the relevance of its programs whilst fulfilling Charter requirements, updating its technological capabilities and meeting changing audience needs and expectations, considering the obligations and, in some cases, restrictions imposed on it by the ABC Act. The nature of the regulatory regime and of the competition within the broadcasting industry and related markets, the pace of change, especially technological change, and of the adaptations of broadcasters and other competing service providers impacts on the ABC's achievement of its Charter obligations.

**1.41** The ABC Board has recently set four strategic objectives for the ABC, one of which aims for distinctiveness and another for relevance and appeal.<sup>31</sup> These twin challenges of providing programs that are distinctly different from the commercial and community sectors of the broadcasting industry yet remaining relevant in an increasingly competitive environment are symptomatic of the challenges facing national public sector broadcasters throughout the world. It is worth noting that there is increasing pressure on overseas national public broadcasters, especially those funded by licence fees, to demonstrate the value for money represented by the licence fee, given the plethora of alternative entertainment and information sources.

**1.42** For the ABC to perform effectively in the broadcasting and new media industries, it must primarily have the capabilities, and available skills and expertise, commensurate with those of other participants in those industries. At the same time, the ABC also needs the skills and expertise characteristic of good public administration given it operates in the public domain as a publicly funded organisation.

## Previous reviews of the ABC

**1.43** In the last 28 years the ABC has been the subject of 13 major reports commissioned either by the Commonwealth or State Parliaments or the Minister. These reports are:

- McKinsey and Company, Inc. *The Use of ABC Resources: Overall Review* November 1973;

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<sup>31</sup> *ABC Corporate Plan 2001–2004*. The two objectives are: **Relevance and Appeal**: Build and retain audience share and reach through multi-platform programming and content that is appreciated by a broad range of communities of interest and need; and **Distinctiveness**: Enable audiences to be informed, educated and engaged with the challenges of contemporary life and with one another, through distinctive information, cultural and children's programming and content.

- *The ABC in Review—National Broadcasting in the 1980s* (the Dix Report) was tabled in May 1981;
- *Study into the Future Development of Orchestras in Australia*, Report of the Study Group to the Cultural Ministers Council March 1985, AGPS 1985 (The Tribe Report);
- *Our ABC, Report of the Senate Select Committee on ABC Management and Operations*, was published in March 1995;
- Review of ABC's International Broadcasting Services, October 1995;
- *The challenge of a better ABC* (the Mansfield Report) tabled in January 1997;
- Inquiry into the Role and Future of Radio Australia and Australia Television, February 1997;
- Parliament of Victoria Economic Development Committee, *Report into the Effects of Government-Funded Broadcasting on Victoria*, Government Printer for the State of Victoria, Melbourne, 1999;
- House of Representatives Standing Committee on Communications, Transport and the Arts, (2000), *Regional Radio Racing Services*, Commonwealth of Australia, Canberra;
- Senate Environment, Communications, Information Technology and the Arts, [www.abc.net.au/](http://www.abc.net.au/) *Inquiry into ABC On-line: Interim Report*, Commonwealth of Australia, Canberra, 2000;
- Senate Environment, Communications, Information Technology and the Arts, [www.abc.net.au/](http://www.abc.net.au/) *Inquiry into ABC On-line: Final Report*, Commonwealth of Australia, Canberra, 2000;
- Senate Environment, Communications, Information Technology and the Arts References Committee, *Above Board? Methods of Appointment to the ABC Board*, The Parliament of the Commonwealth of Australia, September 2001; and
- House of Representatives Standing Committee on Communications, Transport and the Arts, *Local Voices An Inquiry into Regional Radio*, The Parliament of the Commonwealth of Australia, September 2001.

**1.44** The ANAO has used these reports and in some cases has drawn on their findings and recommendations in the audit. In other cases, the ANAO has compared current practices in the ABC with those documented in the reports.

## Recent developments

**1.45** There have been several key developments affecting the ABC arising from legislative, funding or parliamentary scrutiny initiatives during the period of the audit. These include:

- Additional funding in the 2001–02 Federal Budget: the government has provided the ABC with an additional \$17.8 million per annum for four years, most of which will be spent on regional and rural programming.<sup>32</sup> The government has also allocated \$29.4 million in the 2001–02 Budget to enable the ABC to televise programs in digital format from 1 January 2001.<sup>33</sup>
- In June 2001, the government awarded the ABC the Asia Pacific Television contract. Under this contract, the ABC will broadcast to the Asia Pacific region including Japan, Korea and China.
- The Senate referred the issue of ABC Board appointments to the Senate Standing References Committee on the Environment, Communications, Information Technology and the Arts in June 2001.

## Audit objectives and methodology

### Audit objective and scope

**1.46** The audit follows advice from the Joint Committee of Public Accounts and Audit (JCPAA) to the Auditor-General that assurance that ABC programming adequately reflects the ABC's Charter was an audit priority of Parliament. The objective of the audit is to provide Parliament with this assurance. The focus of the audit was on the governance arrangements of the ABC Board and management that enable the ABC to demonstrate the extent to which it is achieving its Charter obligations, and other related statutory requirements, efficiently and effectively.

**1.47** The scope of the audit was as follows:

- Review the ABC's corporate governance framework against better practice models. The ANAO had regard to the ABC's unique role as a national public broadcaster established as a budget funded Commonwealth statutory authority subject to the *Commonwealth Authorities and Companies Act 1997*.
- Examine the ABC Board's approach to the interpretation of the Charter requirements of the ABC and the setting of strategic directions, and

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<sup>32</sup> *Australian Broadcasting Corporation Portfolio Budget Statement 2001–2002*, p. 145.

<sup>33</sup> *ibid.*, p. 23.

management's administrative arrangements for implementing the strategic directions established by the Board.

- Examine the ABC's performance information framework, the development, documentation and use of performance measures in relation to targets and/or objectives, the monitoring and reporting of performance and its inter-relationship with the corporate planning and budgetary processes, particularly in relation to the strategic directions set by the Board.

**1.48** The audit did not examine the overall management of the ABC. In keeping with the audit scope, the audit examined ways in which the ABC aligns its strategic directions with its Charter requirements for programs broadcast on radio, television and on-line and assures itself, and Parliament, about the achievement of its Charter obligations. The audit did not examine the operations of ABC Enterprises or ABC symphony orchestras.

### **Audit methodology**

**1.49** Three broad audit criteria were used in this audit. One criterion concerned the corporate governance by the Board, another corporate governance by management and the third concerned performance information. The three audit criteria were based around the ANAO's Better Practice Guide *Corporate Governance in Commonwealth Authorities and Companies Principles and Better Practices* and a number of principles of better practice about the specification of performance measures, and the measurement, assessment and reporting of performance. The third criterion was developed in consultation with Australian Bureau of Statistics (ABS).

**1.50** The three audit criteria were developed in consultation with the ABC and are reproduced at Appendix 2. Appendix 3 provides an overview of the main corporate governance concepts applicable to the ABC.

**1.51** Fieldwork was conducted between February and August 2001. The ANAO met with the ABC Board, Chairman, the then Managing Director, Directors and other key staff from all Divisions (with the exception of ABC Enterprises and Radio Australia), the State Directors' Representative and the Convenor of the ABC Advisory Council. The ANAO also met with representatives from other national broadcasters in Canada, the United Kingdom, Denmark, Norway and Germany. Discussions were held with key staff from the Department of Communications, Information Technology and the Arts (DoCITA). The Department of Finance and Administration (Finance) was also approached for input but declined to comment.

**1.52** In addition to discussions with the ABC, the ANAO obtained data from the ABC in order to produce the longitudinal quantitative studies in Chapter 7 of this Report. The aim of these studies was to:

- present a summary of the programs broadcast by the ABC;
- clarify the relationship between the Charter and the programs broadcast; and
- present data on the characteristics of the ABC's audience and people who do not access its services.

**1.53** The ANAO engaged Mr Christopher Conybeare AO as a consultant to the audit due to his extensive corporate governance expertise as a former Secretary of a Commonwealth department and his prior experience with the ABC gained as Secretary of the Dix Review. Mr Alan Rose AO was engaged to provide legal opinion about the ABC's legislative framework. Mr Rose was selected due to his experience as a former Secretary of the Attorney-General's Department and President of the Australian Law Reform Commission, as well as his expert knowledge of government law, key legislation and machinery of government processes.

**1.54** The ANAO obtained specialist advice from the ABS about audience research methodologies, the analysis of ABC broadcast time series data, the interpretation of the ABS time use surveys and criteria for the assessment of measures of the output produced and the outcomes achieved by the ABC.<sup>34</sup>

**1.55** The audit was conducted in accordance with the ANAO Auditing Standards at a total cost of \$690 000.

## Structure of the Report

**1.56** Chapter 2 examines the governance arrangements established by the Board and management to ensure that the administration of the ABC proceeds within the framework laid down by Parliament and gives full effect to its requirements. The examination includes an assessment of how far the ABC's arrangements reflect better practice corporate governance against the framework developed in the ANAO's 1999 publication *Principles and Better Practices: Corporate Governance in Commonwealth Authorities and Companies*.

**1.57** Chapter 3 examines the organisational and administrative arrangements management has in place to implement the strategic directions established by the Board.

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<sup>34</sup> The quantitative data in this audit has been drawn from various sources indicated in the text. Unless otherwise shown, the data has been examined for reasonableness, but has not been audited.

**1.58** Chapter 4 provides an overview of the processes for making decisions about what to broadcast, to whom and when. Meeting Charter requirements, maintaining relevance and making the most of a given budget are at the heart of these processes that are generically referred to as schedule management.

**1.59** Chapter 5 examines specific arrangements associated with the administration of a core genre on the ABC's schedule, the provision of the news and information services. The ABC Act requires the establishment of a news and information function within the ABC and the broadcasting of news and information services by the ABC.

**1.60** Chapter 6 examines the ABC's approach to the measurement and reporting of corporate performance to enable the ABC to demonstrate it is achieving its Charter obligations efficiently and effectively.

**1.61** Chapter 7 reviews a range of statistical data about the access and use of ABC broadcasting services and about the broader range of activities of Australians that have a bearing on patterns of use of ABC services. These patterns have implications for the assessment of the ABC's performance in relation to the Charter. For it is upon the patterns of access and use that the relevance of the ABC to Australia largely depends.



## 2. Framework for Strategic Direction

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*This Chapter examines the corporate governance arrangements of the ABC Board to give effect to the ABC's Charter and other legislative requirements and responsibilities, particularly in regard to the ABC's major planning document, the Corporate Plan. The Chapter also examines the administrative arrangements of the Board against the better practice corporate governance framework outlined in the ANAO's 1999 publication **Principles and Better Practices: Corporate Governance in Commonwealth Authorities and Companies**.*

### Introduction

**2.1** The ABC is a Commonwealth statutory authority and a publicly funded national broadcaster. It is one of Australia's core cultural institutions. It contributes to and reflects Australia's national identity. It fosters creativity and the arts. As a statutory body with a legislated Charter since 1983, Parliament has provided directions for the organisation. Importantly, it has created the ABC as independent of government direction, except in circumstances precisely defined in the ABC Act and the CAC Act. For the ABC, as an organisation placed in this position of independence, very great importance attaches to the task of setting its own goals and broadcasting standards. It is 'the other side of the coin' of its independence. In effect, Parliament, having established a legislated framework of requirements, including a 'Charter', has entrusted the ABC to perform its services with guaranteed independence. Parliament has enunciated its requirements in very broad terms. In setting its goals and standards, making these transparent and public, and monitoring and reporting on their achievement, the ABC delivers its side of this public commitment.

**2.2** The legislation places the Directors of the ABC Board in a position of trust in having to meet the Charter of the Corporation. To the best of their abilities they have to meet—or assure themselves that the ABC as an organisation is meeting—the Charter requirements of the organisation. This is not a situation in which the ABC is unique. It is a feature of the administrative framework applicable to other bodies in the general government sector. The boards of such bodies oversight the establishment, maintenance and development of systems enabling them to discharge their duties and in public reporting of goals and performance. Parliament has placed the ABC in a much less typical situation in putting the ABC in a defined arm's length position from the government, especially through the general exemption from direction by the government provided for in s78 of the ABC Act. This means that the arrangements used in the ABC to enable the Board to discharge its duties carry significant additional



importance compared to those in place in many other publicly-owned bodies. Arguably, they carry a heavier accountability burden.

## **The ABC Board**

**2.3** Within the broad framework of governance created by its enabling legislation, two entities, the ABC Board and the Managing Director, undertake the administration of the ABC. Both are created by the legislation. Between them, these entities are accountable for the performance of the organisation.

**2.4** The legislation creates a third entity, the ABC Advisory Council (ABCAC), which has a legislated role in governance as the Board is required to have regard to its advice.<sup>35</sup>

**2.5** Members of the Board are appointed by the government except for two members, the Managing Director and a staff-elected member. The Board may have no more than nine and no less than seven members.<sup>36</sup> Appointments are for fixed terms, without restriction on reappointment. Members' periods of appointment<sup>37</sup> are for flexible periods not exceeding five years. This flexibility makes it possible for governments to maintain a degree of continuity in Board composition by appointing or reappointing directors for staggered terms. Provisions in the ABC legislation specifying arrangements for termination by the government of Board members' appointments are typical of CAC bodies generally, that is, grounds of misbehaviour, mental or physical incapacity, bankruptcy and other specific delinquencies such as non-attendance at Board meetings.<sup>38</sup>

**2.6** The Board appoints the Managing Director. The ABC Act provides that he or she is a member of the Board. The Managing Director's term of appointment is for five years and the person can be reappointed for one further term not exceeding five years.<sup>39</sup>

**2.7** The Act makes provision for the appointment by the government of one of the Directors to be Chairperson and another to be Deputy Chairperson.<sup>40</sup> These persons only hold office for as long as they are Directors.

**2.8** The Act requires Directors to be experienced in a relevant discipline or have cultural or other interests relevant to the provision of broadcasting services.

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<sup>35</sup> The role of the ABCAC is consultative. It has no accountability for performance.

<sup>36</sup> ABC Act s12.

<sup>37</sup> Other than for the staff-elected Director whose term is for two years and subject to re-election for only two more years.

<sup>38</sup> ABC Act s18.

<sup>39</sup> ABC Act s13.

<sup>40</sup> ABC Act s12.

This requirement is specified in the context of provisions for appointment so it is not one for the ABC Board (other than for its selection of the Managing Director) but rather for the government to fulfil in selecting nominees to the government-appointed members' positions.

**2.9** The Board and the Managing Director have separate, though overlapping, roles in the Corporation's governance. As with many statutory bodies in the Commonwealth domain, and typical of those like the ABC subject to the CAC Act, the function of the Board is to oversight the strategic direction of the organisation and determine policy directions. It has to ensure that the ABC complies with its legislative requirements in both a performance and conformance context.<sup>41</sup>

## The Managing Director

**2.10** The role of the Managing Director is to implement the policies determined by the Board and to conduct the day-to-day operations of the organisation.<sup>42</sup> These functions involve many common or shared responsibilities, strengthened in the case of the ABC, where (unlike some other CAC bodies) the Managing Director is also a member of the Board. As well as specifying general powers of the Board and the Managing Director, the legislation provides a number of specific powers, prerogatives and responsibilities for the Managing Director. For example, the Managing Director is mandated by legislation to ensure that the ABC has enough staff to fulfil its obligation to provide an independent news service.<sup>43</sup> The Managing Director also has the status of Editor-in-Chief of the organisation.<sup>44</sup>

## Audit approach

**2.11** Against the background of the legislative requirements determined by Parliament set out in the previous Chapter, the ANAO reviewed the actual arrangements in place to see how the ABC develops its own strategic directions and programming standards.

**2.12** At the time of the audit the ABC was engaged in making significant directional changes. The ABC's planning and management systems were under review, the ABC had a new organisational structure, and a range of new senior executives had been appointed to key positions.

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<sup>41</sup> ABC Act s8.

<sup>42</sup> ABC Act s10.

<sup>43</sup> ABC Act s27(3).

<sup>44</sup> The status of the Managing Director as Editor-in-Chief is determined by the Board as a matter of policy *ABC Editorial Policies* s3.3.1.

**2.13** While taking account of these changes the ANAO looked specifically at:

- corporate planning arrangements, noting that the ABC Act suggests that Parliament envisages the Corporate Plan as a tool of management of the independent organisation it created, and a means of it being made accountable; and
- the ABC's approach to quality assurance in broadcast standards. The ANAO noted that the ABC attaches very high importance to this task. The ABC's *Editorial Policies* document stands alongside the Corporate Plan as among its most significant goals and standards-setting arrangements. This document has been developed over the years as a key tool by which the Board assures itself of quality in the standards set for broadcast outputs.

**2.14** The examination included an assessment of how far the ABC Board's processes reflect better practice corporate governance arrangements in Australia. In testing the questions of better practice application, the ANAO used the benchmarks developed in its 1999 publication *Principles and Better Practices: Corporate Governance in Commonwealth Authorities and Companies*. To enable it to form an opinion on these matters, the ANAO reviewed documents submitted to monthly Board meetings held over a six-month period 2000–01, other agenda documents and records of these meetings kept by the ABC. It reviewed documents held by the ABC on meetings of committees and groups of senior executives. Extensive discussions were held with the Chairman, the then Managing Director and most senior executives at Divisional head level.

## The role of the Board in direction setting

**2.15** The Boards of Commonwealth authorities and companies typically exercise strategic direction and control over their organisations through a range of interactions with the organisation and different administrative processes. Many are routine processes of governance, some are exceptional as, for example, at times of legislative change affecting the organisation or when its activities arouse public controversy and responses have to be made.

**2.16** The ANAO identified the following main ways in which the ABC Board performs its statutory functions and direction setting role in the ABC:

- in overseeing the development and approval of the ABC's Corporate Plans, which normally run for three years<sup>45</sup> but can be altered or replaced at any time;

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<sup>45</sup> The ABC Act requires that the time period to be covered by the Corporate Plan be for not less than three and not more than five years (s34).

- by developing and approving the ABC's editorial standards;
- by involving itself in financial planning and management matters, approving proposed budgets with, in recent years, approval of triennial funding agreements with the government;
- by approving ABC Annual Reports to be provided to the Minister for tabling in Parliament;
- by approving ABC plans for major capital developments, eg accommodation rationalisation projects, and approving related submissions to the Parliamentary Public Works Committee;
- by considering ongoing policy proposals on *ad hoc* matters, approving them where appropriate;
- through approval of submissions to government on broadcasting system matters where ABC interests are affected;
- through approval of submissions to government on development proposals for the ABC's transmission facilities in Australia and abroad;
- by maintaining standing arrangements for the role of approval of contracts over certain limits, and in approving the ABC entering into such contracts;
- in approving the terms of ABC submissions to parliamentary and other inquiries on relevant issues; and
- by responding to matters which may engage the interest of Board members in Divisional activity reports and in the summary of litigation supplied by the ABC's Corporate Counsel.

**2.17** The ABC has recently introduced an improved planning and reporting framework resulting in a new *ABC Corporate Plan 2001–04* containing objectives and a range of strategies relevant to the relationship between the ABC's Charter and the content broadcast on radio, television and on-line. A consequence of the improved framework and the new Corporate Plan is that the Board is better placed to ensure that the schedules of programs to be broadcast by radio, television and on-line manifest the Board's interpretation of the Charter and reflect the priorities it has determined. This is in part because the Corporate Plan is the principle instrument of the Board in determining and reviewing the ABC's priorities and performance. Underpinning the Corporate Plan are Divisional Business Plans, which are to be directly aligned with the Corporate Plan. The Divisional Plans provide targets and performance measures in relation to the genres and programs in the schedule that relate directly to objectives, targets, strategies and performance measures of the Corporate Plan. These

Business Plans are approved by the Managing Director and presented to the Board for information

**2.18** The extent to which the new arrangements function in the way intended will only become apparent over the next few years. If the ABC succeeds in fully implementing the new Corporate Plan, especially the use of verifiable measures of performance and the establishment of the requisite performance information systems, the capacity exists for the Board to better assure Parliament about a satisfactory relationship between the program content broadcast and the ABC's Charter.

**2.19** Such framework initiatives are necessary but are not, in themselves, sufficient to ensure that they function as they are intended. As in any other public sector organisation, successful implementation will require the support of staff. This often requires a change in culture throughout the organisation.

**2.20** In addition, a further opportunity for the Board to shape the strategic direction of the Corporation lies in the power given by the ABC Act to the Board to select and appoint the Managing Director. With the model of governance adopted by the ABC Board in practice, which gives relatively large scope to the role of the Managing Director, this power of appointment of the Managing Director is a significant means of strategic control exercised by the Board.

**2.21** The ANAO noted that the ABC Board may, like other CAC body boards, also build on existing arrangements, plans and agreements to further articulate and develop priorities in a manner not necessarily related to any existing timetable or plan. In the period of the audit field work, for example, the ABC developed proposals for modification of the triennial funding agreement with the government negotiated in 1999–2000, for implementation in the 2001–02 budget year and covering the 2001–04 triennium. Its purpose was to seek additional funds from government in and from the 2001–02 Budget for four particular purposes. This exercise had involved the Board in further sharpening the Corporation's priorities and identifying new ones.

## **Governance initiatives under way**

**2.22** The ANAO reviewed specific major governance initiatives that were under way during the audit as part of the transition of the ABC's approach to setting corporate directions.

### **Chairman's 1999 initiative**

**2.23** In October 1999 the Chairman of the ABC Board placed a discussion paper before the Board proposing enhanced corporate governance of the Corporation.

The paper recognised that it was a time when the ABC was approaching a perceived turning point in the history of broadcasting, when the ABC was approaching a new [triennial] funding agreement with the government, and new executive leadership of the Corporation. The paper advanced the view that the Board should be in a position to ensure that the ABC fulfils its obligations to audiences through setting strategy, assessing and reporting annually on performance, and monitoring compliance with policy, statute and regulations. It expressed the view that the ABC Board should seek to establish, and design, in consultation with management, a range of performance measures and benchmarks against which to judge the appropriateness, efficiency and cost-effectiveness and value of recommendations put before the Board in relation to ABC programs and services. It proposed an examination of current ABC benchmarking practices and targets and the selection of appropriate organisations against which to compare itself.<sup>46</sup>

**2.24** The Chairman's paper identified six key policy areas for the ABC over the next 12 to 18 months to which these approaches ought to be applied. They were:

- program accountability, where performance targets from such areas as the achievement of appropriate levels of ratings, industry awards, overseas sales or more program-specific measures could be applied to investment decisions before the Board committed funds. Program accountability carried with it the need for ongoing systematic audience research and stakeholder consultation, along with regular, structured performance evaluation, across all broadcast programs in all media;
- editorial issues, to ensure that the ABC has adequate internal and external arrangements to enable it to comply with editorial guidelines and Charter responsibilities, with complaints procedures that are credible and independent from program makers. The ABC needed to ensure that demonstrably and transparently, it achieves accuracy, balance and impartiality;
- outsourcing television production, to ensure that the Board can satisfy itself that the model or mix used by the ABC is the most cost and quality effective;
- meeting regional needs, a thorough and consistent approach to enable an assessment of how well the ABC was meeting the information, cultural and entertainment needs of people living in regional Australia;

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<sup>46</sup> 'The ABC: Of Unique Value and Value for Money', Mr Donald McDonald AO, Report of the Chairman to the Board for Meeting No 9, 27 October 1999.

- international broadcasting, noting that while the ABC had adopted a level of activity in this area after a review three years previously, a re-appraisal was now appropriate; and
- earned income, to ensure that there are adequate arrangements and procedures to maximise the earned income of the Corporation consistent with Charter obligations.

**2.25** The ABC Board considered the paper in late October 1999. It endorsed the proposals in it. The Managing Director at the time undertook to discuss propositions in the paper with the Executive to determine how best to address the issues.

**2.26** In February 2001 the Chairman wrote to the then Managing Director drawing attention to the Board's October 1999 discussion and its outcome.

### *Management's response*

**2.27** The Managing Director responded in June 2001 that he had placed considerable emphasis on improving governance processes in the ABC, including areas of editorial and management accountability and the development of performance benchmarking. He stated that 'the work we have been progressing within management, and through our consultations with the Board, relates directly to the issues in your discussion paper'.<sup>47</sup> He referred to strengthened corporate governance arrangements he had made within management, in particular the creation in March 2001 of the new Corporate Planning and Governance Unit attached to the Office of Managing Director and the establishment of the Business Development and Performance Department within the Funding, Finance and Support Services Division. He provided summary details of work-in-progress on the six policy areas, and on the benchmarking proposals, referred to in the Chairman's discussion paper.

### **Management initiatives**

**2.28** The ABC informed the ANAO early in the audit that the then Corporate Plan, the *ABC Corporate Plan 1999–2002*, would be revised to reflect the changing directions of the Corporation. In the interim the ABC continued to be accountable against the 1999–2002 Plan.

**2.29** In April 2001 the ABC advised the following:

- The Managing Director's initial priority had been to the setting up a new management structure achieving strong internal accountability. This

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<sup>47</sup> Memorandum for the Managing Director to the Chairman 19 June 2001.



internal accountability was seen as a pre-requisite for delivering external accountability. The next step would be to focus on enhancing the ABC's relationships with Parliament and with the ABC's audiences.

- At the beginning of 2001 the ABC Board and the Managing Director had embarked on an integrated program of planning across the organisation. This would result in a new Corporate Plan by the end of September 2001 and separate Divisional plans by December 2001, with particular emphasis on measuring and accounting for performance.
- A review of the ABC's outcome and output framework would be undertaken at the same time and it was expected that the Board would redefine these statements to better reflect the impact the ABC has on the community. Together with these statements would be upgraded accountability measures to address the Corporation's effectiveness and efficiency.
- Accountability measures will cascade downwards to each Division and eventually to individual staff.

## Conclusion

**2.30** The arrangements for strategic direction setting in the ABC were undergoing considerable change at the time of the audit. The Board's capacity to monitor and evaluate the performance of the Corporation, in particular as to how well it is meeting its Charter obligations, could be improved. The Board is cognisant of the opportunity to strengthen aspects of its operation, particularly in measuring the ABC's achievement of value for money in the fulfilment of its Charter.

**2.31** The ANAO supports the initiatives currently under way by the Board and ABC management that are designed to improve the effectiveness of the strategic planning process by aligning individual and divisional goals with corporate goals, linked to the Charter, and at the same time enhancing corporate transparency and accountability.

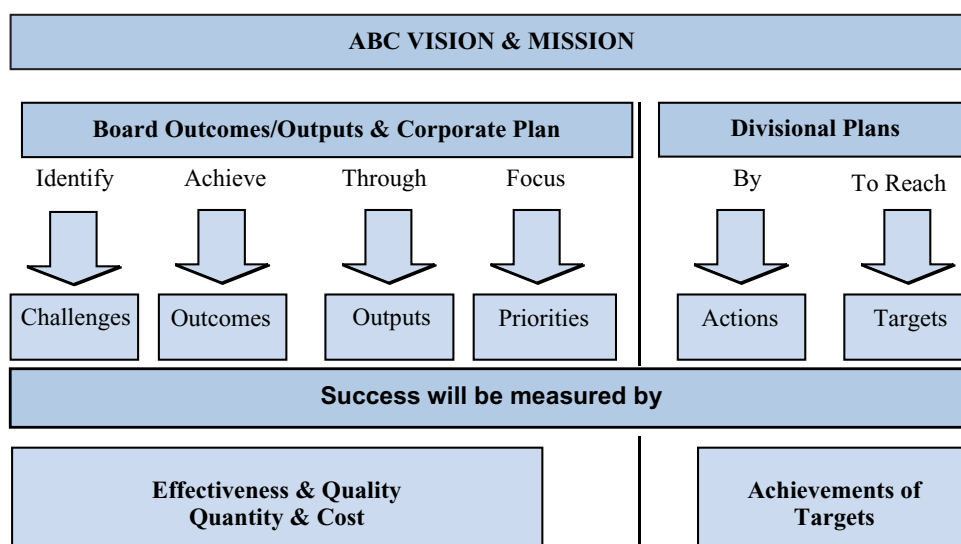
**2.32** Such framework initiatives are necessary but are not, in themselves, sufficient to ensure that they function as they are intended. As in any other public sector organisation, successful implementation will require a culture throughout the organisation that supports such changes. The Board and ABC management have an important role to play in this regard.



## Corporate planning

2.33 As noted above, the Corporate Plan is the principal instrument of the Board in setting and reviewing the ABC's priorities and performance. The planning hierarchy on which this is based is depicted in Figure 3.

**Figure 3**  
**THE ABC PLANNING HIERARCHY**



Source: ABC

## Corporate planning process

2.34 The Managing Director's memorandum to the Chairman described above provided a brief review of Corporate and Divisional Planning processes that had been initiated, enabling the ABC to 'demonstrate strategic congruence through its three principal accountability reporting documents: the Corporate Plan, Portfolio Budget Statement and Annual Report'. The memorandum identified the following as the major corporate planning stages that were in train:

- Divisional SWOT presentations (mostly between March and May 2001).
- Preparation of a consolidated corporate SWOT.
- Board Planning Day (27 April) including presentations of the corporate SWOT, discussion with Executive Directors [Division Heads], followed by discussion among Board members only.
- ABC Management Conference in Launceston (10–11 May) which focused on the changing digital media environment, governance issues and a range of ABC operational themes.

- Confirmation of eight strategic priorities arising from the Board Planning Day (discussed at the May Board meeting).
- Executive Directors' Planning Half Day (21 June 2001).
- Preparation of Divisional Input (July).
- Draft Corporate Plan (August Board meeting).
- Final Corporate Plan (September Board meeting).
- Divisional Plans (November).

**2.35** The internal corporate planning process followed by the ABC is generally similar to that followed by the overseas public broadcasters examined. However, many of the overseas public broadcasters, either through the involvement of external government agencies or through the use of large governing boards that are representative of broad community interests, appear to involve external parties to a much greater extent than the ABC in the development of their Corporate Plans.

## **2001–04 Corporate Plan**

**2.36** The eight strategic priorities decided by the ABC Board for the *Corporate Plan 2001–04* are set out in Figure 4.

**2.37** The ANAO was advised that work under way involved:

- developing ideas for the Board's outcome and output statements in language that would enable them to relate in an appropriate way to the strategic priorities already decided by the Board;
- developing key result areas for each strategic priority;
- designing performance indicators for each, identifying actions to implement them; and
- defining targets of performance.

**2.38** The new *ABC Corporate Plan 2001–04* approved by the Board in September 2001 incorporates the material resulting from this work. The Outcome/Output statements would form the basis of the ABC's input to the 2002–03 PBS for the Communications, Information Technology and the Arts Portfolio.

**2.39** The ANAO supports the approach taken by the ABC's in developing its latest Corporate Plan. Whilst the new Corporate Plan was approved in September, substantial work remained to be done to develop Divisional Business Plans, including the finalisation of verifiable performance measures and the establishment of systems that will record the requisite performance information. The ABC

advised the ANAO that Divisional Plans were approved by the Acting Managing Director in December 2001.<sup>48</sup> The ABC’s improved planning and reporting framework is further discussed in Chapter 3 and outlined at Appendix 5.

**Figure 4**  
**Strategic priorities for the 2001–04 Corporate Plan**

<b>1. Relevance of content and services</b>	Building and defending audience share and reach through distinctive multi-platform programming which reflects and appeals to a broad range of community interests and needs
<b>2. Australian content</b>	A rich mix of content which gives expression to what it means to be Australian in the 21 <sup>st</sup> century
<b>3. Content genre and diversity</b>	Strengthening the diversity of the ABC’s content through a priority list of genre and defined levels of output
<b>4. Access to distribution platforms</b>	The ABC available on all major technology platforms maximising audience access
<b>5. Regionalism and decentralisation</b>	Increased levels of content production and service provision outside Sydney for local and national consumption
<b>6. Funding and resource utilisation</b>	The ABC supported by diverse funding sources and recognised for its efficient resource utilisation
<b>7. Accountability and governance</b>	Transparently accountable for how the Corporation’s funds are spent and the programs and services it provides
<b>8. Developing our people</b>	The ABC supported by a skilled and flexible workforce that can respond to the emerging digital environment and changing operational requirements

Source: ABC

<sup>48</sup> The Divisional Plans have not been examined by the ANAO.

### *Performance targets*

**2.40** As noted in Chapter 1, the ABC Act requires the ABC to include in its Corporate Plan an outline of the strategies and policies it will follow to ensure that the Board fulfils its duties under s8 of the ABC Act. The Corporate Plan must also include such performance indicators and targets as the Board considers appropriate.

**2.41** The ABC's Corporate Plan might be expected, therefore, to include a statement of the expected Charter-related benefits of ABC programming to be achieved during the three-year life of the Plan together with verifiable targets. For example, transmit x hours of programming featuring new artists. This information was not in the 1999–2002 Plan and previous Corporate Plans have had similar shortcomings. Appendix 4 discusses previous ABC Corporate Plans.

**2.42** The corporate planning and annual reporting cycle, as well as the actions the Board takes to ensure that the performance measures in the Portfolio Budget Statement are adequately aligned with the legislative requirements, are primary means for the Board to assure itself about the organisational performance of the ABC. The Board endorsed *The ABC's Planning and Reporting Framework*, at its October meeting. This lays out the basis of performance reporting against the 2001–04 ABC Corporate Plan and the yet to be finalised Divisional Plans. It also outlines the cycle of planning and review (including preparation of the Portfolio Budget Statement and Annual Report) leading into the Corporation's next triennial funding period from 1 July 2003.

**2.43** The performance targets in the 2001–04 Corporate Plan have been designed to enable review by the Board in February each year at which time targets are set for the next financial year (subject to final approval following the confirmation of budgets in May). This is to enable the Board and Managing Director to take strategic and informed decisions on the allocation of resources against defined priorities and performance standards. The setting of initial targets in February allows time for the Corporation's annual budget and Divisional Plans to be prepared ready for implementation at the beginning of the new financial year.

**2.44** Reports to the Board of performance against the Corporate Plan and Corporate Key Performance Indicators are to take place in February (July–December period) and August (full year) each year. As noted earlier Divisional Business Plans are to be directly aligned with the defined objectives and targets of the Corporate Plan. These Plans are approved by the Managing Director and presented to the Board for information. The Managing Director will receive quarterly reports of performance from each Division.

**2.45** Although the new Corporate Plan contains targets, in most cases the targets lack sufficient operational specificity to enable verification that what has been

intended has been achieved. For example, in terms of new artists, the Plan proposes to increase the number of new artists first broadcast on ABC Radio but does not specify the actual number or percentage of new artists to be broadcast. Similarly it is intended to increase the percentage of ABC-made programs which are produced outside of Sydney and Melbourne but no percentage or time frame is specified. It may be that the Divisional business plans will contain the requisite verifiable targets.

## Conclusion

**2.46** The ABC's strategic priorities are clearly more thoroughly articulated in the new Corporate Plan than they were in the past.<sup>49</sup> The priorities should lend themselves more readily to quantitative measurement arrangements (subject to the appropriate business reporting systems being implemented—see Chapter 6). In addition, there is a strong Board and management requirement to ensure appropriate performance standards are built into the planning system. The planning process itself proceeded on a much better integrated basis than appears to have been the case with the previous Corporate Plan, with the Board and senior management contributing essential strategic guidance to the process. In addition there was a deliberate emphasis on aligning the Corporate Plan, the Portfolio Budget Statement and the Annual Report. Furthermore, the performance of Divisional Heads, and their Divisions, appears to be integrated well with the values, outcomes, objectives, strategies key result areas and targets developed for the new Corporate Plan.

**2.47** The ANAO concluded that past ABC Corporate Plans have not clearly informed stakeholders of the ABC's corporate objectives, priorities, strategies, policies, expected results (including targets), contained actual measures of corporate performance (including quantitative targets), nor generally set higher levels of performance for the Corporation. Past Plans have not adequately addressed the strategies and policies to ensure that the Board is fulfilling its duties under the Act.

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

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<sup>49</sup> Appendix 4 contains ANAO comments on the 1999–2002 Corporate Plan.

the capacity for the integration of these two sets of data, a more strategically focussed audience research function and the establishment of a performance management and reporting system that meets Parliament's requirements for external reporting and management's requirements for the practical task of effectively managing the Corporation. The broad congruence between management operations and the planning framework of the new Corporate Plan should facilitate greater transparency in the internal administration of the ABC and, in time, allow for the Corporation to be able to provide Parliament with a full account of performance, particularly in relation to the functions, powers, duties, privileges and resources that it has provided to the ABC.

## **Recommendation No. 1**

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

- (a) address the matter of the strategies and policies that the Corporation will follow to ensure the Board fulfils its duties under s8 as required by the ABC Act; and
- (b) include verifiable efficiency and other targets of the expected performance to be achieved during the life of the Plan.

### *ABC response*

**2.50** The ABC agrees with the recommendation, noting the ANAO's favourable comments about the 2001–04 Corporate Plan and associated initiatives that will ensure better alignment of the Corporate Plan, Portfolio Budget Statement and Annual Report. In December 2001, the Acting Managing Director formally approved new Divisional Plans, which were provided to the Board for information in February 2002.

**2.51** The Corporation remains committed to a process of ongoing improvement of its planning and reporting framework to satisfy its accountability obligations and operational needs in an increasingly competitive media environment. This will include further refinement of meaningful performance targets and indicators for inclusion in future updates of key accountability documents such as the Corporate Plan, Divisional Plans and Portfolio Budget Statement.

## **Portfolio Budget Statements**

**2.52** Parliament seeks to obtain from government valid, reliable and useful information to assist its consideration of the annual appropriation bills. Parliament, through the work of its committees over more than two decades, has been the major impetus for the provision of better quality information about

the purpose of proposed appropriations. Parliament continues to seek better information.<sup>50</sup> The most recent parliamentary initiative in this regard is the JCPAA review of the accrual budget documentation.<sup>51</sup>

**2.53** According to the Department of Finance and Administration (Finance), the purpose of the PBS is to explain the Appropriation Bills to Senators and Members.<sup>52</sup> Elsewhere Finance has explained that the purpose of the PBS is ‘to inform Senators and Members of the proposed allocation of resources to government programs by agencies within the Portfolio’ and specifically, ‘the facilitation of Senators’ and Members’ understanding of the proposed appropriations’ in the appropriation bills under review. Finance states that the PBS should ‘provide sufficient information, explanation and justification to enable Parliament to understand the purpose of each item proposed in the bills’ and translate the information in the Bills into the related outcome and outputs.<sup>53</sup>

**2.54** In short, the PBSs serve three main purposes. They are a planning document, they provide information in direct support of the appropriation bills and they are an accountability document.

**2.55** As planning documents, the PBSs are to provide a statement of the government’s strategic intent for the agency and an overview of the government’s performance expectations of the agency against which the agency would report in its annual report. This would mean, for example, that an agency’s PBS would set out the indicators and targets against which its performance would be measured.

**2.56** As documents directly supporting the appropriation bills, the PBS should provide sufficient information for Parliament to understand the use to which the appropriations in the appropriation bills will be put. They are therefore crucial Budget documents and should amplify, to an extent that is satisfactory to Parliament, the minimal information contained in the appropriation bills.

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<sup>50</sup> The most recent parliamentary initiative in this regard is the JCPAA Report *Review of the Financial Management and Accountability Act 1997 and the Commonwealth Authorities and Companies Act 1997*. For example, Recommendation 4 of the JCPAA inquiry was that the Department of Finance and Administration should collect and table in Parliament on an annual basis a consolidated series of charts and tables comparing the performance of all Commonwealth agencies against a range of key performance ratios. (JCPAA, Report No 374 March 2000 p. 39).

<sup>51</sup> In May 2001 the JCPAA announced this inquiry. The Committee will inquire into the effectiveness of, and options for enhancing the format and content of, the current budget documentation including the Portfolio Budget Statements, Annual reports and the Portfolio Additional Estimates, for the purposes of Parliamentary scrutiny.

<sup>52</sup> *Guidelines for the Preparation of Portfolio Budget Statements 2000–01* Finance March 2000, p. IV.

<sup>53</sup> *The Format of the Portfolio Budget Statements* A Report of the Senate Finance and Public Administration Legislation Committee October 1997.

**2.57** The PBS is not a legislative requirement, but an administrative one. While on the face of it there may be some tension between the PBS as an administrative document of the government and the statutory independence of the ABC, the practical resolution of any difficulties that might arise lies in the relevant agencies (DoCITA, Finance and the ABC) working constructively in the budget process, to meet the respective requirements of the government and Parliament. Since the PBS is a key government accountability document, Parliament holds the government accountable for using the appropriated resources in the manner intended and outlined in the PBS.

**2.58** In the 1999 Federal Budget, the government, with Parliament's approval, introduced the outcomes and outputs accrual accounting framework as the basis for the financial management of the general government sector. The framework was introduced in order to place a greater emphasis on performance information, reporting and management.

**2.59** Finance has stated that the outcomes and outputs framework is intended to help answer three fundamental questions:

- what does the government want to achieve (outcomes)?
- how does it achieve this (outputs)?
- how does it know it is succeeding (performance reporting)?

**2.60** According to the Finance Guidelines, all Commonwealth agencies in the general government sector (which includes the ABC) are required to report on the basis of an outcome and outputs framework. The Guidelines state that the framework is best used as a means of structuring corporate governance management arrangements and the reporting of planned and actual performance.

**2.61** The framework has two basic objectives: to improve agencies' corporate governance and enhance public accountability. Managing through outcomes and outputs is intended to improve decision making and performance by focusing attention on outcomes, outputs and the reporting of performance. The framework is planned to provide the context for agencies' corporate governance and management reporting systems.



## 2000–01 Portfolio Budget Statements

**2.62** The ABC's most recent PBS, which for the 2001–02 budget year, includes a statement of the ABC's three outcomes and four outputs (referred to as output groups).<sup>54</sup> The PBS also contains statements of the general strategies to be used to achieve the three outcomes and the major strategies to be used to produce the four output groups.

**2.63** The PBS also includes several categories of performance information associated with the achievement of outcomes and the production of outputs, a range of financial detail, including five budgeted financial statements, and an account of measures in the Budget specific to the ABC. The PBS also provides information about major evaluations planned for 2001–02.

**2.64** At present, two broad categories of performance information are listed for each of the three outcomes indicating how the ABC will measure the effectiveness with which each of the outcomes is achieved. Categories of performance information for measuring the quality and quantity of the four output groups are also listed. In summary, the PBS states that the effectiveness of the ABC in the spending of 87 per cent of its annual budget will be measured by the results of audience surveys and the combined results for audience reach and share for radio television and on-line.

**2.65** Much the same categories are proposed for measuring the quality and quantity of the output groups. Qualitative measures include reference to audience acceptance and peer recognition.

**2.66** In the ANAO's view, the ABC 2001–02 PBS can be improved in a number of areas to better assist Parliament to understand the purpose of the appropriation sought and to assess the ABC's performance as a result of the use of that appropriation. For example, by:

- aligning the PBS with the Corporate Plan; and

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<sup>54</sup> The three outcomes listed in the 2001–2002 PBS are as follows:

Outcome 1: The ABC will create and deliver distinctive programming and services, inform, entertain and educate its audiences, and develop cultural and community identity;

Output 1.1 National Networks;

Output 1.2 Local and Regional Services;

Outcome 2: The ABC will maintain the scale and quality of analog terrestrial networks, regional networks and Radio Australia programming which existed immediately prior to the privatisation of the National Transmission Network;

Output 2.1 Analogue Terrestrial Transmission and Enhancements to Analogue Terrestrial Transmission;

Outcome 3: The Australian community has access to ABC digital television services in accordance with agreed timetables and funding; and

Output 3.1 Digital Terrestrial Transmission and Distribution.

Note: 87 per cent of the ABC's annual income is devoted to producing the services broadcast and 13 per cent to the means for transmitting what has been produced.

- specifying expected levels of outcomes to be achieved and the expected level of service (ie outputs) to be provided for the appropriation sought.

**2.67** The output groups relevant to broadcast specific Charter outcomes such as programs that inform and entertain and that are innovative could be the three output broadcasting services: radio, television and new media. The output groups would comprise the particular programs broadcast but aggregated into genres in the case of television and the equivalent in the case of radio and new media. It is for consideration whether the Charter requirement for the ABC '*to encourage and promote the musical, dramatic and other performing arts in Australia*' requires a non-broadcasting output group distinct from those relevant to the ABC's broadcasting functions.

**2.68** Good performance information clearly identifies direct links between outputs and outcomes. However, the ANAO recognises that there can be practical difficulties in measuring the outcomes to be achieved by the ABC particularly given the breadth of some of the Charter requirements such '*as to reflect the cultural diversity of the Australian community*'. However, the use of intermediate outcomes such as the proportion of programs made outside Sydney and Melbourne or qualitative surveys to measure the attitudes of Australians to the ABC can assist. The Key Result Areas of the *ABC Corporate Plan 2001-04* contains a number of intermediate outcome measures.

## **Integrating the PBS and corporate planning and reporting**

**2.69** As indicated above, the PBS is the plan for the expenditure of the current year's appropriation. As the Corporate Plan is a three-year rolling plan, the PBS is therefore directly related to the Corporate Plan. In the ABC's case, there has been a noticeable disconnection between the two planning documents in the past. The current PBS makes no reference to the Corporate Plan. The ANAO noted that the 1999-2002 Corporate Plan, for the first time made reference to the PBS, without, however, seeking to integrate the reporting frameworks. The ABC advised the ANAO that it is its intention to integrate the PBS and the Corporate Plan from the 2002-03 budget year.

**2.70** The ANAO considers that strategic planning, operational management and transparency would also be greatly assisted by the use of a consistent performance measurement/information framework for the Corporate Plan, the PBS and the Annual Report. While recognising the different purposes each document serves, they could be better aligned by including consistent objectives and common performance measures.

**2.71** Although the ABC has an agreement with the Government for triennial funding, it is open to the ABC to make a submission in the budget context for an

increased appropriation. A more integrated framework between strategic planning, operational management, and financial and performance reporting will also provide a sound basis for the Board to consider any submissions to government on funding.

## **Conclusion**

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

**2.73** In addition, the day to day operational management of the Corporation should be designed to achieve the objectives set out in the Corporate Plan and connect to the PBS and the Annual Report. Accordingly, there should ideally be a consistent framework for strategic planning, operational management, and financial and performance reporting.

**2.74** The ANAO found that the Board's capacity to monitor and evaluate the performance of the Corporation has been inhibited by a lack of such a consistent framework. The opportunity to redress this situation will flow from the recently introduced improved planning, performance monitoring and reporting framework, once it is properly established. It is designed to integrate internal management with the major external accountability documents—the Corporate Plan, the PBS and the Annual Report.

## **Recommendation No. 2**

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

### *ABC response*

**2.76** The ABC agrees with the recommendation in the context of the work already undertaken to achieve improved alignment of its planning and reporting documents. The 2001–04 Corporate Plan, approved by the Board in September 2001, includes a revised statement of Outcomes and Outputs intended to form the basis of PBS from 2002–03. This will help to express better the value of ABC services to the community while acknowledging changed circumstances such as the introduction of digital terrestrial broadcasting and a major organisation restructure that took place in mid 2000. The Corporate Plan is a key instrument of the Board in fulfilling its duties while the PBS is a Ministerial instrument for

use in the annual Budget process. Although the PBS is an administrative rather than legislative requirement of the ABC, the Board uses the opportunity to work cooperatively with the Commonwealth, without prejudice to its duty to maintain the independence of the Corporation.

## Editorial Policies

### Broadcasting standard setting

**2.77** Setting performance standards and the monitoring and reporting of progress in achieving them are, of course, key parts of corporate planning and outcome/outputs-based budgeting in which the PBS plays its part. For an organisation engaged in the creative roles of broadcasting, another concept of standards (and one based more on qualitative programming considerations) has considerable relevance. These are broadcasting standards. The ABC Act identifies among the matters specified as ‘duties’ of the ABC Board the duty to ‘*develop codes of practice relating to programming matters and to notify those codes to the ABA*’.<sup>55</sup>

**2.78** The ANAO understands that the ABC Act’s provision requiring the ABC to develop its own programming standards is a means of reconciling an external scrutiny role over ABC programming decisions with the ABC’s editorial independence. The Charter section of the ABC Act requires the ABC *to take account of*<sup>56</sup> the standards from time to time determined by the ABA Authority in respect of broadcasting services,<sup>57</sup> but importantly the legislation specifies that the ABC determines its own programming codes.

**2.79** The ABA has a precisely defined role in relation to complaints against ABC programming matters, provided under the *Broadcasting Services Act 1992*.<sup>58</sup> The arrangements provide for the ABC to undertake its own complaints investigation activities subject to the ABA being empowered to play a role in certain circumstances. Any external review of a complaint must be based on the ABC’s programming codes, in their most up-to-date form. A form of transparency as to process is created by the legislation, with Parliament receiving full information on any unresolved complaint.

**2.80** The effect of these legislative arrangements has been to create a statutory basis for the ABC to determine the programming standards it applies to its broadcast output. The ABC, as a leading broadcaster, could be expected to require such standards regardless of legislative needs.

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<sup>55</sup> ABC Act s8(1) (e).

<sup>56</sup> Italics added.

<sup>57</sup> ABC Act s6(2)(ii).

<sup>58</sup> *Broadcasting Services Act 1992* s150 to 153.

## ABC Editorial Policies review

**2.81** As noted above, one of the duties of the Board under the ABC Act, which has major impact on the strategic direction of the Corporation and compliance with the Charter, is the development of codes of practice relating to programming matters. The ABC Board has discharged this responsibility through its involvement in the development and approval of the Code of Practice. The Corporation also uses the *ABC Editorial Policies* document, periodically reviewed and approved by the ABC Board, to articulate policies and guidelines on a broad range of matters relevant to management and staff as they work to give operational meaning to the requirements of the ABC Act. This document shapes the character, quality and credibility of the ABC's broadcast product through articulating editorial principles and providing practical guidance to broadcasting staff. The importance of this document in setting standards in news and information programs is further examined in Chapter 5.

**2.82** The *ABC Editorial Policies* includes as an Appendix a 'Code of Practice for Broadcast Programs'. The Code of Practice is also reproduced in the *ABC 1999–2000 Annual Report*.<sup>59</sup> Setting out the ABC's editorial policies in such a publicly accessible document enables the Corporation to inform the public about the 'editorial and ethical principles which are fundamental to the ABC'.<sup>60</sup>

**2.83** The current *ABC Editorial Policies* document was issued in April 1998. In February 2000 the Board, in conjunction with ABC management, established a review process to revise the document. As well as an Editorial Policies Working Group of Board members to oversight the work on behalf of the Board, the review process involves an Editorial Policies Working Group of ABC managers and senior staff representing all relevant ABC areas, chaired by the Corporate Affairs Division. The Board Subcommittee and the Working Group have worked very closely together, with members of the (staff) Working Group also participating in sessions of the Board Working Group.

**2.84** Joint Board and staff work on producing an updated *Editorial Policies* document was under way during the audit fieldwork and had not been completed at the end of it. The approach of using a Board subcommittee working in collaboration with ABC employees in the development of appropriate policies appeared to be apposite to this area of ABC governance. A degree of overlap clearly exists between corporate statements of editorial principles and practices, on the one hand, and, on the other, the professional expertise and principles espoused by the journalists, broadcasters and managers among ABC staff. The approach used in this important area is a good example of the benefits that can be generated from interaction between Board and staff.

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<sup>59</sup> *ABC Annual Report 1999–2000* p. 119.

<sup>60</sup> *ABC Editorial Policies*, Introduction, para. 1.7.

**2.85** The timetable for the current Editorial Policies review process has been extended by the reorganisation of the ABC's Divisions in mid-2000 and the need for new Divisional groupings, especially the New Media Services and the Content Rights Divisions, and their new heads, to inject appropriate revision proposals and new material into the statement. The new document had not been finalised by the Board by the time audit fieldwork was completed. One area of more recent change to the draft came about as a result of the ABC being awarded the Commonwealth contract to establish a new international television service to Asia and the Pacific. ABC Asia Pacific, as it is to be called, will operate on a partly commercial basis. The ANAO understands that the ABC's editorial policies will need to reflect the particular circumstances of that service. The ABC has advised the ANAO that the final draft of the revised *Editorial Policies* document will be referred to the St James Ethics Centre before being considered by the Board for approval. Audit review of work-in-progress drafts of the statement showed, however, that a comprehensive and rigorous approach was being applied to the development of the new policy draft.

**2.86** The ANAO was informed that as a general principle, ABC managers are individually accountable for performance in their respective areas. In the case of election coverage, for example, nominated individuals have responsibility for overall coverage management rather than have authority dispersed across individual programs and networks.

## Conclusion

**2.87** The ANAO considered that the ABC was applying a comprehensive and rigorous approach to the updating and development of the ABC's programming standards. It considered that there would be value in testing the final document against the standards advocated by the Chairman in October 1999.

## Board practices

### Definition of Board/Management spheres of responsibility

**2.88** The central requirement of the ABC Act and the CAC Act—and of best corporate governance practice—is that accountability for the Corporation's overall direction should clearly be identified and that ultimate accountability should lie with the Board.

**2.89** Discussions with ABC senior management showed a high degree of recognition of the responsibility of the Board for approval of policy and strategic direction of the organisation as well as for formal decisions on major acquisitions and capital requirements.

**2.90** Document reviews and examination of files showed no instances of matters requiring formal sign-off by the Board not being soundly elaborated in documentation and properly submitted to the Board for consideration and approval. Particular care was given to financial matters and the financial dimensions of procurement and acquisitions.

**2.91** However, at the time of the audit fieldwork, the ANAO formed the opinion that the delineation of responsibilities for strategic direction setting and policy development between the Board and the Managing Director was not clearly articulated. In the ANAO's view the synergy between the Board and the Managing Director could produce better outcomes if their working relationships were better defined so as to provide a common understanding of the roles and responsibilities of the various parties.

**2.92** The Board considered that current arrangements allowed it to exercise full accountability for the functions of corporate management and governance that were appropriate to it and that current arrangements were sufficient. The view was generally held that key operational and management decision-making must lie with the Managing Director who unlike most appointed members of the Board has the expertise in broadcasting and the media and has been hired for his skills and capabilities in these areas. A further consideration is that the legislated membership of the Board by the Managing Director imparts a degree of authority to this Board member which would not be the case if the Managing Director was only a Chief Executive Officer and not a member of the highest governing institution of the Corporation.

**2.93** The ANAO acknowledges the validity of these considerations and recognises that, in an organisation performing such complex functions as the ABC, the relationship between the Board's role in governance and the Managing Director's role in governance, should not be reduced to simplistic formulae. Nevertheless, the ANAO saw scope for the governance roles to be more clearly defined, particularly to support performance management of the Corporation.

**2.94** In response to these concerns, the ABC has provided documentation about the role of the ABC Board and the duties of the Managing Director, which places management within the province of the Managing Director. As a member of the Board of Directors, the Managing Director has a leading role in the process of strategy formulation, planning and performance evaluation of the Corporation.

### **Documentation presented to the Board**

**2.95** The ANAO's review of a sample of documents on proposals submitted for decision by the Board indicated that staff work on proposals was generally thorough, well presented and well supported.



**2.96** A striking feature of virtually all documentation considered by the Board, even on proposals involving major expenditure and/or having quite major strategic significance for the delivery of the ABC's broadcast product into the longer term, was the absence of serious presentation of alternative courses of action to the particular one for which the Board's approval was being sought in the document. In effect, the Board does not appear to be presented regularly with options or alternative approaches to achieving desired objectives, as distinct from approving (or not approving) a pre-planned management-chosen course of action.

**2.97** The ANAO was advised that the documentation presented to the Board revealed only part of the picture of the Board's consideration of issues. The ANAO understands that most often the documents presented to the Board on major issues had followed a sequence of iterative steps, some informal, in which the Board had ample opportunity to assess and inject alternative approaches which may well be picked up in preparation of the final versions of the papers. This was often through discussion of the Managing Director's reports and *ad hoc* discussion in (and outside) the Board on particular issues, not all of which would be recorded or reflected in the texts of final papers presented.

**2.98** The ANAO appreciates that the two-way interaction between management areas and the Board, often informal and iterative in its nature, will contribute to a well-informed Board capable of exercising strategic judgment on major issues facing the organisation. However, in many cases it would be advantageous for the Board if it regularly received, and documented its consideration of, alternative courses of action on major matters.

**2.99** The ANAO reviewed an ABC Group Audit report dated December 1999 of the completeness and accuracy of the financial and statistical information provided to the ABC Board in submissions made between 25 August and 29 September 1999. Coverage included major submissions about proposed television productions, workers' compensation premiums and audience share statistics. The ABC's Group Audit found that the accuracy of the financial and statistical information presented to the Board was satisfactory and traceable to source documents.<sup>61</sup> Internal audit also made a number of recommendations for the improved format of Board submissions that parallel the ANAO's observations.

**2.100** The ANAO suggested that the Board issue guidelines setting out guidance about the format and structure of Board submissions. The guidelines might include the requirement for submissions about major policy and financial matters to include options and the analysis and evaluation of them. Amongst other

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<sup>61</sup> Corporate Information Final Report Group Audit ABC December 1999.



things, the guidelines should require submissions that better enable the Board to review of the range of solutions to problems for cost-effectiveness and value for money. The Board has accepted this suggestion and has approved a new template, *Matter for Board Approval*, for all submissions requiring approval from the ABC Board. The ABC has advised that Board papers will be submitted in that form from December 2001. The Board Secretariat will provide Divisional management with necessary new guidelines.

### **Board members' induction and training**

**2.101** The ANAO recognises that the selection and appointment of Board members (other than the Managing Director and the staff-elected director) are matters for the government. The government nominates proposed candidates to the Governor-General in Council for ABC Board appointment. Thus, issues of the balance and the mix of skills in the Board are not matters for the ABC Board. Apart from the opportunities available to the Chairman to make representations to the Government regarding optimum attributes of potential appointees to fill upcoming vacancies, it is not possible for the Board to exercise control over appointments or seek to ensure a balance of skills across all members.

**2.102** Induction and ongoing training of Board members is, however, a legitimate matter for the Board. At present, no formal induction or training of Board members is provided as a matter of course. However, the nature of the Board's existing approach seeks to provide for the varying needs and levels of experience in a diverse group where some members have extensive experience in corporate governance with other members less so. The ABC advised that appropriate training is provided to Board members on an 'as needs' basis. For example, all new Directors are briefed extensively by the Chairman, given documentary information about the Corporation and the role of the Board, and may have access to the management and operational sites of the Corporation. More formal training is supported where considered appropriate, such as courses with the Australian Institute of Company Directors. The ANAO is satisfied that the approach outlined is sufficient and there is an opportunity for Board members to have a strong understanding of the characteristics of the ABC, the public sector and the emerging standards of public sector accountability, as well as broadcasting industry matters.

### **Self-assessment by the Board of its performance**

**2.103** The ANAO's Better Practice Guide *Corporate Governance in Commonwealth Authorities and Companies Principles and Better Practices* discusses the importance

of Boards having the capacity to monitor their own performance,<sup>62</sup> and in light of the practice of some CAC bodies and private sector corporations, the ANAO canvassed with the ABC Board the possible value to the ABC of establishing a Board sub-committee directed at corporate governance. The role of such a group of Board members would be to assist the Chairman to focus the efforts of the Board on self-assessment of performance. The Board members considered that such a mechanism was not necessary for a number of reasons, including:

- the ABC Board is small enough to perform any such task as a full Board;
- as the government appoints the main group of Board members it is not appropriate to apply ideas arising out of commercial practice;
- the Managing Director is ex-officio a member of the Board;
- because government appointments predominate in the composition of the Board it is inappropriate to apply any assessment procedure to individual Board members; and
- the ABC Board does not need to account for its performance separately to the performance of the Corporation because it is a public sector body whose function is integral to the public accountability role it carries for the whole Corporation.

**2.104** The Board considered that it would be more appropriate to ensure that the Corporation possesses adequate corporate governance support services provided from within the Corporation's normal staff, and on a flexible basis. Accordingly, the Board preferred such arrangements to be established within the divisional structure of the Corporation.<sup>63</sup>

**2.105** The ANAO appreciates these concerns and accepts that statutory bodies such as the ABC must have considerable flexibility in the administrative arrangements they create to acquit their responsibilities.

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<sup>62</sup> The Guide states the following at p. 26:

**Monitoring the Performance of the Board**

*A Board is responsible and ultimately accountable for the performance of the organisation and accordingly should monitor its own performance, and that of individual directors where feasible, to ensure it adds value and is operating efficiently and effectively in accordance with its obligations and the evolving situation of the organisation. It may be appropriate to use an independent facilitator in this process. The Board should also provide sufficient relevant and reliable information to enable its stewardship of the organisation to be independently assessed and allow those with an important relationship with it to take informed decisions concerning that relationship.*

**Better Practice**

*The Board should adopt a written statement of its own governance principles and regularly evaluate them. The collective performance of the Board, and of individual directors where feasible, should be periodically assessed. This could be done using key performance indicators developed for this purpose but may include ministerial and/or peer reviews. The Board should establish an appropriate mechanism for reporting the results of Board assessments.*

<sup>63</sup> During fieldwork the Corporation established a Corporate Governance and Planning Unit.

**2.106** Nevertheless, the ANAO suggested the Board might like to consider developing a written statement of its own governance principles, and how then these principles might be monitored. In response, the Board has prepared a set of *Guidelines for Directors of the ABC Board* as a statement of governance principles and procedures for the Board. Although the ABC advised that most of the content has previously been provided to Board Directors in separate documents, the new document is more specific in relation to the legislative responsibilities of Directors, declarations of interests and the acceptance of gifts, fees and benefits.

**2.107** The ANAO also suggested that the Board regularly evaluate its effectiveness in discharging its obligations as a Board. The ABC advised that individual Board members agreed to complete the ANAO questionnaire (*Public Sector Corporate Governance: A Director's Checklist*) as an initial form of self-evaluation in preparation for the December 2001 meeting. In doing so, they will evaluate the extent to which that checklist may require modification to suit the requirements of the ABC, thereafter adopting an evaluation format to be used by the Board on an annual basis.

### **Code of conduct**

**2.108** The ANAO noted that the documents included in the *ABC Editorial Policies* document has extensive coverage with regard to the conduct of officers, especially staff and executives with editorial roles in the Corporation. The *Code of Practice* is also the basis for the ABC's complaints handling procedure with regard to its broadcast programs. In October 2000, the Board approved a document, *The ABC Workplace Values and Code of Conduct*. The ANAO understands that the guidance in both documents applies generally to the members of the Board.

**2.109** The ANAO is satisfied that the Board has issued suitable guidance in the form of a code of conduct and that Board members conduct themselves in accordance with the highest ethical standards.

### **Board resources**

**2.110** The Board has a secretariat of three staff headed by an Executive Officer. The Executive Officer has the primary responsibility of reporting to the Chairman and the Board. This officer has some of the responsibilities normally associated with a company secretary role, but does not perform the full duties. There is no other research capability at the direct disposal of the Board.

**2.111** Corporate support for the Board's operations is provided through the Corporate Affairs Division. That Division handles the Board's financial arrangements including travel costs and *per diem* sitting fees for the Chairman and Board members.

**2.112** Funds needed for the Board's operations are provided through annual budget allocations to ABC and are principally expended on sitting fees and travel expenses for Board members (and also for the ABC Advisory Council expenses and its members' costs). Allocations also include a small discretionary fund for the Board to use. While funds are not earmarked or budgeted for Board-initiated research or consultation, the ANAO understands that there have been occasions when the Board has obtained independent advice on some matters. No systematic records are kept on such occasions when the Board has directly commissioned outside assistance. Senior staff indicated there were no impediments to such advice being funded under the existing flexible arrangements.

**2.113** The ANAO considered that the support resources for the Board are appropriate for the present operations of the ABC Board.

### **Conduct of meetings**

**2.114** The ANAO was satisfied that the ABC's Board meeting processes are consistent with the better practice principles set out in the ANAO *Corporate Governance in Commonwealth Authorities and Companies Principles and Better Practices* and the pattern of attendance of members at Board meetings in the period examined is satisfactory.

### **Conclusion**

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

## 3. Management Arrangements for Corporate Performance

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*This Chapter examines the internal governance arrangements of ABC management to assure the Board its strategic directions are being implemented. It covers the organisational structure, internal accountability and control arrangements used to support the strategic directions of the ABC, as outlined in its Corporate Plan, and reporting arrangements to the Board as well as aspects of information technology management.*

### Introduction

**3.1** The ANAO conducted interviews with most Divisional heads and a number of other senior executives, as well as the then Managing Director, to identify present or planned arrangements to support the Corporation's ability to meet its statutory obligations and to see how far they reflect better practice corporate governance. As the focus of the audit was on the ABC's delivery of broadcast and on-line programs, the audit did not examine issues, personnel or documents associated with activities such as ABC Enterprises and the activities of subsidiary companies such as those managing the symphony orchestras.

**3.2** Also examined were selected relevant files held in Divisional filing systems and records of management committees.

### Audit approach

**3.3** To assess the extent to which the ABC management has effective systems to support the Corporation's ability to meet its statutory obligations and performance objectives, the ANAO sought to test whether the Corporation's management:

- maintains an effective organisational structure to implement the Board's strategic directions that clearly assigns responsibility, authority and reporting relationships;
- has appropriate internal budgetary allocation procedures to give effect to the strategic directions established by the Board and internal accountability structures to monitor performance;
- has aligned corporate planning, business planning and financial management. The ANAO notes that corporate planning best practice suggests that proper integration between corporate planning and internal business planning and performance management is necessary to ensure that the Corporate Plan's usefulness in direction-setting and as a tool for

performance management and reporting; and

- has established appropriate systems and procedures that provide regular and reliable reports to the Board allowing Board members to monitor the performance of management and the organisation and to fulfil its statutory obligations.

**3.4** A particular topic for attention in this Chapter is the arrangements that have been established within management for cross-divisional collaboration in the achievement of the Corporation's objectives.

## Organisational structure

**3.5** The ABC's current structure of 14 Divisions is presented in Figure 2 in Chapter 1.

**3.6** The ANAO considers that the organisation structure that has been established positions the Corporation well to implement the Board's strategic directions. The creation of the separate Divisions to develop the ABC's on-line and digital services, and to take full advantage of the value of the ABC's content rights, would appear to be forward-looking and reflective of the management innovation required of a modern national public sector broadcaster. The new role of the State Directors affirms the ABC's obvious strategic direction of attaching weight to the role of the ABC in the separate States/Territories and in decentralising some production functions outside Sydney and Melbourne.

**3.7** Other moves such as the creation of several Divisions in the 'Operations Group' will require the development of strong interdivisional arrangements to be fully effective (issues associated with cross-divisional collaboration are dealt with below).

**3.8** At levels below the Divisional structures the ABC's creation of the Corporate Planning and Governance Unit, the Head of Audience and Consumer Affairs, bringing together all the threads of the ABC's relationships with its audience response and complaints system, and the Head of Government and Parliamentary Relations position to develop relations with Commonwealth Government and Parliamentary groups, are sound moves to buttress the capacity of the management system to support the Corporation's strategic goals and to leverage better corporate results from working closely with stakeholders.

**3.9** The major organisational restructure, from June 2000, required some consolidation and refinement over subsequent months. The function of Information Services and Technology Planning transferred from Funding, Finance and Support Services (FFSS) Division to Technology and Distribution (T&D) Division. However, at the time of the audit, there was scope to make

clearer the assignment of roles and responsibilities of T&D and FFSS regarding the information technology (IT) needs of corporate management, especially for central business and financial management/performance information systems that support corporate, as distinct from Divisional-specific requirements.

**3.10** In addition, concerns were raised about the need for clarification about which Division was responsible for:

- the specification of an IT architecture for the ABC as a whole;
- driving whole of ABC initiatives that addressed the implementation of the new Corporate Plan, especially the implementation of the necessary management information systems; and
- changing the performance measures that had been developed by FFSS Division prior to the completion of the Corporate Plan so that the amended set of measures gives effect to the requirements of that Plan.

**3.11** In December 2001, the ABC announced the re-establishment of a Deputy Managing Director role with specific responsibility for the Operations Group of Executive Directors. This structural refinement will enable a further improvement in the strategic focus, including cross-divisional collaboration between the two Divisions in question. The Deputy Managing Director will, as a key priority, focus on strategies to address the Corporation's need for improved business information systems.

### **Inter-divisional collaboration arrangements**

**3.12** Because of the extent and complexity of the inter-relationships among ABC Divisions, very little of the ABC's achievement of its broadcast (including 'new media') outputs is the sole responsibility of one division. The ABC's effectiveness in producing broadcast programs depends on very close inter-divisional collaboration on a continuing basis, often involving the blended efforts of more than two Divisions.

**3.13** Major examples of inter-divisional collaboration by the ABC seen by the ANAO were:

- processes for the design and commissioning of new television and radio programs, along with funding responsibilities and limits of financial exposure (Development, Radio, Television, Production Resources Divisions);
- ongoing arrangements for studio and technical support for Television and News and Current Affairs; (Television, News and Current Affairs, Production Resources, Radio Divisions);<sup>64</sup>

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<sup>64</sup> Arrangements in relation to ABC Radio were still under development at the time of the audit.



- arrangements for the supply of audience research products to Television, Radio and New Media Divisions (Development, Radio, Television, New Media Divisions);
- scheduling and content arrangements between News and Current Affairs and Television (News and Current Affairs, Television Divisions);
- quality control of news and current affairs programs, maintaining national standards in editorial selection and control (News and Current Affairs, Radio, Television Divisions);
- relationships between the roles of News and Current Affairs Division and the Radio Division in respect of management of the NewsRadio outlet;
- the News and Current Affairs relationship with New Media Division in the supply of news material for the ABC's on-line services;
- scheduling and program format issues for programming new digital television channels (New Media and Television Divisions); and
- creating the technological platforms for New Media products (New Media and Technology and Distribution Divisions).

**3.14** How successfully the Divisions align their actions towards producing agreed outputs in a cost effective way crucially determines the ABC's ability to deliver its services and the quality of those services.

**3.15** The new organisation structure, with its emphasis on providing separate centres for the different functional capabilities led at very senior executive level, places a premium on the development of well-understood procedures of collaboration and coordination between Divisions. The ANAO was satisfied that satisfactory procedures have been established to achieve the required coordination through the following administrative arrangements.

### *Service agreements*

**3.16** While the ANAO understands that the executive area of the ABC is now urgently pursuing the finalisation of service agreements and Memoranda Of Understanding (MOUs) between Divisions to clarify roles and responsibilities, service levels and funding arrangements, few examples of service level or service agreements were found during field work. These were largely between the recently-created Production Resources and New Media Divisions and their respective clients and customers. It seems possible that the reason for the relatively advanced position of these two Divisions in the negotiation of formal understandings with collaborating Divisions is their reliance on new sources of funding or the identification and redirection to them of funds formally allocated to output Divisions.



**3.17** The ANAO noted that there were specific agreements functioning or under negotiation during the audit fieldwork.<sup>65</sup>

### *Divisional briefings with the Managing Director*

**3.18** Divisional briefings with the Managing Director take place frequently. These occur on a Division-by-Division basis but they provide opportunities for cross-divisional perspectives and linkages to be explored through the Managing Director and the Corporate Planning and Governance Unit that supports the Managing Director at these sessions. More recent briefing sessions have been focused on broad strategic planning objectives: for example on the development of divisional Key Performance Indicators and on Strength, Weaknesses, Opportunities and Threats (SWOT) analyses.

**3.19** To date, the building of appropriate inter-divisional linkages between individual divisions' strategic planning appears to have been placed in the hands of the Corporate Planning and Governance group under the Managing Director. This has meant that divisions, in their planning, have not faced the need to incorporate whole-of-organisation needs in a fully integrated way in their planning processes. However, in May 2001 a Management Conference of Directors was convened in Tasmania in the context of development of the new Corporate Plan. One objective of the Conference is understood to have been to encourage whole-of-organisation needs thinking at the Divisional level.

**3.20** The Corporate Affairs Division and, since its formation in March 2001, the Corporate Planning and Governance Unit, have had the key coordinating role in these 'bilateral' sessions between Division Heads and the Managing Director, and for the corporate planning process. This role of these corporate headquarters bodies, working closely with the Managing Director as they do, imparts to them a strong measure of responsibility for coordination of corporate developments, with direct implications for the quality of operational collaboration between the divisions responsible for broadcast outputs.

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<sup>65</sup> They were as follows:

New Media Division/News and Current Affairs Division on content and purchaser/provider split where New Media is the purchaser.  
New Media Division/Technology and Distribution on IT platform for On-line delivery.  
New Media and Development (staff secondments from Development Division) 'documented processes', less than service agreement level.  
Production Resources Division's 'bid documents' arrangements with the media divisions on particular program production projects.  
'Co-production Policy Model' agreed between Production Resources, Television and Content Rights Management Divisions, to ensure consistent management of any co-production in the ABC's corporate interest.  
Project planning agreement for the implementation of the ScheduALL IT system between Production Resources, Television, Radio, Technology and Distribution and Funding Finance and Support Services Division.

### *Informal inter-divisional collaboration*

**3.21** While significant exceptions exist (such as the management committees referred to above) a feature of the ABC's management processes noted by the ANAO was the degree to which the Corporation, in its day-to-day work, relies on informal arrangements to attain the high levels of collaboration and cooperation needed to deliver its programs and services. The ANAO understands that this characteristic of the ABC's working culture may be related to the strong separation of certain 'streams' of activity around program areas such as the media outlets, news and information, corporate, etc. These separate streams were known as 'portfolios' in the pre-March 2000 organisation.

**3.22** On the operational plane, extensive personal contact between divisional executives and *ad hoc* meetings of Divisional staff take place. When effective these arrangements mean relatively smooth and flexible working level collaboration. The ANAO team saw many examples of this in operation. On the other hand, however, such informal and *ad hoc* working arrangements also tend to make linkages between Divisional activities, on the one hand, and Corporation objectives, on the other, more difficult to discern, let alone monitor and report upon. Importantly, the convergence of communications technology requires active pursuit of the synergies available between divisions. Informal arrangements also mean much higher risk and uncertainty in delivering outcomes, especially if the organisation is seeking rigorously to review its priorities.

**3.23** The ANAO considers that strong informal working and collaborative arrangements, reflecting traditional ways, can exist side-by-side with well-designed formal procedures such as Memoranda Of Understanding, service level agreements, purchaser/provider arrangements. A key requirement is that these arrangements are documented and subjected to appropriate review by executive management and included in the ABC Group Audit Strategic Plan. The ANAO notes that priority appears to be being given to encouraging the finalisation of such agreements. As for review of the operation of the agreements, the ABC's management committee system described above presents an ideal forum for this function. One or more of these committees could be assigned the role of periodic reporting to the ABC Board on the effectiveness of the inter-divisional arrangements supported by such documented agreements.

## **Internal control and accountability**

### **Management committees**

**3.24** The centrepiece of corporate governance at the management level of the ABC is regular meetings of senior executives chaired by the Managing Director.

**3.25** The main such group is the Executive Directors' Group. Chaired by the Managing Director it comprises all divisional heads and Corporate Counsel. This group is effectively the ABC's executive board of management—the top management team—meeting fortnightly or more often as required at the discretion of the Managing Director.

**3.26** Four other peak management sub-committees have been set up progressively since March 2000. They typically comprise a membership of five or six executive directors. The Managing Director chairs all of these committees. They also meet fortnightly.<sup>66</sup>

**3.27** The ANAO reviewed agenda papers and minutes of the peak management committees for their meetings over the period since their formation. The Managing Director's office provides the secretariat role for the majority of the committees, though *ad hoc* arrangements are made for some topics depending on the division with prime carriage. Records of the meetings are maintained. They are brief and focus on action outcomes and allocation of responsibilities. The ANAO noted that the keynote of these meetings was flexibility and informality. They appeared to be effective in their purpose as governing bodies for management purposes.

**3.28** The ANAO noted that information about the ABC's management committee system is not presented in consolidated form inside or outside the Corporation. The purposes of the committees and their inter-relationships are not spelled out in any one document, including on the ABC's Intranet. Participants in the committees would appear to be the only ABC officers with an assured

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<sup>66</sup> They are as follows:

**Operations Group**

This group deals with such issues as the ABC's resource allocation, IT plans, proposals and projects, resource scheduling, benchmarking, building works, identification of potential production partners, the News and Current Affairs review, outsourcing and contestables, where genre specialisations should be focused across the ABC's Australian sites, multiskilling of staff and optimum utilisation of the ABC's enterprise agreement.

**Content Group**

Focuses on coordination of cross-media aspects of broadcast and on-line program outputs eg coordination of launch dates, monitoring of successful overseas ideas and formats.

**Corporate Development Group**

This group is the clearing house for external partnership arrangements involving for example ntl Australia Pty Ltd, Telstra, Optus; it also discusses digital and multi-channel strategies for the Corporation.

**Marketing and Communications Group**

A larger committee with eleven members including the Managing Director, this group addresses such issues as consistency of corporate image, media planning and buying, coordination of arrangements for the selection of advertising agency and maintaining relationships with the agency, and brand promotion. The group has an approval role for all major campaigns and advertising copy.

Other management groups that came to ANAO's notice in fieldwork were:

Production Resources Steering Committee; Television Production commissioning meetings (with Development Division); Special purpose steering committees: Sydney Accommodation; Perth Accommodation; and Promotions group.

basis of knowledge of the proceedings in these groups. As much of the material transacted in the meetings would appear to be of direct relevance to many areas of Divisions and many officers, more transparency and distribution of knowledge of their operations would appear to be appropriate. At least the ABC should consider making integrated information about these committees available across the organisation. This would enhance inter-divisional collaboration. This is the practice in a number of overseas national public broadcasters.

### **Divisional budget setting**

**3.29** In prior years, annual divisional budgets have been set more on an historical basis rather than being driven by strategic needs linked to the Corporate Plan. However, under the new planning framework, approved by the Board, divisional budgets will be allocated on the basis of the Corporate Plan targets established by the Board in February each year when targets are set for the next financial year (subject to final approval following the confirmation of budgets in May).

**3.30** This approach should enable the Board and the Managing Director to take strategic and informed decisions on the allocation of resources against defined priorities and performance standards. The setting of initial targets in February allows time for the Corporation's annual budget and Divisional Plans to be prepared ready for implementation at the beginning of the new financial year.

### **Divisional accountability control structure**

**3.31** Under the new planning framework, Divisional Plans also form a key part of the internal accountability control structure. Divisional Plans will be directly aligned with the defined objectives and targets of the Corporate Plan, and will be approved by the Managing Director and presented to the Board for information. They will include Divisional performance targets reflecting the Board's strategic priorities arising out of the corporate planning process. Quarterly reports against Divisional plans will be prepared for the Managing Director. These will be spread over two months each quarter, with content divisions reporting in the first month and the operations group in the second month. These reports will be analysed and integrated to help inform progress reports against the Corporate Plan and Corporate Key Performance Indicators.

## **Reporting to the Board**

**3.32** In the arrangements it has adopted internally, the ABC's management has shown a commitment to corporate governance best practice standards as articulated by the ANAO's *Corporate Governance in Commonwealth Authorities and Companies Principles and Better Practices Guide*.

**3.33** The ANAO considers that the lines of control and accountability within Management are reasonably articulated to enable the better practice standards in reporting and communications to be implemented satisfactorily. The *ABC Editorial Policies* document gives considerable emphasis to the notion of ‘upward referral’ of editorial decisions. The ANAO particularly noted that the Managing Director had endorsed a proposal from the Chairman that each head of division provide a monthly sign-off to the Board that activity in their Division satisfied the requirements of the *ABC Editorial Policies* (and reporting any breaches).<sup>67</sup>

**3.34** The Board requires each Division to produce ‘Activity Reports’ each month. These are the principal regular vehicles for divisional interaction with the Board. The ANAO noted that these reports provide considerable detail of a largely narrative kind on activities within divisions. They deal *ex post* with matters. They rarely, if ever, identify strategic issues or areas of potential risks. In future, reports against the Corporate Plan and the Corporate Performance Indicators will be provided to the Board twice yearly, a report on July to December performance in February of each year and a whole of year review (July to June) in August of each year.

**3.35** Although there is no other formal statement of requirements for non-editorial matters, the ANAO found that basic accountability requirements are reasonably well understood at senior levels. Within the framework of corporate governance actually practised in the ABC there is a good understanding of the matters appropriate for reporting to the Board.

**3.36** Communications with the Board in the ABC are largely centralised through the Managing Director and through the Corporate Affairs Division reporting to the Managing Director. Most Divisional Heads other than the Director of Funding, Finance attend Board meetings very infrequently after their initial introductory meeting. They usually only attend when the Board considers policy papers for which they are responsible. Scope exists, therefore, for senior executives to obtain a fuller understanding of the Board’s statutory obligations which they must support, and to better understand the accountability obligations of the ABC as a broadcaster operating within the public sector.

**3.37** A number of senior executives of the ABC are new to the public sector. As a consequence, there is scope for a better appreciation of specific features of the Commonwealth’s accountability framework. Their understanding of their responsibilities appears to be focused on their relationship with the Managing Director. They see the Managing Director, and of course the Board itself, as having exclusive responsibility for the public accountability aspects of their work and do not perceive any major role for themselves in this framework outside

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<sup>67</sup> Managing Director Memorandum to the Chairman of 19 June 2001, p. 4.

their line responsibilities to the Managing Director. This would appear to be an insufficient base for the achievement of corporate governance standards suggested by the ABC's publicly funded status. There is scope for senior staff to obtain a fuller understanding of the Board's statutory obligations which they must support; and to better understand the relationship between the ABC, as a publicly funded broadcaster, and the Commonwealth's accountability framework

**3.38** The frequent attendance of the Director of the Funding, Finance and Support Services Division at Board meetings is in line with principles set out in the ANAO's *Corporate Governance in Commonwealth Authorities and Companies Principles and Better Practices Guide* on corporate governance.<sup>68</sup>

## Alignment of planning and financial management

**3.39** As noted earlier, the Board has approved an improved planning and reporting framework for the financial years 2001–02 and 2002–03, an outline of which is at Appendix 5. In the main, the new framework demonstrates a well aligned and integrated system of planning and budgeting. Several features of the improved framework illustrate this:

- The establishment of a well defined set of 16 genres and six sub-genres to be applied consistently across radio, television and new media. This new system of genre classification could form the basis of a consistent, valid system for the classification of the ABC's programming and other output.
- There is provision for the determination of priorities, the setting of targets and the use of valid and reliable measures of performance.
- The new framework aims to integrate the ABC's three accountability documents, the Corporate Plan, the PBS and the Annual Report.

**3.40** Figures 1 and 2 at Appendix 5 illustrates the integration of the planning and reporting cycle for 2001–02 and 2002–03 respectively.

**3.41** The ANAO expects that the full implementation of this improved framework would overcome most of the concerns raised with the ABC during the audit. Full implementation could also be expected to achieve the improvements sought by the Chairman in his October 1999 paper, *The ABC: Of Unique Value and Value for Money* discussed in Chapter 2.

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<sup>68</sup> ANAO *Corporate Governance in Commonwealth Authorities and Companies Principles and Better Practices Guide* p. 25:

'As with the private sector, the person with strategic financial responsibility should be included in the top management team of the organisation and have a direct reporting line to the Board. This approach should ensure effective financial management practices, including the provision of high quality information and advice, to assist the Board's decision making process.'



**3.42** If financial and performance data was suitably integrated and the information aggregated on the basis of genres, for example, the ABC could proceed to manage resources more on the basis of the outputs produced and outcomes achieved than has hitherto been possible. This would be in line with the expectations of the government and Parliament. The improved planning and reporting framework now approved by the Board would form a suitable framework to do this.

## IT management

**3.43** The cost effectiveness with which ABC programming and services are delivered, and the organisation is managed, depends, in part, on the quality of the IT systems in place. Since 1998–99 the ABC has committed/allocated approximately \$8.9 million of capital funding to IT development, with approximately \$4.1 million dedicated in the last two years. The ABC advises that the larger capital expenditure on IT systems in 1998–99 reflects the costs of the SAP Finance systems introduced during that year. In addition, the Application Services area of Information Technology Services (ITS) employs approximately 40 full time equivalent staff at a recurrent cost of approximately \$3.2 million. These staff work on upgrading the existing IT systems and planning for the introduction of new systems. Individual divisions also fund IT systems and software development from their operational budgets. This is estimated to be an additional amount of approximately \$1 million annually.

## IT and corporate governance

**3.44** In 1998 ABC management acknowledged that although considerable investment had been made in wide area networking, centralised heavy-duty processing and mainframe applications in order to reap benefits of scale, the nature of program production and the emphasis on creative skills in the ABC had also nurtured islands of specialisation, where technology choices have been made for the benefit of a discrete business unit, rather than the whole organisation.<sup>69</sup>

**3.45** The ABC advised since 1998, a number of major IT systems have been introduced following discussion and approval by the ABC Executive and ABC Board. These systems include SAP Finance, SAP HR and AVSTAR (the ABC news and current affairs information system). The ABC Executive has also recently endorsed a proposal for an ABC wide messaging system. Some smaller applications that are relevant to a particular division's functions continue to be divisionally based and funded.

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<sup>69</sup> Australian Broadcasting Corporation *Statement of Strategic Direction 1998–2003*, p. 4.

**3.46** As the Board has finalised the ABC's new Corporate plan for 2001–04 and has established an improved planning and reporting framework, the ABC is now well placed to achieve a better balance than has been possible in previous years. Whilst ever the ABC's IT infrastructure reflects more the needs of individual divisions rather than the corporation as a whole, the ABC will be unable to achieve optimal results from IT investments. As a result, there will continue to be impedance in the delivery of programming and services to support strategic management and possibly worthwhile productivity and efficiency improvements that the strategic use of IT infrastructure can deliver.

**3.47** The ABC's IT systems do not actively support the management of the corporation through the provision of relevant information as the following observations show:

- the current capability of the systems do not permit the integration of financial and performance information;
- the paucity of management information that addresses key performance indicators limits the ABC's ability to satisfy accountability and reporting requirements associated with reporting about performance in terms of outputs produced and outcomes achieved;
- it is doubtful that the capability of current IT systems and databases inherited from previous administrations can generate information about the marginal cost of performance necessary for strategic management; and
- management cannot readily obtain information about the opportunity costs of alternatives at either the strategic or operational levels.

**3.48** The ability to monitor and evaluate performance, either within the divisions or for the organisation corporately is limited by the lack of suitable corporate information systems that integrates both financial management and operational performance. This, in turn, impedes effective corporate governance at the management and Board levels.

## **IT strategic planning**

**3.49** The ABC's current IT Strategic Plan consists of two documents, the *Statement of IT Strategic Directions 1998–2003* and the *Corporate Information Technology Plan 1999–2000 to 2000–2001*. Both were prepared by the previous administration and reflect the now superseded organisational structure. ITS is drafting a third document, the *ABC Technology Framework*, originally due for completion in July 2001. However, the new ABC Corporate Plan, which should inform the development of the *Framework*, was not completed until the end of September 2001.



**3.50** In the absence of a corporately aligned IT planning framework, there is a real risk that technological, not business need, will continue to drive much of the ABC's IT development. This will further reduce the ABC's ability to capitalise on IT investment and achieve maximum strategic business advantage from this investment. Unless the new ABC Corporate Plan drives IT strategic planning, the patterns of the past will continue and the ABC will not achieve maximum benefit.

**3.51** At the time of the audit there was a need to better integrate IT strategic planning into the corporate planning process and in the process clarify the roles and responsibilities of the two key Divisions with responsibilities for whole of ABC IT responsibilities. The problem arose in part because of delays in filling the position of the ABC's IT manager in the Technology and Distribution Division as this position was only filled towards the end of audit fieldwork. Nevertheless, the ABC management has had to make decisions about whole of ABC corporate IT systems in the meantime. Similarly, decisions have had to be made about divisional systems in the absence of corporate priorities and an IT strategic plan tailored to the ABC's previous Corporate Plan. Making decisions about divisional specific IT systems and acquisitions without the benefit of a plan for the ABC's corporate architecture that would specifically reflect the goals and strategies of the ABC's new Corporate Plan could mean the continuation of problems regarding interdivisional system compatibility and interoperability. The absence of an IT plan specifically designed to implement the new Corporate Plan impedes management's ability to plan the delivery of programming and services, to make informed decisions that support strategic management and achieve the productivity and efficiency improvements that the effective use of IT infrastructure can deliver.

**3.52** For example, the IT strategic plan currently in use would need substantial revision to reflect the strategic directions of the new Corporate Plan. Amongst other things, the new Corporate Plan requires the recording and analysis of divisional and corporate performance information not currently compiled. It will require the integration of financial and performance information databases, which also does not occur at present.

**3.53** The ABC has advised it recognises these risks and that the new ABC Corporate Plan will drive IT strategic planning. The ANAO understands the ABC has taken steps to refocus the work now in progress so that the new *ABC Technology Framework* will be based on the new *ABC Corporate Plan 2001–04*.

### **Recommendation No. 3**

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

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

### *ABC Response*

**3.55** The ABC agrees with this recommendation, noting that integrated strategic development is well advanced.

**3.56** The Information Services and Technology Planning (ISTP) department commenced a new IT strategic planning process in November 2001. In commencing this work, the Corporation has applied—and updated according to contemporary management practice—the methodology published by the Systems Group, Financial Management Division of the Commonwealth Department of Finance, in October 1991 (*Developing a Business Driven IT Strategy*).

**3.57** A sub-committee of ABC Executive Directors, as well as the Chief of Corporate Planning and Governance, oversees the process. Primarily the IT Strategy Committee exists to prioritise competing IT needs in line with corporate objectives and advise on the level of capital funding that should be made available. It will submit recommendations to the full Executive Directors' committee for endorsement by May 2002.

**3.58** Work on development of the strategy is informed directly by the technology implications of the 2001–04 Corporate Plan and Divisional Plans. At the time of writing, cross-divisional working parties were assessing divisional requirements as a prelude to Corporation-wide evaluation. Among those requirements already identified are management information systems to enable improved performance reporting (refer paragraph 3.54(b) above). These will be evaluated alongside competing priorities in the course of the planning process.

### **Conclusions**

**3.59** The ANAO considers that the organisational structure that has been established positions the Corporation well to implement the Board's strategic directions.

**3.60** However, there is scope to make clearer the assignment of roles and responsibilities of Technology and Distribution Division and the Funding, Finance and Support Services Division regarding the IT needs of corporate management, especially for central business and financial management/performance information systems that support corporate, as distinct from Divisional specific requirements.

**3.61** Information about the ABC's management committee system is not presented in consolidated form within or outside the Corporation.

**3.62** Proposed new funding arrangements for divisions will better link divisional activities with the corporate priorities articulated in the Corporate Plan. Quarterly reviews by the Managing Director of progress against divisional KPIs included in Divisional Plans are the key formal internal control and accountability mechanism. Corporate planning processes are now well integrated and aligned with other operational and budgeting processes.

**3.63** The lines of control and accountability within management are reasonably articulated to enable the commitment to best practice standards in reporting and communications to be implemented satisfactorily. Within the framework of corporate governance actually practised in the ABC, there is a good understanding of the matters appropriate for reporting to the Board.

**3.64** There is scope for senior ABC staff to obtain a fuller understanding of the Board's statutory obligations which they must support, and to better understand the workings of the ABC as a broadcaster operating within the public sector; and have a better understanding of the Commonwealth's accountability framework.

**3.65** The ABC recognises that there is scope to improve IT strategic planning and consider the full gamut of corporate business performance reporting needs in the light of the new corporate planning and reporting processes.

## 4. Schedule Management

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*This Chapter provides an overview of schedule management in the ABC. Meeting Charter requirements, maintaining relevance and making the most of a given budget are at the heart of the processes for making decisions about what to broadcast, to whom and when. These processes are generically referred to as schedule management.*

### Introduction

**4.1** In his book on the BBC, *The Seamless Robe*, Sir Charles Curran writes of ‘the importance of the basic principle that decisions about the extent and allocation of air time are the principal foundation of any financial policy’. He goes on to say: ‘...the central point is that the ‘mix’ of programs proposed—that is, of each category of program output included in the final schedule—is the critical cost and resources factor’.<sup>70</sup>

**4.2** The ABC’s approach to schedule management changed during the audit. It developed from an approach more dependent on traditional practices and intuitive judgement to one more informed by articulated policies, research and business practices.<sup>71</sup>

**4.3** Overseas practice with regard to schedule management varies considerably between these two ends of this spectrum. However, with the exception of the UK, the level of oversight by government agencies of the mix of programs broadcast is much higher than in Australia. In Canada, for example, quotas are set for the types of programs broadcast by the Canadian Broadcasting Corporation (CBC) and the level of support provided to the Canadian production industry, which are monitored by the Canadian Radio-Television and Telecommunications Commission (CRTC). For example, 50 per cent of prime time programming must be Canadian. On the other hand, in Norway, a Program Council is appointed by the government to advise, but not direct, management on program policy. In addition a government-appointed Broadcasting Council oversees such program policy to ensure it complies with public service broadcasting obligations.

### Audit approach

**4.4** The ANAO reviewed the ABC’s schedule management policies, practices and procedures because schedule management is the main administrative process that determines the relationship between the Board’s interpretation of

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<sup>70</sup> *The Seamless Robe: Broadcasting-Philosophy and Practice*. Curran, Charles. Collins, London 1979, p.274. Sir Charles Curran was Director-General of the BBC from 1969 to 1977.

<sup>71</sup> The detail of procedural arrangements were not settled by the time fieldwork had been concluded. New administrative practices were also being developed.

the Charter and the programs actually broadcast.

**4.5** The ANAO sought details about the following matters in respect of the broadcast schedules for television and radio:

- an overall account of schedule management objectives and approaches to the compilation of the broadcast schedule;
- the approach of the ABC to the day-to-day monitoring of the schedule and the evaluation of programs broadcast over the longer term; and
- the use the ABC made of information about audiences in the management of the schedule. In particular, the ANAO sought information about:
  - ⇒ the ABC's arrangements for consultation with audiences about scheduling issues, such as changes to the schedule, and specific instances where audience feedback has been taken into account during scheduling decisions;
  - ⇒ the methods used by the ABC during the scheduling process to understand the size, needs and expectations of the intended audience for programs;
  - ⇒ the ABC's arrangements for understanding the needs and expectations of consumers that do not access the ABC, and how this is addressed in schedule management; and
  - ⇒ the methods that the ABC uses to track longer-term dynamics of the behaviour and attitudes of radio and television consumers, and how this information is incorporated into the management of the schedule.

## **ABC schedule management**

**4.6** Schedule management in the ABC involves the compilation of a broadcast schedule to continuously give the best mix of genre, timeslot and audience demographic over a given timeframe.<sup>72</sup> As well as putting together a schedule of programs to broadcast, schedule management also involves a review of performance against set program objectives revealed by regular day to day monitoring and longer-term evaluation of the performance of individual programs.

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<sup>72</sup> The rural program, *The Country Hour*, illustrates the importance of the three elements of genre, timeslot and audience preference in scheduling. Historically, *The Country Hour* was placed at lunchtime to catch farmers arriving home for lunch. Whilst daily lifestyle patterns have changed and the rural industry is far more mobile, the program's timeslot remains the same as it is well known and understood by the audience, and the program continues to have a strong following.

## Schedule management policies and procedures

**4.7** The Directors of Television and Radio respectively carry responsibility for the management of the schedule. In both Divisions there are designated staff with schedule management responsibilities.

**4.8** The ANAO found that four main factors largely determine program selection. They are, the existing program schedules, the Charter, audience taste and preference and the timeslot. Practical constraints also play a role in program proposals. For example, the actual and expected budget, the available inventory, the plans and practices of competitors, and audience feedback.<sup>73</sup> Other considerations to be taken into account include:

- the requirements of the ABC's Editorial Policies;
- those regulations and standards of the Australian Broadcasting Authority that apply to the ABC;
- public service broadcasting obligations such as elections issues, events of national significance (eg Anzac Day and CHOGM);
- obtaining a suitable mix of programs with wide appeal and those catering to narrower interests as required by the ABC Charter;
- available production resources, including delivery and potential shortfalls or delays in completion;
- international programming and production trends;
- technology and technological developments;<sup>74</sup> and
- changes in the demographic and socio-economic composition of audiences.

**4.9** As noted earlier, the Board has approved a new Corporate Plan and a planning and reporting framework that is expected to guide the strategic management of the ABC. These two initiatives could be expected to improve the ABC's management of the broadcast schedule. Amongst other things, the Corporate Plan:

- sets objectives about the relevance, appeal and distinctiveness of the ABC;
- outlines strategies for the achievement of those objectives; and
- indicates in general terms targets relevant to their achievement.

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<sup>73</sup> Whereas audience taste and preference refer to what audiences might expect, audience feedback refers to their views about what was broadcast.

<sup>74</sup> As an example of the importance of technology to scheduling, the increase in the amount of radio programming content now being put on the web is changing the emphasis on the radio schedule. Placing audio files of programs on the web allows many listeners the opportunity to access programs at times they prefer, rather than having to fit in with a set scheduled time on the radio.

**4.10** For example, the Plan sets the following as a target: *'In 2001–2002, the output levels by genre across each media platform will form the benchmark for establishing genre targets for subsequent years.'* The planning framework provides for the presentation to the Board of Divisional business plans that implement the new Corporate Plan. The ANAO understands that the Divisional business plans will include the objectives to be achieved by the Division and verifiable key performance measures with which to evaluate achievement. The ANAO understands that the Divisional business plans for the Radio and Television Divisions will contain details of the schedules planned for the year ahead. It is expected that this will include objectives and performance targets for genre categories as well as the individual programs to be broadcast. Furthermore, the measures of performance of individual programs and genre categories will be directly linked to more aggregate measures for the Division and the Corporation as a whole. If these new arrangements function as intended, it could be expected that the Corporate Plan and the Divisional business plans will more strongly determine the schedule than had been the case in the past.

**4.11** The commercial sector has evolved a range of strategies designed to achieve commercial ends such as maximising audience reach or share, attracting a particular audience demographic, creating and sustaining audience loyalty or maximising audience flow across programs. So long as schedule management strategies support the ABC's Charter objectives and values, as articulated in, for example, the Corporate Plan, Divisional Plans and the Editorial Policies, the adaptation of such strategies to the ABC's requirements may be appropriate.

**4.12** During the audit, the ABC initiated a review of genre classifications in order to make them more consistent and better reflect the intrinsic nature of various content categories. As outlined earlier, 16 major genres and six sub-genres (16 + 6) have now been established that will be applied consistently across the three output groups of radio, television and new media.

**4.13** The 16 content genres and six sub-genres are:

- Arts and Culture;
- Business and Finance;
- Children's;
- Comedy;
- Current Affairs;
- Drama;
- Education;

- Factual (Contemporary Life; Health; Indigenous; Law, Consumer Affairs and Media; Special Events; Topical Issues);
- History;
- Light Entertainment;
- Music;
- News;
- Religion and Ethics;
- Regional and Rural;
- Science, Technology, Environment and Natural History; and
- Sport.

**4.14** The ANAO understands that there is a worldwide trend, driven in part by advertisers, ratings agencies and the convergence of technologies for standardised genres. The commercial broadcasters use a much smaller set than the 16 + 6 adopted by the ABC.

**4.15** The genre classification now established by the ABC has the potential to promote improved schedule management by allowing management to allocate resources and priorities to categories of programs (for example regional and rural, religion and ethics) rather than just individual programs (for example *Bush Telegraph*, *The Religion Report*) as at present. Furthermore, the new genres will enable program targets to be set and measured consistently across all media outlets of the ABC. This would go some way to enable the ABC to demonstrate it was achieving its Charter obligations. The new *Corporate Plan 2001–04* states that, over the next three years, the distinctiveness of ABC services will be strengthened through the ABC's commitment to the genres.

### **The role of the Board in schedule management**

**4.16** The Television and Radio Divisions both have generic program schedules with many established programs that form the basis of the Divisions' budget bids for the forthcoming financial year. As the Board approves the Corporation's Corporate Plan and Divisional Budgets it, in a sense, approves the generic schedule. However, as noted earlier, the Directors of the Radio and Television Divisions have the responsibility for the detail of the schedule. The Board may approve major production expenditure proposals or acquisitions. The Board may also question Directors about particular programs to be broadcast. On occasions, management may seek guidance from the Board about particular programs and proposed variations to the schedule.



**4.17** As noted earlier, the Board has approved a new Corporate Plan for 2001–04 and an improved planning and reporting framework that is expected to guide the strategic management of the ABC. The ANAO considers that if these new arrangements function as intended, the strategic direction setting and oversight by the Board will have a greater influence on the schedule than previously. Audit supports these initiatives as they could be expected to improve the ABC's management of the broadcast schedule.

**4.18** The Board also has responsibility for monitoring the overall performance of the national broadcaster and for making appropriate changes. The Board's capacity to monitor and evaluate corporate performance depends in part on the ready availability of good performance information. Once more satisfactory performance information about the performance of the schedules is compiled and provided to the Board on a regular basis, the Board would be in a better position to make judgements about the overall performance of the Corporation in relation to the Charter.

**4.19** The new program genres will assist in this process. At the aggregate level the establishment of the new genres, properly and operationally defined, will enable the Board to say in effect, *'we interpret the ABC's Charter for this timeframe, to broadcast this mix of content, at this cost, for these audiences and this is the result we achieved.'* However, for the Board to be fully in this position, the integration of financial and performance information would be necessary.

## **Future developments**

**4.20** The ANAO was advised that the ABC expects that the following processes will be adopted in relation to the development of the television schedule in future:

- Once the Board has approved ABC Television's final budget, the genre mix and generic schedule will be reviewed and revised, based on the available budget.
- As other areas of the Corporation receive their budget allocation, it will become possible to complete an accurate assessment of the ability of the various program sources to meet the desired delivery level. An initial Production Plan would be generated, outlining all programming material to be produced by ABC Television. This Production Plan would be reviewed by ABC Resources, to ensure that resources are available to meet its requirements.
- Once the Production Plan is finalised, the outstanding programming needed to complement the ABC produced output will be categorised by hours, program type, duration and classification. This information will

form the basis of the final Acquisitions Plan—determining the level of programming to be acquired from external sources, including Australian independent producers.

**4.21** The Radio Division intends to review and revise its program schedule as required, following allocation of divisional budgets. This reflects the fact that the program schedules of most radio networks tend to be more stable than television with its greater reliance on limited run series. On the other hand, schedule management administrative arrangements in Radio are more complicated and more decentralised than in the Television Division because of the network and localised structure of ABC Radio. ABC Radio has six radio networks: Local Radio; NewsRadio; Classic FM; Radio National; Triple J; and Radio Australia. The Local Radio network has 57 local stations. Programming differs across these networks and stations, reflecting their different audiences and strategic considerations. Differences in the broadcast mediums also affect schedule management practices and procedures. For example, much of radio scheduling is flow programming, in contrast to television, which consists of discrete programs to which audiences can tune.<sup>75</sup> This impacts on scheduling genre types. For all radio networks the companionability of radio is an important consideration of the style and sound, as well as content of programs at various times of day. For example, late night and overnight talk radio tends to take on a particular style to meet the needs of listeners wanting company and a friendly voice. Morning talk radio tends to be more information heavy.

**4.22** The Radio Division's current formal review process is as follows:

- The **Radio Divisional Plan** includes programming objectives and key performance indicators, for example, for audience and content targets.
- Within this framework, **Network/Production Plans** are developed with relevant programming objectives and key performance indicators. For the Local Radio network, each station then develops its own **Station Plan**.
- From the **Network/Station Plans**, individual programs on each network develop a specific program brief.
- The **Network/Station Plans** and Program Briefs provide the basis for the formulation of a specific **Annual Job Plan** for each program-maker.
- A **Performance Plan** is drawn up which sets out the objectives of the position and the criteria against which the individual program-maker will be assessed in a formal personal review and assessment process,

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<sup>75</sup> That is, it is designed to be listened to in the background whilst listeners attend to other primary functions such as driving the car, preparing meals, reading books or engaging in other activities.

the outcome of which determines the individual's personal grading and pay.

**4.23** Senior editorial managers oversee all output and regularly monitor and review all programs. In the case of Local Radio for example, program review and evaluation is undertaken at State/Territory level initially and then at a network level. In the national networks, program evaluation is undertaken by program area and then at network level. In Radio Australia, program evaluation is undertaken by language program area and at network level.

**4.24** On a daily basis, the editorial process starts with program makers and moves upward as required by the *Editorial Policies* (Upward Referral) through the Radio Division's line of editorial responsibility which extends to the Director, who may also refer matters to the Managing Director as the ABC's Editor-In-Chief.

**4.25** Assessment of individual programs is three-tiered. Immediately after the conclusion of a production there is an assessment by the program team and its producer and planning occurs for the next program.

**4.26** The ABC advised that each program is subject to regular program evaluation by its Executive Producer/Program Director against its program brief and audience response (reach, share and qualitative research) and is modified as required. This would normally occur a set number of times a year and is done via 'air checks' with program Executive Producers/Program Directors providing feedback to particular programs.

**4.27** Other ongoing assessment is based on audience figures that measure how the program is tracking in audience reach and share. Any focus groups carried out may also impact on the style or subject matter included in the program.

**4.28** The ANAO was informed that an annual program review of every program is conducted by Network/Station Management toward the end of each year to determine whether the program should continue the following year, or be abandoned, modified or moved. This review is based on its performance against its program brief and performance goals set at the beginning of the year (including production values and editorial content) and its performance in audience terms (reach, share and qualitative research) during the year.

**4.29** New Radio staff are required to undertake training in Editorial Policies and legal issues. These components are incorporated in the accredited training program recently introduced in the Division.

**4.30** The assessment of the ABC's requirements in relation to accuracy, impartiality and independence are measured by complaints and internal

mechanisms relating to breaches and audience perception determined through external qualitative surveys.

**4.31** The decentralisation of ABC Radio relies on its editorially focused management model for monitoring and handling minor breaches on a regular basis. For example, the broadcast of an inaccuracy is most often rectified on a daily basis, within a program, on the same day or within the same week. Major errors of fact or other major breaches are referred upward to network managers. The Division reports to the Board on any significant breaches of *Editorial Policies* or the *ABC Code of Practice*.

## Conclusion

**4.32** Weaknesses in previous Corporate Plans and a somewhat informal approach to schedule management in the past have meant that there has been scope for improvement in the area of program scheduling. However, developments are in train to strengthen the links between the ABC's Charter and the programs broadcast on television and radio. The ANAO supports such developments.

**4.33** The differences between the two mediums of radio and television and the differences between the network structure of ABC Television and ABC Radio, especially the localised structure of ABC Radio mean, at a detailed level, different schedule management policies, procedures and practices are appropriate for radio and television. However, there are general guiding principles that both should have in common.

**4.34** As schedule management links the ABC's Charter to programs, the better the guidance from the Board and senior management as to the interpretation of the Charter and priorities amongst Charter objectives as articulated in the Corporate Plan, the more robust the link.

## Program objectives, standards and targets

**4.35** Although both ABC Television and Radio have established a formal planning framework that, in a general way, relates the ABC's Charter to the programs broadcast, there is scope for improvement at each stage in the specification of objectives, standards and targets to be achieved for the schedule as a whole, the genre categories and the individual programs proposed for broadcasting. Such specifications are essential for improved schedule management. On them depends the quality of regular day to day monitoring and longer-term evaluation of performance. These objectives would connect to the objectives set for the Television and Radio Divisions with links back to the ABC's Corporate Plan and Charter.

**4.36** The ANAO considers that targets should be set as part of schedule management. The ANAO notes that this approach is part of the framework for improved ABC performance outlined in the paper of the Chairman of the ABC endorsed by the ABC Board in October 1999 and discussed earlier in this Report. Such targets would cover qualitative and quantitative measures. Quantitative ones include reaching a specified proportion of the intended audience for a particular program scheduled or increasing that percentage. Qualitative measures might relate to Charter values, production values, critical media comment or nominations for, or receipt of, awards or the achievement of a specified balance over time in the genre composition of content broadcast.

**4.37** The use of program objectives and targets is quite common in a number of overseas national broadcasters particularly in Scandinavia and Germany. The BBC also sets internal audience targets for particular programs but these are not published.

**4.38** At the time of the audit, ABC schedule management arrangements had not evolved to the stage where financial information and performance information could be combined at the planning phase to set objectives about marginal gains in performance in relation to cost. The ANAO found that the need for the establishment of this nexus was made clear to ABC management over 20 years ago in the 1981 report of the Dix review.<sup>76</sup>

**4.39** Without such information about the cost of gains in relation to audience, standards, quality, or other essential attributes of ABC broadcasting performance, strategic management is weakened, the opportunity costs of strategic choice are absent and key information necessary to achieve higher levels of performance, and measure current efficiency and productivity, is not available.

**4.40** Whilst the ANAO supports the improvements to schedule management now taking place in the ABC, there are several key developments still to be completed. In addition to the integration of performance and financial information and making program objectives more operational and measurable, there is a need for better use of time series information, and the better use of a range of information about the behaviour and attitudes of audiences.<sup>77</sup> Objectives

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<sup>76</sup> *The ABC in Review: National Broadcasting in the 1980s* Vol 4 Financial, Records and Engineering Consultancies AGPS 1981 pp. 29–35. Amongst other things Dix noted:

*In the ABC there is a system for making decisions on the extent and allocation of broadcasting time and on the mix of proposed programs. The short and long term planning systems should translate the resource inputs to be used, expressed in dollar terms, into the output decisions made under the program planning system. One of the benefits from the system [recommended by the Dix report] would come from the discipline of coordinating the use of resources in the production units with those in the service units, before budgeted items are committed to a work item. (ibid. p. 30).*

<sup>77</sup> In this context, time series information simply refers to compilations of performance information that show variations over time such as the information about the reach and share of ABC Television programs in the Statistical Appendices of this report. The compilation of time series information requires, amongst other things, the use of the same measures year after year. Time series information enables the evaluation of performance over time.

with greater operational specificity, that integrate performance and financial information, that can realistically stretch performance because of the targets set, and that, by their achievement, might readily inform Parliament about the relationship between the ABC's Charter and the content broadcast, would be preferable. The ANAO understands that the ABC intends to develop such objectives and in due course work to them.

**4.41** The ABC has extensive holdings of data about the performance of radio and television programs, including time series data. Careful analysis of this can produce audience information useful to schedule management decision-making. In order to understand better the actual (and potential) audiences of radio and television, the ABC could also make better use of research about people's use of time.

**4.42** Time use analysis reveals the considerable diversity of cultural, recreation, leisure and information pursuits people have that compete with broadcast services. This diversity combined with wider demographic trends regarding work pressures, diversity of pursuits and new technologies that vary significantly with people according to age, occupation, gender, region and place of residence and family circumstances provides information relevant to the management of the schedule. It helps inform judgements about the relevance of programs for broadcasting to the people whose circumstances are sketched by the many variables associated with people's use of time. It helps schedule managers better understand patterns of need and demand for broadcast services. These issues are explored more fully in Chapter 7.

## **Conclusion**

**4.43** The ABC's approach to schedule management underwent some change during the audit and the ANAO supports the reforms in progress. However, there remains scope for further improvement. These opportunities are largely in the areas of better integration of financial and performance information, making program objectives more operational and measurable, and making greater use of audience research data, including data about people's use of time.

## **Recommendation No. 4**

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

- (a) integrate financial information and performance information at the planning phase of schedule management;

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

### *ABC response*

**4.45** The ABC agrees with the principles articulated in this recommendation but wishes to qualify its response in order to acknowledge both the complexity of schedule management and practical considerations such as the most effective allocation of resources.

**4.46** With respect to part (a) of the recommendation, ABC Radio proposes to include performance information (audience trends for the previous 12 months) and financial information (total cost per produced hour) in documents at the point of program commissioning. The performance information will be maintained and used in the annual program review process. This initiative is part of a continuing process of refinement in commissioning and schedule management activities across all radio networks. It should be noted, however, that such information contributes only some of the input to decisions on a program schedule along with qualitative judgments. It should be noted that, in relation to ABC Television, the integration of financial and performance information will require much improved business information systems.

**4.47** With respect to part (b) of the recommendation, ABC Radio reports that future updates of program briefs, which are routinely prepared across all networks, will include quantitative and qualitative performance targets as appropriate. These will be reviewed annually as part of the regular program commissioning process. ABC Radio's Divisional Plan provides for the development of a performance management system to more effectively monitor content genres across networks. The ANAO acknowledges the complexity of schedule management in ABC Radio as a result of its multiple outlets, program diversity and spread of audiences. A consequence of this complexity is the difficulty of explicitly linking the performance of all individual programs to the aggregate targets and measures of the Radio Division.

**4.48** ABC Television, although in agreement with the recommendation, adds the qualification that the process of schedule management occurs in a less controlled environment than suggested in the ANAO report. To some extent, it is necessarily a reactive process. The Program Acquisitions Plan and the Television Production Plan are developed and monitored in parallel. The



dynamic environment in which these plans exist requires considerable flexibility in approach and ongoing adjustment. The ABC can only purchase what is available. Had the ABC been unable to purchase high-end science programming such as *Space* for broadcast this year, it could not have simply produced its own similar programs due to the high cost of production. The desire to broadcast such material would have been deferred until it became available. ABC Television also notes, that the setting of targets to satisfy Charter obligations is achieved through the Corporate and Divisional Plans.

**4.49** As far as part (c) of the recommendation is concerned, the ABC agrees that it is important to make effective use of research into the behaviour and attitude of audiences and those who do not use ABC services. In 2001, the Corporation employed a research specialist to assess and advise on future directions of research activity. In following up his work, the Corporation will evaluate opportunities to build on its base of research activity, which includes regular industry surveys such as OzTAM and separate research projects as appropriate.



## 5. The News and Information Function in Focus

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*The ABC Act requires the establishment of a news and information function within the ABC and the broadcasting of news and information services by the ABC. This Chapter examines specific arrangements associated with the administration of the function and the provision of the services.*

### Introduction

**5.1** The News and Current Affairs Division is the organisational unit within the Corporation which produces the ABC's 'flagship' news and current affairs programs. Accordingly, it has large responsibility for the ABC's delivery of the requirements specified in the ABC Act related to news and information programming.

**5.2** The full year 2001–02 allocated budget for the News and Current Affairs Division totalled \$116.7 million, or 14.5 per cent of the ABC's gross operational funding in that year of \$806.9 million. Not all costs of news and current affairs production are, however, included in this divisional figure.

**5.3** The Division consists of about 585 journalists/reporters, 22 senior executives and about 127 support staff distributed across State/Territory headquarters, 47 regional bureaux and 12 international bureaux (housing 20 international correspondents). The present structure and functions of the Division were established in the latter half of 2000 at the time of the most recent Corporation-wide reorganisation.

**5.4** The News and Current Affairs Division supplies its principal program material direct to the Radio and Television Divisions which are responsible for the scheduling and the broadcasting of the material. The media divisions have no role in editorial decisions in regard to content. In the New Media Division, which produces the Corporation's on-line product, eighteen News and Current Affairs journalists are out-posted to that Division in a service purchaser/provider relationship for which New Media funds the News and Current Affairs Division. These staff assemble the news and current affairs content for the New Media Division's material placed on the ABC's Web servers. They remain part of the professional corps of staff in the News and Current Affairs Division.

**5.5** For some years, the News and Current Affairs Division has experienced deficit problems with its funding. Loans have been extended to the Division

and its predecessors from other areas of the Corporation's budget.<sup>78</sup> The Division has been the subject of a number of reviews and business re-engineering studies. The purpose of these has been to identify cost drivers and ways in which it might be able to live within budgets allocated and repay outstanding loans. Most recently a pilot project on Activity-Based Cost Management was conducted in the Division, reporting in November 2000.<sup>79</sup> The ANAO understands that most of the recommendations of the review in respect of the Division are being implemented, with consideration being given to extending the methodology suggested in the review to other areas of the ABC.

### **Audit approach**

**5.6** The ANAO examined the specific arrangements in operation within the ABC to provide these services, especially in the News and Current Affairs Division. That Division groups all of the news collection and distribution arrangements together in the ABC. It takes responsibility, along with Production Resources Division and the Technology and Distribution Division, to produce and deliver the main television and radio news and current affairs programs across the many ABC radio and television outlets in Australia. While the Division does not have responsibility for the NewsRadio service broadcast by ABC Radio in the capital cities and Newcastle, it provides the core flow of news copy and audio content to that service. The Division therefore plays a pivotal role in the delivery of this set of legislative requirements of the ABC. Consequently the ANAO focussed on arrangements in that Division to deliver an 'independent, accurate and impartial' news and information service and to seek to identify how that Division assists the Board to assure itself that the legislative requirements are effectively delivered by the relevant broadcast programs.

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<sup>78</sup> During 1996–97 the then Television News and Current Affairs section within the Television Division was required to achieve budget savings of \$2.725 million, as part of corporate-wide savings of \$55million. The base budget for News and Current Affairs in 1997–98 excluded an amount of \$2.725 million, on the assumption that the necessary savings would be achieved. Despite initiatives to deliver one-off savings in expenditure, News and Current Affairs was unsuccessful in meeting its savings targets at the end of 1997–98. In budget preparation for 1998-99, News and Current Affairs acknowledged difficulties in achieving the necessary ongoing savings in a suitable timeframe. It was agreed that News and Current Affairs could draw in advance on \$2.725 million of their base budget from 1999–2000. With the assistance of this \$2.725 million loan, News and Current Affairs delivered a balanced budget result at the end of 1998–99. However, in budget preparation for 1999–2000, News and Current Affairs again acknowledged difficulties in meeting the targets for ongoing savings and proposed strategies to achieve these savings over several years. An additional loan (bringing the total amount to \$5.45 million) was provided to News and Current Affairs in the 1999–2000 budget, to allow time to establish its proposed efficiency strategies. The loan was provided on the basis that it was supported by a business case and it would be repaid by News and Current Affairs. In August 2000 the ABC Board requested an internal budget review of News and Current Affairs, aimed at finding ways to achieve efficiencies.

<sup>79</sup> PriceWaterhouseCoopers, *Australian Broadcasting Corporation: Activity-Based Cost Management*, November 2000.

5.7 The ANAO observed the detailed production processes, from copy selection or story idea to the point of on-air delivery, of the following television programs: *The World at Noon*, the 7PM News Bulletin produced for NSW transmission, *Lateline*, *The 7.30 Report* and *Four Corners*, and the following radio programs: hourly Radio News bulletins over one day and one day's production and broadcast of the *The World Today*.

## Legislative requirements

5.8 While the ABC's legislation imposes a number of mandatory requirements on ABC programming generally, only news and education programs are mentioned specifically.<sup>80</sup>

5.9 Sections 8 and 27 of the ABC Act contain the specific requirements for the broadcasting of news, current affairs and information. The Act lists among the duties of the Board that it is 'to ensure that the gathering and presentation by the Corporation of news and information is accurate and impartial according to the recognised standards of objective journalism'.<sup>81</sup> Part IV of the Act outlines the Powers and Duties of the Corporation and includes a section that is directed at news and information programs.<sup>82</sup> The Charter section of the Act also refers to 'news and current affairs' programs as part of the international broadcasting functions of the ABC.<sup>83</sup>

5.10 The provision of news and information services, recognised in this way by its legislation, is clearly a core function of the ABC as a national broadcasting organisation. The provision of these services has featured prominently throughout the history of the ABC.

## Independence, accuracy and impartiality

5.11 The concepts of independence, accuracy and impartiality are used extensively in the ABC's corporate documents to describe the requirements it imposes on the production of this genre of programming. The qualities of 'accuracy' and 'impartiality' are enjoined in the ABC Act at s8; the quality of 'independence' is less directly referred to in s8 but quite explicitly in relation to the service generally in s27. Section 78 provisions about the independence of the ABC are also of relevance. Other terms used from time to time in ABC

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<sup>80</sup> ABC Act s6(2)(a)(ii) requires the ABC 'to provide broadcasting programs of an educational nature' and s6(2)(a)(v) requires the ABC to take account of the 'responsibilities of the States in relation to education' in connection with the provision of broadcasting programs of an educational nature.

<sup>81</sup> *ibid.*, s8(2)(c).

<sup>82</sup> *ibid.*, s27.

<sup>83</sup> *ibid.*, s6(1)(b).

discussion of news and current affairs programming are ‘objectivity’ and ‘balance’. The ANAO considered that, while all of these qualities have reasonable claims to originate in the legislation applicable to the ABC, the qualities of ‘independence, accuracy and impartiality’ conveniently and adequately summarise the statutory requirements.

## News and Current Affairs editorial policies

**5.12** Applicable to the ABC’s programming standards across all broadcast media (and, prospectively, on-line media) the *ABC’s Editorial Policies* statement is the principal document laying out the basis of the ABC’s management of editorial content, including news and current affairs. As discussed in Chapter 2, the statement is a major Board-endorsed manual for program production and is currently under extensive revision. In addition, the News and Current Affairs Division has developed a Division-specific supplementary guide to assist personnel involved in its program production activity, the *ABC News and Current Affairs Presentation and Style Guide*. This *Style Guide*, issued by the Division, is intended to complement and extend the content of the *Editorial Policies* with specific reference to the requirements of the Division. The most recent edition of the *Style Guide* is August 1998. An updated version is being prepared.

**5.13** The ANAO understands that these documents are the only vehicles through which definition of the legislative requirements for independence, accuracy and impartiality is spelled out and made into operationally relevant guidance or instructions. The ANAO notes that these qualities are interspersed in the documents with other concepts such as ‘fairness’ ‘reliability’ and ‘sensitivity’. For example, in the *ABC Editorial Policies*, these other concepts are included along with ‘independence’ as the ‘four basic fundamentals’ of ABC editorial policies.<sup>84</sup> An early section of this document refers, in a list of duties of the Board, to the requirement *inter alia* for the Board to ensure that the gathering and presentation of news and information is accurate and impartial.<sup>85</sup>

**5.14** Section 3 of the *ABC Editorial Policies* deals with Editorial Responsibility and is the key section of the document addressing editorial control, the requirements and procedures (including detailed accountability and reporting lines) for ‘upward referral’ of editorial decisions, legal responsibility aspects, procedures for the handling of actual or potential conflicts of interest and the further use of program material. This section deals with all program areas of the ABC including News and Current Affairs. A clause in the section makes it clear that the process of upward referral can extend as far as the Managing

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<sup>84</sup> *ABC Editorial Policies*, Working Draft Version 3.4.01, Section 1: Introduction Paragraph 1.10.

<sup>85</sup> *ibid.*, s2, The ABC’s Functions and Duties, para. 2.4.3.

Director, 'in his or her capacity as Editor-in-Chief'.<sup>86</sup> The ANAO notes that the onus for upward referral lies with the lower of the levels, that is, it provides for the main editorial judgment to lie with the maker(s) of the program, who are specifically charged with 'exercising editorial judgement'. If a problem arises, or the program maker is unsure, then the program maker must consult the next higher level of editorial management for guidance.<sup>87</sup> All editorial staff are required to refer any matter that may have legal implications to the ABC's legal staff.<sup>88</sup>

**5.15** Section 4 of the document is the section specifically devoted to 'News, Current Affairs and Information'. Its introductory subsection states that the section applies to all ABC News and Current Affairs programs and information programs on radio, television and on-line. The next subsection describes the ABC's objective in its role in News, Current Affairs and Information programs as '*to provide a comprehensive, consistent and intelligent service, which is reasoned and compassionate, but determined and unflinching*'.<sup>89</sup> It goes on to state that

*[t]he ABC does not simply report: it also works within the best traditions of investigative journalism, to which it has made major contributions. While it remains independent of sectional interests, it is well placed to pursue issues of public concern systematically through innovative and reliable journalism and to contribute uniquely to the freedom of information that is essential to a democratic society.*

**5.16** The following subsection is headed 'Accuracy, Impartiality and Objectivity' and it re-cites the reference in s8(c) of the ABC Act to the requirement for the Board to ensure that ABC news and information is 'accurate and impartial according to the recognised standards of objective journalism'. It states that the Board requires editorial staff to observe the highest standards and not allow their professional judgment to be influenced by pressures from political, commercial or other sectional interests or their own personal views'.<sup>90</sup> It goes on to define impartiality more specifically, saying that pursuing impartiality should not mean, however, merely an endorsement of the status quo. 'The Corporation', the document says,

*is required to be innovative and to conform to recognised standards of excellence in the provision of information. The ABC seeks to be a pace-setter in community discussion: not attempting to change community*

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<sup>86</sup> *ibid.*, s3, Editorial Responsibility, para. 3.1.1.

<sup>87</sup> *ibid.*,

<sup>88</sup> *ibid.*, para. 3.1.2.

<sup>89</sup> *ibid.*, s4, News, Current Affairs and Information, para. 4.2.1.

<sup>90</sup> *ibid.*, s4, para. 4.3.1.

*views and values but ensuring that Australians have an opportunity to be well-informed and questioning.*<sup>91</sup>

5.17 These general comments preface a further paragraph that is stated to comprise the ‘*Charter of Editorial Practice for News, Current Affairs and information programs*’. The paragraph sets out nine ‘standards’ which include matters such as avoidance of conflict of interest, that editorial staff will be ‘enterprising’ in perceiving, pursuing and presenting issues which affect society and the individual, and that authority for editorial decisions will be vested in editorial staff.<sup>92</sup> It is noteworthy that emphasis is given in this subsection to the importance of ‘upward referral’ of editorial decisions in cases of doubt, as noted earlier. A final provision in the subsection refers to the ABC’s commitment to providing programs of great diversity, which reflect a wide range of audiences’ interests, beliefs and perspectives. It says this may entail overriding the strict application of elements of the nine point *Charter* so that the ABC may decide to present programs that explore, or are presented from, a particular point of view. ‘The factual content of such programs must, however, be accurate and in context and should not misrepresent opposing viewpoints’.<sup>93</sup>

5.18 Also presented as part of the *ABC’s Editorial Policies*, though as an appendix, is an ‘ABC Code of Practice for Broadcast Programs’. This appendix is the document relating to ‘codes of practice for programming matters’ required to be notified by the ABC Board to the ABA under s8 (1)(e) of the ABC Act. As noted in Chapter 2 the Codes have a statutory based role to play in ABA consideration of certain complaints that may be made against the ABC. The appendix contains separate sections dealing with ‘News, Current Affairs and Information Programs’ and ‘News and Current Affairs Programs’.<sup>94</sup>

5.19 The ANAO noted that the content of these sections overlaps with and provides concrete specification of elements of material in the main document. The guidance they provide also extends the concepts of impartiality and balance beyond the discussion in the main document. Thus: ‘impartiality’ *‘does not require editorial staff to be unquestioning; nor should all sides of an issue be devoted the same amount of time’*; ‘balance’ *‘will be sought through the presentation, as far as possible, of principal relevant viewpoints on matters of importance. The requirement may not always be reached in a single program or news bulletin, but will be achieved within a reasonable period’*.<sup>95</sup>

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<sup>91</sup> *ibid.*, s4, para. 4.3.2.

<sup>92</sup> *ibid.*, s4, para. 4.3.3.

<sup>93</sup> *ibid.*, s4, para. 4.3.5.

<sup>94</sup> *op cit.*, *ABC Editorial Policies*, Working Draft Version 3.4.01, Appendix 6, paragraphs 4.1 and 4.2.

<sup>95</sup> *ibid.*, Appendix 6, paragraph 4.2.

**5.20** It is worth noting that one of the major points of contention in Norway between the national public broadcaster and the regulatory authority is the question of whether balance should be evident within each program broadcast or can be achieved over a series of programs over time.

## **Conclusion**

**5.21** The editorial standards documents reflect concrete efforts on the part of the ABC to clarify the professional standards and approaches required of the ABC as a public broadcaster meeting a very wide range of public interests in information.

**5.22** However, consideration could be given to improving the presentation of the programming standards in the *Editorial Policies* and other documentation by:

- highlighting the legislated standards;
- streamlining their content;
- developing a single set of statements for internal use as well as external use by the ABA; and
- clarifying the applicability of the *Editorial Policies* to ‘information’ programs.

## **Recommendation No. 5**

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

### *ABC response*

**5.24** The ABC Board had already initiated a process of reporting against independence, accuracy and impartiality. Currently a management review is underway of its reporting methodologies and arrangements to ensure that programming standards of independence, accuracy and impartiality are appropriately considered and reported to the Board. This review will include consideration of how quantifiable performance benchmarks might be applied. This is separate from any review or updating of the Corporation’s Editorial Policies (which do not purport to be an instrument of performance measurement).



## Recommendation No. 6

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

### *ABC response*

**5.26** The ABC, at the time of writing, had reached an advanced stage of a major review of the Editorial Policies document. In fact, revision of the policies is a continuing process, involving both the Board and management. The *ABC Editorial Policies*, although not specifically required by legislation, is a key element of the Corporation's governance process. It articulates policies and guidelines on a broad range of matters relevant to management and staff as they work to give operational meaning to the requirements of the ABC Act. Content of the *ABC Code of Practice*, which is a defined legislative requirement, is drawn from existing material in various sections of the *Editorial Policies* document.

**5.27** This work is scheduled for completion in the near future. A subsequent task, commissioned by the Acting Managing Director, will be to review the format and presentation of the *Editorial Policies* document to ensure there is a clear distinction between matters of policy and guidelines for staff. As part of this process, the ABC agrees to review those sections relating to legislative requirements, as presented in the *Code of Practice*. The *Code of Practice* will continue to be provided as a separate document (and annexure of the larger *Editorial Policies*) as required for the purposes of notification to the ABA.

## Recommendation No. 7

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

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



## *ABC response*

**5.29** With respect to part (a), the ABC agrees that program output should be treated according to its form and nature rather than its divisional origin within the ABC. Common policies and program standards may be readily upheld in some circumstances such as ABC NewsRadio and ABC News Online. These are managed as media outputs by the Radio and New Media divisions respectively rather than the News and Current Affairs division (the latter is a content provider to each broadcasting network and new media outlet). But implementation becomes progressively more difficult with various other forms of information programming that can extend from theme documentaries to specialist talk shows (eg science, rural, sport) to feature interviews and art and culture reviews. While all such program types should be independent of vested interests and accurate, some are by their nature opinionated.

**5.30** Regarding part (b), ABC management proposes that the next published edition of *ABC Editorial Policies* will include sections specifically for News and Current Affairs and for Other Information Programs. These will impose similar requirements where they can be applied in a meaningful way to all information programs and acknowledge legitimate areas of difference. This is subject to further consideration by the ABC Board.

**5.31** As far as part (c) is concerned, the ABC agrees, in the context of parts (a) and (b) above, to give further consideration to the methodologies of reporting on the performance of information programs in relation to independence, accuracy and impartiality.

## **News and current affairs procedures and practices**

**5.32** The ABC has a number of procedures in place to ensure news and current affairs programs meet the concepts of independence, accuracy and impartiality and comply with the ABC's editorial policies, as they apply to news and current affairs, and the News and Current Affairs Division's *Style Guide*.

**5.33** Those identified by the ANAO were as follows.

- *Use of the ABC's Editorial Policies, as they apply to news and current affairs, and the News and Current Affairs Division's Style Guide, as core training documents for all staff involved in news and current affairs production, and as key reference documents in the daily work of journalists, other editorial staff and management.* The ANAO noted that the documents were in active use in the production of the programs it observed in preparation, and were the source of reference and argument advanced in work group discussion and program content/story-line decision-making. The ANAO was

advised that these documents feature prominently in the induction and continuing on-the-job training of staff employed in news and current affairs programming. Debate within the Division about the content of appropriate amendments to include in the current revision of the *Editorial Policies* was observed to be well informed, energetic, suitably focussed and to include all levels of staff. The ANAO considered that these arrangements contribute to the objective of independence, accuracy and impartiality in the ABC's news and current affairs programs and support the differentiation of the program genres of news and current affairs in a satisfactory way.

- *Development of a common quality-assured copy source for the primary editorial content of programs, regardless of whether they are for Radio, television or on-line, or news or current affairs.* Reports sourced from the ABC's own posted journalists, offshore bureaux and correspondents are held on this integrated system. The stock of news copy is maintained on a newly developed networked computer system, AVSTAR, which is equipped with system features to ensure that material for broadcast proceeds through formal approval processes before it can be put to use in programs. This common 'spine' of news copy across the organisation facilitates accountability of less experienced journalists and editorial staff to higher editorial levels and thus contributes to the impartiality and independence of the ABC's news and current affairs outputs.
- *Use of common resources across genre and media in news and current affairs programs.* Consistent with the directions taken by the ABC in recent years to rationalise and integrate, where appropriate, resources and facilities used in the Division's program output, efforts are being made to utilise integrated reporting teams in news gathering and share high cost equipment and services such as helicopter deployments, across media and program genres. New studio accommodation facilities are being designed to permit co-location of production staffs for news and current affairs. While contributing to cost savings, these arrangements are intended also to focus the ABC's production activity on high priority topics, ensure consistent treatment of subject matter according to centrally-determined standards and maintain an adequately national service. These enhance the ABC's independence in its news and current affairs programs.
- *Maintenance of editorial oversight processes at multiple levels of editorial management.* Radio and television news production maintain people in several national editor positions who do not have line production responsibilities but who are employed to review the output of the respective media outlets on a continuing basis and to provide advice and

assistance to production staff across Australia. These review arrangements are supported at senior executive level by cross-media supervisors who similarly do not have production responsibilities and have a broad quality control and trouble-shooting mandate. Staff selected for these senior roles have recognised high level professional expertise and experience, and are able to play the role of mentor as well as oversight. They are among designated 'upward referral' points in respect of particular editorial judgment situations (see following section). The roles of these officers contribute to the accuracy and impartiality of ABC news and current affairs programming.

- *Maintenance of rigorous recruitment procedures for new journalist staff.* While review of the ABC's staff selection arrangements was beyond the scope of the audit, the ANAO was advised that the News and Current Affairs Division operates a rigorous selection system for new staff and commit significant time and effort to mainly on-the-job training and mentoring of staff employed in the editorial production functions of the Division. These standing arrangements contribute to independence, accuracy and impartiality in the ABC's news and current affairs products.

## Conclusion

**5.34** The ANAO considered that the ABC's News and Current Affairs Division has effective procedures and practices in operation that assist it to deliver news and current affairs programs that reflect the Charter requirements of independence, accuracy and impartiality. The Division attaches suitable weight to the role of the ABC's editorial policy documents; it has introduced a centralised news collection system that facilitates quality control; it is implementing arrangements for the sharing across media and programs of facilities and high cost items so as to permit focus on quality; it has introduced editorial resources dedicated to oversight and review functions within and across media; and it is giving appropriate attention to the front-end requirements of staff selection and training. The distinction between factual news and analytical material or comment, and the need to ensure appropriate differentiation of the two formats in the ABC's programs, is acknowledged in the Division which has suitable arrangements designed to ensure satisfactory differentiation of the two formats in the ABC's programs. This differentiation is necessary for the achievement of the legislated requirements of independence, accuracy and impartiality.

## The 'upward referral' requirement

**5.35** As discussed earlier in this Chapter, the *ABC's Editorial Policies* documentation gives close attention to describing the editorial control

arrangements to be observed in the ABC's production of news and current affairs programs as well as in other program areas.<sup>96</sup> The concept of 'upward referral' of editorial decisions by less experienced and/or more junior editorial staff to more experienced and/or more senior levels when they are 'unsure' about a matter or when a problem arises, is a key instrument of editorial control set out in the documentation. It stands alongside the requirement for editorial staff to refer any matter that may have legal implications to the ABC's legal staff. The responsibility to refer is the program maker's. While the requirement is addressed to all program areas it is particularly relevant to the News and Current Affairs Division as a functional mechanism to enable the ABC to deliver news and information programs that reflect the qualities of independence, accuracy and impartiality. The fact that the procedure is invoked at the initiative of the less senior staff member highlights the importance of other procedures, practices and editorial review oversight arrangements set out in the previous section. In specifying the arrangements to be observed by ABC staff, the chains of referral and control are specified in detail in the Editorial Policies document, extending to an array of named positions and terminating at the top in the Managing Director as Editor-in-Chief.<sup>97</sup>

**5.36** The ANAO acknowledges that the operation of editorial control principles is a sensitive matter in any news organisation operating in a democratic and pluralistic environment. How editorial control and management arrangements work in practice can be seen to be central to judgments of how far an organisation such as the ABC achieves any mandated qualities of 'independence', 'accuracy' and 'impartiality'. To some commentators, 'upward referral' of matters to higher levels may represent an entry point for extraneous considerations to be introduced into news judgments. To others, it may be seen to sanction unduly permissive approaches by the organisation to the airing of sectional opinion or emotive judgments on the part of less professional journalists of the organisation. The ANAO notes that for the ABC to stand free of these criticisms and concerns requires daily attention to how the upward referral principle operates in practice.

**5.37** While the ANAO was clearly unable to monitor how editorial judgments are made other than in a small number of programs and for very short periods, it reviewed how well the 'upward referral' principle was articulated in several relevant work areas and how well understood (and accepted) it was by staff.

**5.38** The ANAO found that there was a broad measure of understanding of the principle among staff observed in interaction with supervisors in group discussion of programs and when approaches were taken by individual reporters on particular stories; an acceptance that the terms in which the principle was

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<sup>96</sup> *Editorial Policies*, s3.1; para. 4.3.4.

<sup>97</sup> *ibid.*, ss 3.1.1 to 3.1.9; Appendix 10 'Editorial Upward Referral Charts'.

expressed in current standards documentation, including the provision that upward referral would take place at the initiative of the less senior level, were broadly suitable; and an appreciation that a high degree of professionalism of approach was required of staff to enable the principle to work properly. The ANAO considered that these characteristics of staff and supervisor attitudes as it observed them, provided some assurance that the News and Current Affairs Division has introduced appropriate operational systems to enable the 'upward referral' principle to contribute to implementation of the Charter's requirements. The ANAO noted that a key concern is that decisions taken at higher levels properly reflect considerations of professional journalist news values and, where relevant, sound legal advice from people practised in media law.

## **Conclusion**

**5.39** The News and Current Affairs Division is equipped with extensive cross-media supervisory resources staffed by three or four suitably qualified and experienced senior executives. The latter are designated 'upward referral' points in respect of particular editorial judgments and have no direct responsibilities for program production.

**5.40** The ANAO found that the concept of 'upward referral' functions satisfactorily. The 'upward referral' principle in the ABC's *Editorial Policies* documentation, guiding staff on how to refer editorial judgments to higher levels when they may be in doubt, is appropriately articulated, is broadly understood and accepted by editorial staff. As well, it contributes to the ABC's capacity to produce news and information programs that reflect the required Charter qualities.

## **Quality review**

**5.41** The ANAO observed the operation of specific internal quality review systems within the News and Current Affairs Division which appeared to provide a basis for more effective organisational quality monitoring and assessment of radio and television news bulletins. For both radio and television news bulletins (but not for current affairs programs) the Division operates weekly review sessions of sampled bulletins as put to air. The reviews comprise senior news executives auditioning/viewing recordings of specific bulletins and producing brief written evaluations of the quality of the broadcast products. These written evaluations are circulated to executive producers of the programs and other selected personnel. The ANAO's audit team was invited to sit in on one such evaluation session for Radio News.

**5.42** The evaluations produced are not used for reporting outside the Division or upwards to the Managing Director or the Board. The ANAO noted that they provide a useful professional quality measurement and evaluation tool and enable interventions to be made by managers when performance standards may be at risk.

**5.43** The management evaluations for radio news bulletins do not categorise ratings for programs directly around the Charter concepts of independence, accuracy and impartiality. Rather, they focus on the local and national balance of stories selected for the particular bulletin reviewed, and on presentational qualities. The television reviews are understood to focus on similar subjects.

**5.44** The ANAO notes that these internal reviews represent sound efforts to establish internal quality monitoring of news bulletins, using instruments of peer review and collegiate evaluation. The uses to which the review products are put contribute to the maintenance and development of the ABC's professional credibility as a national broadcaster of news and information programs.

**5.45** The ANAO focussed on radio, and to a lesser extent, television, news production quality assurance arrangements. The ABC advised that internal monitoring also takes place for current affairs programs, though on a less systematic basis. It also advised that Radio Division applies quality assurance arrangements to its non-news and current affairs information programs, including NewsRadio. Whilst the audit did not have the opportunity to review quality assurance arrangements for current affairs and information programs generally, the ANAO considered that similar rigour should be applied to the quality assurance processes for all current affairs and information programs across all output groups (Radio, Television and New Media). The quality assurance review would include an assessment of the qualities of independence, accuracy and impartiality and would also generate appropriate reporting to the Board on the achievement of these qualities.

**5.46** This would not involve the ABC exposing its operations to outside review. It would however position the Board to be able to assure itself, and Parliament, about its achievement of the Charter requirements of the ABC's news and information programs.

## **Conclusion**

**5.47** Internal program quality reviews are undertaken systematically by the News and Current Affairs Division, for both radio and television programs. Radio news bulletins are reviewed weekly. This process is documented and thorough in regard to metropolitan bulletins. However, no upward or external reporting is made of this review activity and it is not linked to the audience feedback analysis.

**5.48** In addition, the quality reviews for radio and television news bulletins do not assess programs directly around the Charter concepts of independence, accuracy and impartiality. Current affairs and information programs generally, do not appear to be subject to the same process of regular quality review.

**5.49** The ANAO considered that the monitoring arrangements it observed for radio news could be adapted to form the basis for systematic reporting to the Board on the achievement of Charter requirements of independence, accuracy and impartiality in news and information programs generally. This would fill a gap in this area and place the Board in a stronger position to assure itself of the delivery of Charter requirements in the news and information areas.

### **Recommendation No. 8**

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

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

#### *ABC response*

**5.51** The ABC agrees with part (a) of the recommendation. It notes, however, that current systems of quality review incorporate assessment of legislative requirements, especially accuracy and impartiality. These are measured through audience contacts, the findings of independent complaints investigation (the ABA and the ABC's Independent Complaints Review Panel) and the correction of inaccuracies in content. Executive Directors of the relevant divisions report to the Board on these matters each month. Independence relies on ABC programming and content being free of any external influence. It is presently monitored through the identification of breaches of *ABC Editorial Policies* and the *Workplace Code of Conduct*.

- (i) The ABC agrees to consider ways in which current quality review processes may be improved consistent with part (b) of this recommendation.
- (ii) ABC New Media notes that the output of *News Online* is reviewed daily during the newsroom's morning editorial conference. This is a verbal



rather than written process that is appropriate to a tight-knit production unit in a single location. However, New Media proposes to shortly introduce a more formal, fortnightly evaluation process, measuring performance against an agreed set of online bulletin content briefs.

## Complaints handling

**5.52** During 1999 the ABC invited a former Deputy Commonwealth Ombudsman to review audience contact and complaints handling procedures. The ANAO noted that the Board had accepted the recommendations of this review and that the implementation of these recommendations was taking place during the audit. For example, a new Manager of Audience and Consumer Affairs had been appointed and was responsible for implementing the recommendations. The ANAO found that ABC complaints administration is benchmarked against the Australian Standard (AS 4269—1995) and that the ABC is an active member of the industry body, the Australian Society of Consumer Affairs Professionals. Members of the public who complain to the ABC about matters covered by the—Corporation’s *Code of Practice* and are dissatisfied with the ABC’s response or the handling of their complaint may seek review from the Australian Broadcasting Authority. The Commonwealth Ombudsman, who reports directly to Parliament, may also review complaints about the ABC in relation to matters of administration where a complainant has not received a response from the ABC or is dissatisfied with the response.

**5.53** The Board has established the Independent Complaints Review Panel (ICRP) to review written complaints alleging serious cases of bias, lack of balance or unfair treatment arising from an ABC broadcast or broadcasts. The Board appoints members of the Panel. The ICRP has been operating for ten years and the results of its reviews are published each year in the ABC’s Annual Report.

**5.54** The News and Current Affairs Division attracts its own audience feedback and complaints, addressed to that Division or to state and regional News and Current Affairs managers and presenters. According to the *ABC’s 2000–2001 Annual Report*, there were 902 bias complaints regarding the ABC’s News and Current Affairs Services in 1999–2000 and 915 in 2000–01. Bias complaints comprised five per cent of all audience contacts to the News and Current Affairs Division in 1999–2000 and three per cent in 2000–01. Bias complaints about the News and Current Affairs programs comprised 14 per cent of complaints in 1999–2000 and 12 per cent in 2000–01.<sup>98</sup>

**5.55** News and Current Affairs–specific feedback is treated separately to that addressed to other program areas of the ABC generally. Telephone calls, letters

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<sup>98</sup> *ABC’s 2000 2001 Annual Report* pp. 40–41.



and emails directed to News and Current Affairs are dealt with by a dedicated divisional unit which coordinates replies, monitors the flow of correspondence, maintains statistics and liaises with the ABC's central audience feedback office (which is located in Canberra and reports to the Corporate Affairs Division).

**5.56** In some cases audience feedback is dealt with directly by program executives. Production assistants log audience calls, emails and letters (callers are urged to put their views in writing) and the log is viewed daily by the program's Executive Producer. The Executive Producer responds to all complaints, unless he/she feels that a complaint about a factual error is best referred to the reporter responsible for the relevant story. News and Current Affairs program-specific feedback addressed to the Managing Director is received by the Division's complaints handling area and then dealt with by the Executive Producer of the relevant program.

**5.57** Monitoring of audience comment, and handling of specific complaints directed at News and Current Affairs programs, is taken very seriously in the Division. A senior executive directly accountable to the Divisional Executive Director manages all aspects of this feedback. This includes preparing or approving draft replies to sensitive correspondence or correspondence from key stakeholders (for signature by the head of the Division or the Managing Director) and compiling monthly reports to the Board. The work is the basis of reporting to the ABC Board of an 'Accuracy, Impartiality and Objectivity Report', as it used to be called, presented to the Board as part of the monthly 'Activity Statements' of divisions.

### **Board role in reviewing complaints**

**5.58** All audience contacts are classified and presented to the Board as 'Program Contact Statistics'. This material is categorised as 'Non-Complaints' and 'Complaints'. In the 'Complaints' category, of 18 sub-categories, five deal with areas connected to the Charter requirements of accuracy, impartiality and independence. These five sub-categories are: 'alleged errors of fact/accuracy', 'Balance', 'Bias—pro Coalition/anti ALP', 'Bias—Anti Coalition/Pro ALP' and 'Bias—Other'. All telephone calls, letters and emails are recorded and are presented as well as the percentages they represent of total audience contact. The percentages in the material presented for the April–May 2001 period reviewed by the ANAO for these sub-categories was very small (the highest was 0.9 per cent for 'Balance' of all contacts of 3876). Figures of this small magnitude appear to be below the threshold of statistical error. News and Current Affairs staff indicated that these statistics were not out of line with typical figures for other reporting periods.

## Other review arrangements

**5.59** The ABA reviews complaints about the ABC, as does the Commonwealth Ombudsman. For example, in 1999–2000, the ABA investigated nine complaints, and in two instances criticised the ABC. In 2000–2001, it examined 20 complaints and found the ABC at fault in 10. In 2000–01, the Commonwealth Ombudsman investigated one matter and found the ABC had acted properly.

**5.60** The legislation establishing a number of overseas national public broadcasters also provides for the independent review of complaints. In Canada, for example, an independent ombudsman who reports to the President of the CBC through to the CBC Board acts as an appeal authority for complainants who are dissatisfied with responses from CBC staff or management. One of the key functions of overseas regulators overseeing national public broadcasters is to ensure news services achieve these aims.

**5.61** The accuracy of news broadcasts is seen by all overseas national public broadcasters as one of the key elements that distinguish them from the commercial sector. As a consequence all overseas national broadcasters put in considerable effort to be able to demonstrate the quality of their news and information services and its compliance with concepts such as accuracy, independence and impartiality. Most broadcasters survey their audiences on such matters and some report the results in annual reports.

## Conclusion

**5.62** The ANAO is satisfied that the ABC's administration of complaints is generally satisfactory. Moreover, when the recommendations of the 1999 review are fully implemented could reflect industry best practice and the Board could be better informed of the full picture about audience feedback (not merely feedback of a complaints nature) about the ABC's news and information services.

**5.63** The ANAO found that the material regularly presented to the Board on the basis of audience feedback does not provide the Board, and in turn Parliament, with sufficient information enabling it to assure itself that the ABC is delivering a news and information service that is independent, accurate and impartial because:

- the raw material on which the analysis is undertaken is based on a self-selected sample, that is, it originates in the views of a sample of the population which initiated correspondence and is therefore not representative;
- it appears not to be statistically significant in terms of measuring audience assessment of related Charter values; and

- the categories on which data is collected are not the Charter requirements of independence, accuracy and impartiality.

## Recommendation No. 9

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

### *ABC response*

**5.65** The ABC agrees to further examine options for the use of surveys and other forms of analysis to evaluate perceptions of its independence, accuracy and impartiality. The *Newspoll* company conducted surveys for the ABC in 1998 and 1999, which incorporated questions on this issue.

## Political and election broadcasts

**5.66** Management of political and election broadcasts is not the sole responsibility of the News and Current Affairs Division. It is distributed across all media and content divisions.

**5.67** The ABC Act empowers the ABC to determine to what extent and in what manner 'political and controversial matter' will be broadcast.<sup>99</sup> Other clauses in the same area of the Act lay down certain prescriptions for the conduct of this function; these relate to transparency (where announcements of details of persons authorising political broadcasts are specified), definitions of elections and election periods, and requirements to keep records of broadcasts are specified.

**5.68** The *ABC Editorial Policies* document provides one section devoted to the topic of 'political and election broadcasts'. This section contains clear, concise and well-presented rules and guidelines on how the Corporation should handle political broadcasts, drawing clearly from the requirements of the Act.

**5.69** ABC Management has taken steps over the years to support the ongoing effectiveness of documented standards in election broadcasts with various executive arrangements. Accordingly, an Election Coverage Review Committee has been created, chaired by a senior State Director, to monitor the ABC's coverage during elections and provide reports to the Board. This appears to be

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<sup>99</sup> ABC Act s79 A (1) states 'Subject to this Act, the Corporation may determine to what extent and in what manner political matter or controversial matter will be broadcast by the Corporation'.

an appropriate mechanism to assist the Board to assure itself that the ABC's Charter requirements are met.

**5.70** During the audit, as part of a general approach of ensuring ABC managers are individually accountable for performance in their respective areas, the then Managing Director took steps in respect of election coverage to insist that nominated individuals had responsibility for overall coverage management, rather than have authority dispersed across individual programs and networks.<sup>100</sup> The ANAO considered that this would buttress the integrity of the primary editorial processes underlying the ABC's election coverage and political broadcast activity.

## Conclusion

**5.71** The ANAO found that the ABC's approach to control of standards of political and electoral broadcast matters was robust and effective.

## Inter-divisional service arrangements

**5.72** The provision of news and current affairs programs involves not only the generation of editorial content by the News and Current Affairs Division but a broader process of ABC decision-making about formats, scheduling, interfaces with other program content, resource priorities, presentation style and staffing. These matters are of direct concern to the managements of the output divisions that host news and current affairs programming and content as key components of channel strategies. The broadcast and new media product of News and Current Affairs therefore involves a mix of quality assurance arrangements taking place both within the News and Current Affairs division and other divisions.

**5.73** An optimum way of generating such inter-divisional cooperation and accountability is through the negotiation of service level agreements or other documented arrangements that clearly reflect the varying objectives, mutual obligations and quality assurance imperatives of the different elements of the chain of production and presentation. In such circumstances, the process of negotiating an agreement and arriving at a shared understanding of objectives, service levels and performance indicators etc. can be just as important as the agreement itself.

**5.74** The ABC advised the ANAO that such service level agreements were under negotiation between the News and Current Affairs Division and the three output divisions. Key elements of these agreements would include:

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<sup>100</sup> Managing Director's memorandum of 19 June 2001 to Chairman, *op cit*, p. 4.

- explicit statements of the roles and obligations of each party, individually and to the other;
- an agreed basis for the negotiation of output goals and priorities;
- performance specifications with appropriate performance indicators;
- mechanisms for dispute resolution; and
- agreed duration and process for review of the arrangements.

5.75 The ANAO supports the establishment of such agreements but considers that they should be made subject to an evaluation process, say annually. The results of these reviews could be reported to the Board, if thought necessary, to assist it in monitoring the effectiveness of these arrangements.

### **Recommendation No. 10**

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

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

#### *ABC response*

5.77 The ABC agrees with this recommendation and will review Service Level Agreements annually.

### **Conclusion**

5.78 Overall, the administration of the news and information function is satisfactory. The ABC's *Editorial Policies* document plays a central compliance role for news and information systems and services. There is a need to give greater prominence in this document to legislative requirements and to clarify the status of information programs and the application of established standards to them. The ABC has effective procedures and practices to give effect to the ABC's editorial policies. The ABC's approach to the control of standards of political and electoral broadcasts was effective. However, there is an opportunity for the Board, and in turn Parliament, to be more fully informed about the accuracy, impartiality and independence of news and information services generally.

## 6. Measuring and Reporting Corporate Performance

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*This Chapter examines the performance information used by the ABC as a tool to inform management decision making and improve performance and also to demonstrate, through its Annual Report, it is satisfying its Charter and other legislative obligations.*

### Introduction

**6.1** Over the last 30 years, three major reviews of the ABC have recommended performance measurement frameworks for the ABC. In 1973, the government published the report of a strategic management review of the ABC carried out by McKinsey and Company.<sup>101</sup> The Report proposed a framework for the measurement and assessment of output in the ABC. The Report further proposed a range of productivity measures aimed at promoting simple and regular reporting processes on key productivity measures in each output area. For example, total cost per audience hour by output area and cost per share of available audience and per rating point for different program types in various time slots.

**6.2** Some of the Report's recommendations were:

- allocate resources to programs on the basis of expected results and costs;
- introduce measures of, and/or develop means of measuring quality;
- program makers be asked to specify expected audience impact prior to approval of resource requirements;
- measures of actual target audience size, share and reactions be developed;
- audience panels be established to evaluate the quality of programs; and
- information be collected and reviewed annually on the cost of serving audience segments in each output area.<sup>102</sup>

**6.3** According to McKinsey and Company, the aim of these recommendations,<sup>103</sup> especially those directed at the use of productivity measures as a management practice, was to improve resource management with the intention of:

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<sup>101</sup> McKinsey and Company, Inc. *The Use of ABC Resources: Overall Review* November 1973.

<sup>102</sup> McKinsey and Company, Inc. *The Use of ABC Resources: Overall Review* November 1973. pp. 4-1 to 5-6.

<sup>103</sup> The Scandinavian national public broadcasters have adopted a program resource allocation model along these lines.

- raising program quality;
- gaining greater target audience acceptance; and
- encouraging employment of Australian artists.

**6.4** At the start of the audit, the ANAO was advised that none of these recommendations had ever become part of ongoing management practice. Yet they largely remain relevant today.

**6.5** In 1981, the Dix Report recommended that the ABC adopt output budgeting as the basis for financial management.<sup>104</sup> The Report outlined extensive practical guidance about the methodology to use, including a detailed schedule for the implementation of output budgeting. The Dix Report advanced several advantages for the immediate adoption of output budgeting. These included:

- the budgeting credibility of the ABC, which at the time was rather low, would be enhanced;
- managers could make program changes on an informed basis when the need arose, such as when the ABC's budget is cut in real terms;<sup>105</sup> and
- the ABC would benefit from the discipline of coordinating the use of resources across the ABC and, as a result, make better informed decisions about the commitment of resources to projects and programs.

**6.6** When the audit commenced, the ANAO was advised that the ABC would not be able to implement output budgeting until 2003 at the earliest. The ANAO notes that this is more than 22 years since the Dix review recommended that the system be implemented as a priority requirement in 1981.

**6.7** As noted in Chapter 1, s8(1) of the ABC Act states that one of the Board's duties is to ensure that the functions of the ABC are performed efficiently and with the maximum benefit to the people of Australia. An effective system of performance reporting would help the Board to demonstrate this responsibility. In a number of overseas countries, most notably Germany, an external government agency is responsible for reviewing the public broadcaster's performance in the areas of efficiency as well as the effectiveness of the achievement of public sector broadcasting objectives.

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<sup>104</sup> *The ABC in Review: National Broadcasting in the 1980s* Vol 4 Financial, Records and Engineering Consultancies AGPS 1981 pp. 29–35.

<sup>105</sup> Dix observed: 'Since 1975 the ABC's budget has been reduced in real terms, and the ABC's budget allocation process has not always coped systematically with the adjustments required.' *ibid.* p. 29.

## Audit approach

**6.8** The ANAO examined the ABC's performance information framework, the performance information published in the three key accountability documents, the Corporate Plan, the PBS and the Annual Report and the use of performance information in the management of the ABC.

**6.9** The ANAO sought to ascertain whether the ABC's performance information reflects better practice principles and assists the ABC to evaluate whether programming meets the ABC Charter requirements. In particular whether:

- the performance information collected satisfies statutory requirements and demonstrates better practice standards;
- the performance information framework supports the following principles:
  - ⇒ **relevance**—performance information enables the evaluation of the organisation's performance;
  - ⇒ **accuracy**—performance information is valid and reliable and measures accurately what is required; and
  - ⇒ **timeliness**—performance information becomes available to users within acceptable time frames;
  - ⇒ **accessibility**—performance information is available to users (eg ABC staff and Parliament) through delivery processes that they can use and in formats that suit them;
  - ⇒ **interpretability**—users can understand the information and use it appropriately; and
  - ⇒ **coherence**—comparability to other performance information; standardisation of performance measures; and ability to assess performance trends over time, can be validly used in combination with other sources of information;
- the performance information framework supports:
  - ⇒ an integrated approach to management;
  - ⇒ measurement and reporting of performance across the organisation (eg, PBS, Annual Report, Corporate Plan, divisional business plans);
  - ⇒ informed decision-making, transparency and accountability;
  - ⇒ continuous improvement in management and service delivery; and
  - ⇒ the assessment of productivity, efficiency and effectiveness; and



- performance information is clearly linked to the:
  - ⇒ strategic directions set by the Board to allow the ABC to meet its Charter obligations; and
  - ⇒ corporate planning and budgetary process.

## Management performance information framework

**6.10** The ABC collects a wide range of data that would be relevant to the assessment of performance. This includes financial data associated with the cost of inputs (staff salaries and on-costs, accommodation costs and related capital costs) as well as data about the audience reach and share of radio and television programs. Some of this is tabulated for inclusion in activity reports for executive management and the Board and for publication in the ABC's three accountability documents. As previously mentioned, until recently the ABC had not taken steps to transform available data into useful performance information. In addition, some key data had not been compiled. This includes data about the quantity and quality of output and the aggregation of it, data relating to the accrual expense of output suitably disaggregated into the factors of production, data about audience reach and share of radio and television broadcasts for many parts of rural and regional Australia and data concerning the attitudes of Australians to the ABC and its programs.

**6.11** Although some attitudinal data is compiled from time to time, it may be too generic to be of value in relation to particular programs. The ABC maintains substantial databases and does publish some relevant data including time series trends in the Annual Reports. Examples include reach and share data in relation to individual radio and television programs broadcasting in the main population centres, quantity of hours broadcast, and the analysis of content broadcast in relation to categories such as Australian content, ABC made programs (first run), and time of broadcast. The recent introduction of an improved system for the classification of broadcast output in terms of genres would assist the ABC publish more useful performance information on a more systematic basis.

**6.12** In summary, the ABC is data-rich, but relatively information-poor. The challenge for the ABC is to transform the data that it does collect into knowledge useful to strategic management. As explained above, and elsewhere in the report, the ABC, in response to the Chairman's 1999 initiative, has started to address the systemic performance information shortcomings, almost all of which had been extensively documented in earlier reviews of the ABC.

### *Divisional performance indicators*

**6.13** Following the Board's approval of the ABC's Corporate Plan for 2001–04, Divisions are in the process of developing the necessary Divisional Business Plans. These may include a range of performance measures to measure effectiveness, efficiency and productivity. It is important that these measures specifically relate to the objectives to be measured and that the measures adopted are valid measures of performance and/or assessment in relation to the objectives specified in the *2001–04 Corporate Plan*.

**6.14** The work of the Divisions was insufficiently advanced during the audit fieldwork to enable the ANAO to establish how effectively these performance information measures were aligned with the performance measures being developed in the framework of the Corporate Plan. However, the drafts of business plans under development at the time of the audit still had some way to go in satisfying these requirements.

### *Internal benchmarking*

**6.15** In July 1996 the government appointed Mr Bob Mansfield, to review the future role and functions of the ABC. His report, *The challenge of a better ABC*, was published in 1997. Amongst other things, Mr Mansfield reported that there were significant differences in the costs per listener of individual ABC radio networks. He presented tabulations of the direct costs per listener per year for the six ABC Radio Networks.<sup>106</sup>

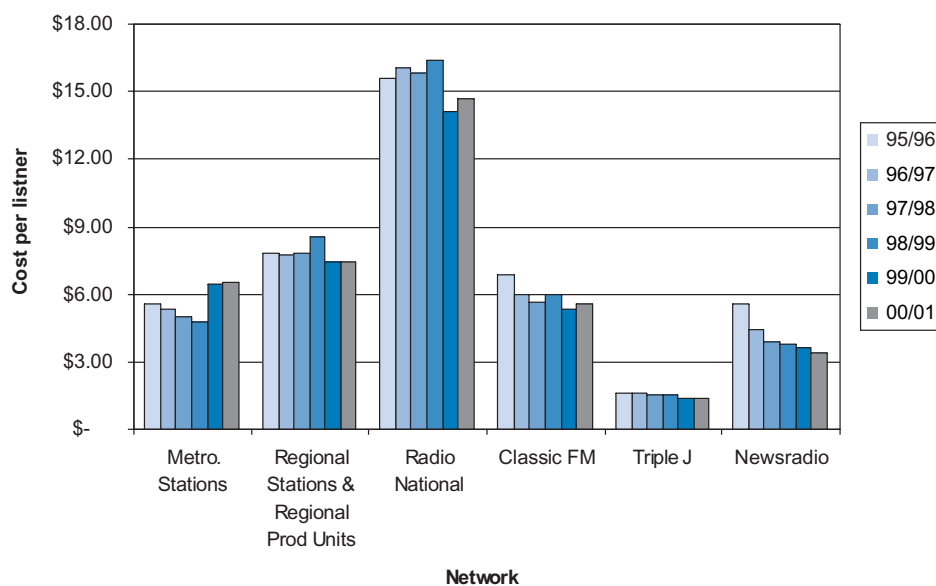
**6.16** At the ANAO's request, the ABC calculated costs per listener for the radio networks using, to the extent reasonable, the same methodology that had been used for Mr Mansfield. The results are shown in Figure 5. This analysis shows that costs per listener have declined for all radio networks, except the metropolitan stations. As the quantity of output has not decreased, this would suggest an increase in the relative efficiency of those radio networks (except for the metropolitan stations).

**6.17** The ANAO understands that the ABC is in the process of implementing systems that will enable the routine presentation of information such as this for the three output divisions, Radio, Television and New Media.

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<sup>106</sup> *The challenge of a better ABC* (Mansfield Report), 1997, p. 34.

**Figure 5**  
**Indicative Average Annual Net Cost Per Listener**



Source: ABC

*Internal developments and international benchmarking*

**6.18** The ANAO noted that considerable efforts were being directed towards developing improved business management information arrangements across divisions in the Corporation. Prior to establishing the Corporate Planning and Governance Unit in March 2001, the FFSS Division had commenced work on the definition and measurement of a range of performance measures. The ANAO was advised that the performance measures developed by the FFSS Division were aimed at assisting the ABC to understand its performance in terms of efficiency and effectiveness. Whilst the FFSS Division has a particular focus on the measurement of efficiency and productivity, a number of the measures under development may help the ABC better understand efficiency and productivity performance than is currently the case. In the ANAO’s view, useful measures of efficiency and productivity require more accurate assessment of output and the total cost of their production than the current draft measures would provide. Useful measures also require consistent application over time as they can involve the tracking of variations in efficiency and productivity over time. The absence of accurate measures of output and the need for financial management systems to readily produce accurate details of the total cost of output (as well as accurate measures of the total costs of the factors of production) is indicative of the challenge ahead in this area of management. The ANAO encourages the ABC

to complete the useful work now underway by the adoption of more satisfactory measures of productivity and efficiency. To be fully effective, such indicators should be developed in close consultation with all divisions to maximise 'ownership' of them throughout the ABC.

**6.19** This latter work was being undertaken in tandem with activity on developing a system of performance benchmarking among a group of national public broadcasters from Europe, North America and New Zealand. Some of the measures could prove useful now that the new Corporate Plan is finalised. The ANAO encourages the proper integration of the potentially useful work on performance information now being progressed by the FFSS Division into the corporate planning framework.

## Performance information in the Annual Report

**6.20** Reporting on the achievement of objectives in the Annual Report completes the accountability cycle and is the major means to satisfy Parliament that the ABC has performed satisfactorily in terms of its Charter obligations and has operated efficiently and effectively.

**6.21** Section 80 of the ABC Act requires the ABC to prepare an Annual Report. The section specifies a number of requirements about the Annual Report. In particular s80 (i) requires the ABC to provide an assessment of the extent to which the objectives of the Corporation and its subsidiaries during the year have achieved the objectives of the Corporation and its subsidiaries under the Corporate Plan and fulfilled the functions of the Corporation.

**6.22** Section 80 also requires the Annual Report to be prepared under s9 of the CAC Act. Schedule 1 to the *Commonwealth Authorities and Companies Orders 1998* issued by the Finance Minister (and known as the Finance Minister's Orders), pursuant to s48 of the CAC Act, also provides detailed requirements about the information to be published in the Annual Report.

**6.23** Amongst other things these Orders require that performance information produced by the outcomes and output framework and used in an agency's Portfolio Budget Statement be published in the Annual Report. The Orders apply to all Commonwealth entities in the general government sector governed by the CAC Act. Finance has stated that a purpose of the Orders is to achieve consistency of reporting across the sector and between agencies within the general government sector. The CAC Act requires the Minister to table the Annual Report when it is received from the Commonwealth entity. The Orders require that the performance expectations set out in the PBS should be reported against in an agency's Annual Report.

### *1999–2000 Annual Report*

**6.24** The ABC's Annual Report 1999–2000 presents performance information at two levels. Firstly, it provides a summary of performance in relation to the five key areas outlined in the ABC's Corporate Plan 1999–2000 and, secondly, a more detailed analysis of performance by service area. That is, how each service area has contributed towards the achievement of the five objectives outlined in the Corporate Plan. These are reported by each of ten organisational areas of the ABC. However, there is no overall account of corporate, as distinct from organisational unit, performance in terms of the structure of outcomes and outputs described in the PBS for 1999–2000, as required by the Finance Minister's Orders.

**6.25** The ABC's Annual Report makes limited comparison between the performance measures proposed in the Corporate Plan and the actual performance achieved. In some instances reference is made to measures. However, this appears to be for comparative purposes only. For example, ABC Television Audience average regional weekly reach was 3.978 million people, a decrease of 0.242 million over 1998–99.<sup>107</sup> The 1999–2000 Annual Report also provides an analysis of the content broadcast on radio and television.

**6.26** However, the information in the Annual Report does not connect to the information outlined in the PBS. The Annual Report could have provided the detailed performance information foreshadowed in the 1999–2000 PBS. It could have more clearly reported on the achievement of the outcomes specified in the PBS and given a more informative account of the production of output, referring in particular to the strategies and performance measures mentioned in the PBS.

**6.27** Overall, the 1999–2000 Annual Report could have more clearly addressed how the ABC has performed in achieving the ABC's Charter obligations.

### *2000–01 Annual Report*

**6.28** In October 2000 the Minister for Communications, Information Technology and the Arts wrote to the Chairman of the ABC informing him of concerns about the quality of the ABC's 1999–2000 Annual Report. The Minister recommended that the ABC Board take steps to ensure that the 2000–01 Annual Report is more fully consistent with the requirements and guidelines laid down in legislation, and more fully meets the standards required of agencies under the government's accrual budgeting framework. The ABC has responded to the concerns raised by the Minister. For example, the ABC has established improved arrangements and procedures to produce an Annual Report of a satisfactory standard that complies with statutory requirements. The ANAO had the opportunity to review

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<sup>107</sup> ABC Annual Report 1999–2000, p. 43.

a final draft of the ABC's 2000–01 Annual Report. The ANAO is satisfied that the new Annual Report does not have the shortcomings of that of the previous year and does comply with statutory requirements. In addition, the new Annual Report provides a more coherent, and corporate, account of performance in relation to the results expected with such results stated in terms of outcomes and outputs as required by statutory guidelines.

## Alignment of internal and external goal setting

**6.29** The ANAO considers that for the ABC to be successful in achieving the objectives set out in the Chairman's 1999 discussion paper, it must integrate more effectively the reforms it is undertaking in internal performance management with the external performance requirements under the Commonwealth's outputs-based accrual framework. This framework requires the ABC to move away from reliance principally on an input or organisational unit based mode of financial administration and establish its own Corporation-wide financial management systems that relate to the outcome/outputs-based accrual framework. This would enable the ABC to manage resources in relation to what is produced and achieved as well as monitoring input resource usage on the more familiar administrative basis. In practical terms the adoption of this framework in the manner envisaged would overcome resource management problems diagnosed by McKinsey and Company in 1973 and Dix in 1981 and which have persisted in the ABC for some time. It would result in a more streamlined approach to resource management. It would also be the means to facilitate management by results (ie. management that is more oriented to what is produced and what is achieved) throughout the ABC, the integration of internal and external performance reporting, the presentation to the Board of integrated financial and performance information, thus enabling the Board (and executive management) to make decisions based on marginal cost analysis (ie. what extra might be produced/achieved for an extra quantum of resource).

**6.30** The ANAO considers that better coordination and consistency between internal performance reporting (to Management and the Board) and external performance reporting (to Parliament through the government) would assist the ABC to better and more easily satisfy governance and accountability requirements. Ideally, the content of the three principal accountability documents (the Corporate Plan, the PBS and the Annual Report) would contain performance information that was consistent with internally-oriented business management reporting and reports on results and performance management improvement efforts would be better aligned. The opportunity exists for the ABC to also achieve efficiencies as a result of streamlined reporting arrangements.

**6.31** The importance of publishing quality performance information in the key accountability documents of agencies and having it scrutinised by parliamentary committees has been raised in the past by the JCPAA, most recently in the JCPAA's Report 374.<sup>108</sup>

**6.32** In that Report the JCPAA stated:

*The Committee believes there would be merit in standing committees reviewing the performance information contained within annual reports. In addition to examining whether an agency has met its performance targets, investigation could include:*

- *how the agency actually measured its performance;*
- *the reasons for non-achievement of particular performance targets;*
- *whether particular targets are sufficiently challenging;*
- *how the agency set its targets, for example, external benchmarks may have been used; and*
- *whether, with the benefit of hindsight, other performance measures and targets would have been more appropriate.*<sup>109</sup>

**6.33** The ANAO considers that the parliamentary scrutiny envisaged by the JCPAA could help improve the quality of the ABC's internal management reporting and may contribute to the improved performance of the ABC.

## **Conclusion**

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

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<sup>108</sup> Review of the *Financial Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997* Joint Committee of Public Accounts and Audit, Report 374. March 2000.

<sup>109</sup> *ibid.*, paragraph 3.46, p. 39.



## Recommendation No. 11

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

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

### *ABC response*

**6.36** As far as part (a) is concerned, the ABC agrees strongly with the need to ensure effective alignment of the planning and reporting framework—specifically the Corporate Plan, Portfolio Budget Statement and Annual Report—in articulating the Corporation’s objectives, strategies and performance.

**6.37** Internal divisions of the ABC, when making their annual budget bids, are required to provide Operational Strategy Statements describing what levels of service they propose to provide in accordance with the Corporate Plan. Output budgeting is used for preparation of the Portfolio Budget Statement, each year, and the Corporation provides monthly external reports on its performance.

**6.38** The ABC is working to—and, as the ANAO acknowledges—is making progress to further enhance the relevance and quality of periodic internal reporting through use of the output budgeting framework to complement existing processes including reports against Corporate Plan objectives and divisional activities.

**6.39** With regard to part (b), the ABC agrees also to actively consider further refinement of management information systems to incorporate financial and non-financial information that is relevant to the achievement of Charter requirements and corporate objectives.

**6.40** The use of a discipline such as scenario-based cost analysis needs to be used in conjunction with other measures that address qualitative requirements of legislation such as innovative and comprehensive services, the contribution of the ABC to national identity, cultural diversity, the encouragement of musical, dramatic and other performing arts in Australia, and services of a high standard.

## A better practice performance information framework

**6.41** As discussed elsewhere, the Chairman has initiated a series of reforms to improve the accountability and performance of the ABC and ABC management has proceeded to implement these. The ANAO understands that, amongst other



things, an objective of these reforms is the establishment of an improved performance information framework. As that work had not been fully completed at the time of this audit, the ANAO has developed the elements of a performance information framework. It builds on the initiatives now in train and is designed to address shortcomings in the ABC's past practice in this area and take into account the advice on these matters previously provided to the ABC.

**6.42** Good corporate governance requires that the Board establish systems that enable it to set broad targets for the corporate performance of the ABC. Targets would relate to the achievement of outcomes, the production of output, levels of productivity and efficiency, patterns of expenditure in relation to output (especially genre) and the performance of ABC enterprises. The broad targets would relate to priorities amongst the genres of content broadcast, the achievement of improved program quality standards and increased impact on the different elements of the Australian listening and viewing community.

**6.43** The Board could approve expenditure priorities and targets amongst genres, and targets for a range of measures that link costs of production to expected audience impact. Examples of such indices include cost per audience reached and cost per share of audience gained for each genre, in relation to measures of quality and demographics. There is a range of other indices that may be composed by combining the relevant outcome, output and expenditure variables as ratios. Such indices for ABC Radio and Television would form a useful part of the ABC's new performance information framework. Of course, it would not be expected that creative organisations such as the ABC would be solely driven by economic ratios. However, they do provide a starting point on which to base more rational decision-making.

**6.44** McKinsey & Company periodically examines the performance of national public sector broadcasters throughout the world. In 1998, the company published a comparison of the performance of public service broadcasters in 20 markets on four continents.<sup>110</sup> This included the ABC. In the report, McKinsey & Company point out that almost all national public sector broadcasters have similar goals, aiming to broadcast a range of high-quality programs that are unbiased, meet accepted standards of taste and decency, educate and inform viewers, and promote national cohesion.<sup>111</sup>

**6.45** The Company reports that the broadcasters can achieve their goals in today's increasingly deregulated highly competitive environment. The report

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<sup>110</sup> *Public Service Broadcasters Around the World*, McKinsey and Company London 1998. This study was commissioned by the BBC that periodically commissions the company to conduct surveys of public service broadcasters around the world.

<sup>111</sup> 'Keeping *Baywatch* at Bay' Blake, A.D., Lovegrove, N.C., Pryde, A., and Strauss, T., *McKinsey Quarterly* No 4, 1999 pp. 18–27. This article is an abridged version of the above-mentioned report.

notes the varying levels of success of the national broadcasters, refers to some of the performance measures that can be used and discusses some of the strategies of the more successful broadcasters. One such strategy is that *'the autonomy of individual departments is being reined in to promote more careful planning of a broadcaster's overall output.'*<sup>112</sup> McKinsey & Company note that the more successful broadcasters will be those that, amongst other things, *'show a broad mix of high-quality programs that attract meaningful market shares; enjoy substantial and dependable funding; and have lean, efficient organisations.'*<sup>113</sup> The most successful national public sector broadcasters not only maintain the program quality that makes them distinctive, but also increase their market shares. Clearly, effective performance reporting systems that demonstrate the achievement of high quality programs with meaningful market shares and an efficient organisation would place a public broadcaster in a stronger position to mount a credible argument for substantial and dependable funding.

**6.46** Amongst other things, McKinsey and Company found that public service broadcasters could exert market pressure on commercial broadcasters to achieve a society's aims for its broadcasting market. To do so requires a sustained successful performance by the public service broadcaster in relation to two variables. These are: distinctiveness of broadcasts and the maintenance of a sufficient share of the market. The share required to exert market pressure varies from one country to another and from one program genre to another.

**6.47** In the past the ABC Board has approved objectives for the Corporation that require the Corporation to achieve higher and measurable standards of performance. For example, in 1984 the then Chairman of the ABC Board announced that the ABC Board had approved performance goals for the ABC. The goals were to be achieved within four years, by 1988. They included:

- an increase to the ABC's Australian content in television to 65 per cent; and
- building the ABC's share of the viewing audience in the 7 pm to 9 pm time slot to 20 per cent.<sup>114</sup>

**6.48** The ANAO considers that the basic performance information building blocks (that would also enable national and international comparisons) for outcomes and output relevant to the ABC's broadcast services include:

- the classification of the content broadcast on radio and television into genres;

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<sup>112</sup> *ibid.*, p. 25.

<sup>113</sup> *ibid.*, pp. 26–27.

<sup>114</sup> Whitehead, Geoffrey *Inside the ABC* Penguin Books 1988 pp. 46, 74, 75. Mr. Whitehead was Managing Director of the ABC from 1983 to 1986.

- the measurement of Australian content and the measurement of proportion of genre purchased from overseas;
- the measures of audience reach, share and appreciation, particularly in relation to socio-economic and demographic classifications;
- audience evaluation of content in relation to the genres;
- the use of appropriate ratios of outcome, output measures and expense information; and
- the use of operational measures of the key concepts in the ABC's legislative framework, including those in the Charter, such as, comprehensive, innovative, high standard, national identity, cultural diversity, educational nature, awareness of Australia, multicultural character of the Australian Community.<sup>115</sup>

**6.49** Whilst the above relates to outcomes and output relevant to the ABC's broadcasting services, there may be an outcome and output that are separate from broadcasting. It is for consideration whether the Charter requirement for the ABC '*to encourage and promote the musical, dramatic and other performing arts in Australia*' requires a non-broadcasting output distinct from those relevant to the ABC's broadcasting functions.<sup>116</sup>

**6.50** Many overseas broadcasters do set themselves targets in terms of audience reach and share in different timeslots, audience appreciation indices and the like. Although some broadcasters publish such targets, others do not. In addition overseas broadcasters are measuring the efficiency of production costs such as costs per hour per genre. Increasingly, overseas national public broadcasters are under more and more pressure to demonstrate the value for money their services are providing.

**6.51** Given the financial resources of the ABC in terms of its annual budget and the assets employed, it would be an operational reality that the ABC could achieve annual productivity gains, including efficiency gains. Accordingly, another important element of the ABC's performance information framework

<sup>115</sup> Amongst such operational measures should be a measure of 'quality'. A feature of the Canadian Auditor-General's report of 29 June 2000 about the Canadian Broadcasting Commission was the development and use of such a measure by the Canadian Audit Office. The Canadian Auditor-General also addressed the need for the Canadian Broadcasting Corporation to develop a satisfactory measure of the concept of 'distinctively Canadian' which occurs in Canada's *Broadcasting Act*, the legislation that establishes the Canadian Broadcasting Corporation. This is a similar concept to that of 'national identity' in the ABC's Charter. Canadian Broadcasting Corporation—*Special Examination Report*, 29 June 2000 by the Office of the Auditor General of Canada, p. 7 and pp. 18–26.

<sup>116</sup> In this regard, the Tribe Report noted that '*The charter (Sec. 6) gives to the Corporation the function, independent of its broadcasting obligations (c) to encourage and promote the musical, dramatic and other performing arts in Australia*'. *Study into the Future Development of Orchestras in Australia* Report of the Study Group to the Cultural Ministers Council March 1985, AGPS 1985. p.15 (emphasis added).

should be targets of expected productivity gains for the Corporation as a whole, supported by nominated efficiency gains in particular areas of administration. It is interesting to note that when the latest increase in the BBC licence fee was approved, it was on condition that efficiency savings were achieved. To this end, the BBC has set itself a target of reducing non-content expenditure from 24 per cent to 15 per cent. Although only about 14 per cent of the ABC's revenue derive from commercial services, it could be expected that a target return from these services could also be set and achieved.

**6.52** Performance measures used by the ABC, and the resultant information reported needs to be consistent, reliable and valid. This is essential to enable Parliament and the public to see clearly inter-temporal variations that should be the subject of explanation by the ABC in those cases where the variation is significant. Such information is needed so that members of Parliament and the public generally might readily assure themselves of how well the ABC meets its Charter over time. It also enables an agency's executive to assess progress of the agency in achieving its goals, to make informed decisions and, where necessary, to take remedial or preventative action.

**6.53** The Canadian Auditor-General came to similar conclusions as a result of its Special Examination of the Canadian Broadcasting Corporation, the Report of which was tabled in the Canadian Parliament in 2000. The Canadian Auditor-General suggested that the Board and the CEO work together to develop an integrated performance information framework that meets the needs of both the Board and the CEO.<sup>117</sup> He considered that this framework should define performance indicators that would be a common feature of all plans and performance reports, including the elements that make up the longer term strategy such as programming results, reach expectations and resources used to deliver them. Information about risks, stakeholder relationships and performance against 'Promises' made to Canadians should also be included. The Board of Governors of the BBC provides such a report each year as part of its accountability framework.

**6.54** The Canadian Auditor-General used a Quality Ratings Survey (QRS) to examine whether the CBC has a higher proportion and diversity of high-quality, prime time Canadian programs with significant audience share. The QRS was developed by the CBC's research department to measure audience satisfaction, as a broad but reliable indicator of how audiences assess program quality.

**6.55** The ANAO is aware that the ABC, like many agencies, faces significant ongoing change in both its external and internal environments. In this dynamic

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<sup>117</sup> Canadian Broadcasting Corporation—*Special Examination Report*, 29 June 2000 by the Office of the Auditor General of Canada, p. 15.

environment, the ABC Executive requires the flexibility to deal with new and emerging issues and risks, and to adapt and respond to unforeseen matters that require action or intervention. Such matters do not always fit neatly into the outcome, output framework developed in its resource management context.

## **Conclusion**

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

**6.57** The ANAO expects that the initiatives endorsed by the Board in 1999 and now being implemented by ABC management, along with initiatives such as the international benchmarking study, will come to fruition over the next few years. They have the potential to improve significantly the quality of the ABC's performance information and consequently the accountability of the ABC in demonstrating it is achieving its Charter obligations. They should also assist ABC management to improve the performance and value for money outputs and outcomes achieved by the ABC.

## **Recommendation No. 12**

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

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

*ABC response*

**6.59** The ABC agrees to re-examine the content and presentation of information in its key accountability documents to ensure they adequately report on the Corporation's performance in relation to its Charter obligations.

## 7. Understanding the Audience—the Role of Audience Research

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*The relevance of the ABC to Australia largely depends on the extent to which Australians use ABC services. This Chapter examines a range of data about the use of leisure time by Australian adults and children and data on the reach and share of ABC Television. These patterns have implications for the assessment of the ABC's performance in relation to its Charter. In addition, the Chapter reviews developments in audience research in the ABC.*

### Introduction

**7.1** The extent to which the outputs and outcomes set for the ABC in its Charter are achieved, depends in large measure on the extent to which Australians use the ABC's services. There is a wide range of data and information that can assist the ABC to better understand the relevance of its broadcasting and on-line services to Australia by improving the understanding of its audiences and those that do not access ABC broadcasting services.

**7.2** Sources include direct feedback to the ABC on programs, focus group research and surveys of attitude and behaviour specially commissioned by the ABC, research conducted by private audience research organisations, reach and share data from ratings agencies, surveys by the ABS of Australians' use of time. The ABC uses this data and information to measure the achievement of the ABC's outcomes and to evaluate the relationships between the ABC's outputs and its outcomes.

### Audit approach

**7.3** The ANAO examined some of this data in order to identify major trends in behaviours and attitudes that have a bearing on people's access to ABC broadcasting services as well as trends in access to those services.

**7.4** The ANAO recognises that the data analysed provides only a partial picture of ABC performance. The ABC's broadcast output covers three mediums: radio, television and new media. A valid measure of audience behaviour in relation to ABC output will comprehend the three mediums. However, the ANAO's analysis was restricted to television reach and share data for two main reasons:

- ABC Television is the highest cost output group of the three; and
- the ANAO did not wish to examine the results of audience surveys unless satisfied with the survey methodologies used to obtain the data. In the

time available to complete the audit, the ANAO's examination of audience research survey methodology was restricted to the methodology of surveys of television audience behaviour.

**7.5** In addition, given the range of issues examined in this audit and the formative nature of most relevant performance information, the ANAO considered that it would be sufficient for the purpose of the audit to report analyses of television reach and share data to demonstrate the value of the analyses as well as provide insights into aspects of ABC's performance.

**7.6** The requirement to bring all relevant research together for the ABC is one of the main tasks of the audience research function. This function was undergoing substantial change during the audit. The ABC has advised the ANAO that it places a high priority on this function. An audience research expert has been appointed to review the current performance of this function in the ABC and to recommend a better approach.

## Australians and broadcasting services

**7.7** Media consumption habits and preferences vary significantly across the Australian population.<sup>118</sup> The Productivity Commission reported the results of research commissioned for its inquiry into the broadcasting industry that showed clear relationships between media consumption habits and preferences and key socio-economic characteristics.<sup>119</sup> Media consumption—especially consumption of new media—generally increases with socio-economic status, in the sense of the purchase of a greater quantity and an increasing variety of media products and services.

**7.8** The Productivity Commission reported that the total consumption of newspapers, television and radio did not change greatly during the 1990s. In contrast, use of the Internet and subscription television grew strongly. Growth in the popularity of the cinema was also evident. There are increasing demands on people's use of time which presents increased challenges on the free to air broadcasters. Apart from increased pressures of the work place, there is a growing diversity of cultural, recreation, leisure and information pursuits. The new technologies of pay-television, the Internet and personal computers may take precedence over broadcast services for an increasing proportion of the population. This trend may be temporary as the extent of convergence of broadcasting and information-processing technologies increases.

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<sup>118</sup> Productivity Commission, (2000), *Broadcasting, Inquiry Report No 11*, 3 March 2000 Ausinfo, Canberra, p. 65.

<sup>119</sup> *ibid.*, pp. 65–68.



**7.9** The Productivity Commission reported that the impact of these various trends (work pressures, diversity of pursuits and new technologies) on media consumption, particularly the use of broadcast services, varies significantly with people according to age, occupation, gender, region and place of residence and family circumstances.<sup>120</sup> The time of day is relevant, as is the day of the week. Seasonal factors, including popular holiday periods, are important. Nevertheless, there are many standard patterns in people's use of time, their use of media services and their preferences for particular modalities and varieties of broadcasting services. All of these considerations have a bearing on the achievement of the ABC's required outcomes and the strategies used to achieve them.

### **The ABS Time Use Surveys**

**7.10** Watching television and listening to the radio are significant activities for most Australians. The time spent by people using broadcast services (that is, watching television or listening to the radio) depends on the time spent on other activities such as paid work, family and other commitments, sleeping, eating and the like. This means that the time that most people have for watching television, for example, is concentrated into certain specific periods of a 24-hour day. In order to understand people's use of broadcast services it is important to understand how their use of time is structured.

**7.11** The Australian Bureau of Statistics (ABS) has compiled comprehensive data of Australians' use of television, radio and on-line media through its Time Use Surveys conducted in 1992 and 1997. According to the ABS, the activities on which people spend their time can be divided into four main categories as follows:<sup>121</sup>

- necessary time—personal survival activities such as eating and sleeping;
- contracted time—activities that are governed by explicit contracts such as paid work or regular education;
- committed time—activities such as housework or child care where a person has committed him/herself because of previous social or community interactions; and
- free time—the amount of time left when the previous three types of time have been taken out of a person's day.

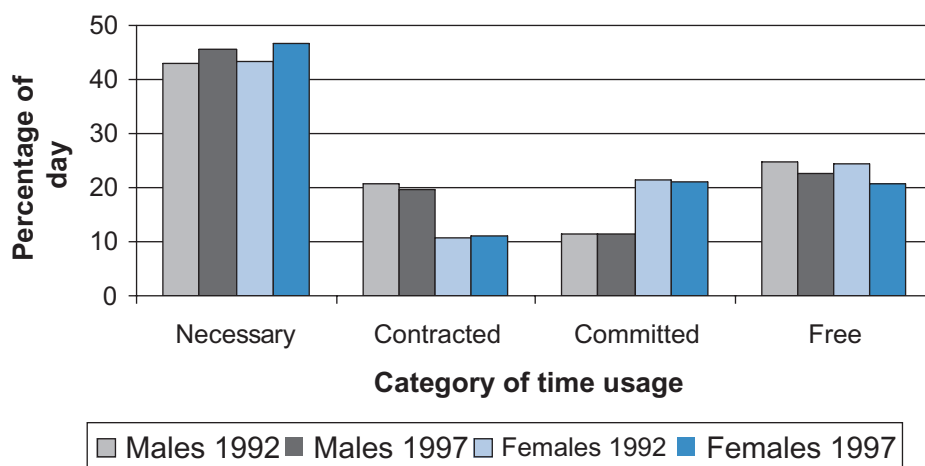
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<sup>120</sup> *ibid.*, Ch. 2.

<sup>121</sup> Australian Bureau of Statistics (1997) *How Australians Use Their Time. ABS Catalogue No. 4153.0.* Commonwealth of Australia, Canberra, p.1.

7.12 People’s use of time in relation to these categories as revealed by the ABS surveys is shown in Figure 6. Amongst other things, the ABS surveys show that males spend more of their time on recreation and leisure (20 per cent) than females (18 per cent).

**Figure 6**  
Categories of time usage by gender and by year



Source: Australian Bureau of Statistics (1997) How Australians Use Their Time. ABS Catalogue No. 4153.0. Commonwealth of Australia, Canberra, p.17–18.

7.13 ABS data shows that Australians spend almost half (46.6 per cent) of their free time using some form of audio-visual media, including television, radio and the Internet.<sup>122</sup> The survey data shows that the proportion of recreation and leisure time spent watching television increased over the period and that Australians watched 10 per cent more television in 1997 than in 1992 (Figure 7). Furthermore, the ABS surveys show that males consistently watch more television than females and that most television viewing occurred between 6pm and 10pm. Peak viewing times vary with age as Figure 8 shows.<sup>123</sup>

<sup>122</sup> *ibid.*, p. 37.

<sup>123</sup> *ibid.*

**Figure 7**

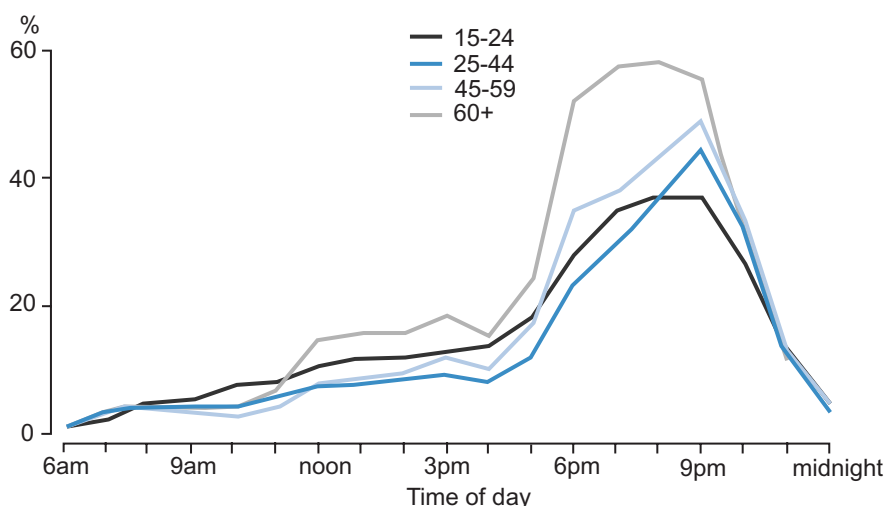
**Average time (minutes per day) spent watching television as a main activity by gender by year.<sup>124</sup>**

	1992	1997	per cent change
Males	114	126	10.5
Females	92	102	10.8
Persons	103	114	10.7

Source: Australian Bureau of Statistics (1997) *Cultural Trends in Australia: A Statistical Overview*. ABS Catalogue No. 4172.0. Commonwealth of Australia, Canberra, p.86.  
 Australian Bureau of Statistics (1997) *How Australians Use Their Time*. ABS Catalogue No. 4153.0. Commonwealth of Australia, Canberra, p.41.<sup>125</sup>

**Figure 8**

**Television viewing patterns by age group**



Source: Australian Bureau of Statistics (1997) *How Australians Use Their Time*. ABS Catalogue No. 4153.0. Commonwealth of Australia, Canberra, p.10.

<sup>124</sup> The ABS explains that for 'main activities' only those activities reported as the main activity in a particular time period are tabulated. The time spent on main activities per day add to the total number of minutes in a day, 1440 minutes. The ABS advises that this is an internationally accepted method for presenting time use data. *ibid.*, p. 16.

<sup>125</sup> ANAO notes that the ABS time use surveys report a consistently lower amount of time spent by people viewing television than is recorded by ACNielsen surveys. This is partly because the ABS estimated time spent viewing television as the main activity, not as part of all activities. When the latter is estimated data similar to the ACNielsen estimates are obtained. Similarly, the increase in time spent viewing television between 1992 and 1997 is not detected by ACNielsen. ANAO understands that apart from differences in the variable estimated as previously explained, differences in survey purpose, design methodology, sampling methodology, definitions and reference periods may also help explain these differences.

**7.14** According to the ABS's 1992 Time Use Survey, almost two-thirds (64 per cent) of Australians listened to the radio on an average day; this was usually while they were doing something else, such as driving, shopping or doing housework.<sup>126</sup>

### *Children's participation in cultural and leisure activities*

**7.15** According to the ABS, in the 12 months to April 2000, 29 per cent of children aged five to 14 years were involved in at least one of four selected organised cultural activities (playing a musical instrument, singing, dancing or drama) outside of school hours. By comparison, 59 per cent of children in that age group participated outside of school hours in sport organised by a school, club or association. During the year, 30 per cent of children did not participate in either organised sport or one of the organised cultural activities.<sup>127</sup>

**7.16** Nearly all children were involved in at least one of five selected leisure activities outside of school hours in the most recent two school weeks: 97 per cent of children watched television or videos, 69 per cent played electronic or computer games, 64 per cent rode bikes, 44 per cent spent time on art and craft activities and 31 per cent skateboarded or roller-bladed.

**7.17** During or outside of school hours, 95 per cent of children aged five to 14 years used a computer and 47 per cent accessed the Internet in the 12 months to April 2000.

**7.18** The Productivity Commission reported that children watch less television than adults on average—that is, 2.5 hours per day compared with 3.5 hours per day.<sup>128</sup> Most children's viewing occurs directly before and after school. The Productivity Commission reported that total television viewing by children, like that by adults, was fairly stable during the 1990s, although there was a drift from free-to-air to subscription television.<sup>129</sup>

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<sup>126</sup> Australian Bureau of Statistics (1997) *Cultural Trends in Australia: A Statistical Overview*. ABS Catalogue No. 4172.0. Commonwealth of Australia, Canberra, p. 81.

<sup>127</sup> Australian Bureau of Statistics (2001) *Children's Participation in Cultural and Leisure Activities* released 18/1/2001.

<sup>128</sup> Productivity Commission, (2000), *Broadcasting, Inquiry Report No 11*, 3 March 2000 Ausinfo, Canberra, p. 71.

<sup>129</sup> As this data is based on surveys carried out between 1991 and 1999 it does not pick up the decline recorded by surveys in 2000 and 2001 referred to in this Chapter. ANAO notes that the data reported by the Productivity Commission did not reflect the trend of increased time spent watching television over the decade detected by the ABS surveys shown in Figure 3. ANAO understands that this may be because of differences in survey methodology, population samples surveyed, definitions and reference periods.

## ABC audience research

7.19 The ABC obtains television audience data on reach and ratings from two private sector ratings agencies. OzTAM supplies data for the five metropolitan cities (Brisbane, Sydney, Melbourne, Adelaide and Perth) and ACNielsen for certain principal regional areas. Prior to the establishment of OzTAM, ACNielsen supplied the ratings data for the five metropolitan cities.

7.20 OzTAM is a company owned equally by the three commercial television networks, Channels Seven, Nine and Ten. OzTAM has awarded a television measurement service contract to ATR Australia. This company is responsible for the collection and processing of data, but OzTAM owns the copyright to the data and all associated propriety rights. The ABC is currently negotiating to join the Board of OzTAM. Exact details are still to be finalised, but the plan is for the ABC to become a non-voting shareholder, whilst at the same time capping the Corporation's financial liability.

7.21 Regional television data is collected and sold commercially by ACNielsen. The ABC purchases the data from ACNielsen in precisely the same way as all other television broadcasters. The contract runs until the end of December 2002. The industry is currently reviewing its future requirements and the ABC is working primarily with relevant commercial regional broadcasters to consider various alternative proposals.

7.22 Based on advice from the ABS, the ANAO is satisfied that the estimates obtained by the OzTam and ACNielsen surveys are accurate and reliable measures of audience behaviour in relation to the ABC.

## Audience reach and share: ABC Television

7.23 The ANAO analysed a range of time series data of audience reach and share for ABC Television. The time series are for specific time slots (for example, Sunday 7 pm to 7.30 pm) and for a selection of particular age and gender groups. The ANAO analysed data obtained by the ABC from ACNielsen surveys of five metropolitan cities for all television free to air broadcasters for the period 1991 to 2000. A selection of the graphs produced by this analysis are included as Figures 1 to 23 in the Statistical Appendix to this report.

7.24 The television industry uses two basic measures of viewing behaviour. The **audience reach** of a broadcaster is an estimate of the percentage of the total population watching that broadcaster. On the other hand, **audience share** of a broadcaster is an estimate of the number of people watching that broadcaster as a proportion of people watching television.

**7.25** The ABS advised changes in reach may reflect changes in population dynamics as well as changes in the preferences of viewers. That is, a change in a broadcaster's reach population may indicate that:

- the population of interest has grown; and/or
- the proportion of this population viewing the broadcaster has grown.

**7.26** Given the reach figures provided are in gross number of persons, a change in proportion over time is ambiguous. The ABS advised that because of this ambiguity it would be helpful to the analysis of reach data to distinguish between these two types of change to better understand changes taking place in television viewer behaviour. By not adjusting for real growth in the reach population, the effects of any population change and any change in viewing preference are confused.

**7.27** The ABS advised that in all of the underlying populations sampled by the ACNielsen surveys, there is fairly uniform annual growth of about two per cent except for populations for the 0–4, and 0–12 categories. The 0–12 category shows either a stable population or a slight decreasing trend, whilst the 0–4 category has a noticeably decreasing trend.

**7.28** Thus, even if the proportion of persons viewing the ABC does not grow, a growth in the reach figures of about two per cent would be expected, except, of course, for the 0–12 and 0–4 categories which are subject to different demographic trends as previously mentioned.

**7.29** The ABS adjusted for this by measuring two growth figures:

- per cent growth in the reach population; and
- per cent growth in the underlying population.

**7.30** The quantity preference is simply the difference in these percentage growths, that is:

- Preference = (per cent growth in the reach population) — (per cent growth in the underlying population).

**7.31** In the graphs in the Statistical Appendices the three variations are shown as reach, growth and preference respectively.

## **ABC Television audience changes over time**

**7.32** The analysis showed that over the last ten years there has been a decline in the proportion of the population using free to air broadcasting services of all the major television broadcasters, including the ABC. Figure 1 shows that the number of people watching ABC Television as a proportion of people watching

television has generally increased (ie. ABC share). However, the number of people watching ABC Television, as a proportion of the total population (ie. ABC reach) has generally declined over the past decade (see Figure 3). Closer analysis of ABC share shows that there has been a decline in ABC's share of younger adult viewers (under 40) (see Figures 4 to 7), but an increase in ABC's share of older viewers (see Figures 8 and 9).

### *ABC Television audience reach*

**7.33** In particular, the analysis of ABC Television reach shows the following:

- For metropolitan viewers, there has been a decline of almost five per cent over the decade in the proportion of persons who watch ABC Television from a peak of 72.4 per cent in 1993 to 67.6 per cent in 2000 (Figures 10 and 11). It should be noted that while the figure of five per cent is an accurate estimate of the difference between the 1993 and 2000 figures, the drop from 1999–2000 constitutes more than half of the five per cent decline. The ABS advises that in order to take year to year variations into account, it would be necessary to calculate the trend estimate, which based on present data would be expected to be less than five per cent. Such a trend estimate would be subject to revision, as further data became available from surveys over future viewing behaviour over the next five years or so.
- For all rural viewers, there has been a decline of almost five per cent over the period 1995 to 2000 in the proportion of persons who watch ABC Television.<sup>130</sup> The decline has been steady since 1997. Because there was an increase in the reach of the ABC in 1997 over 1995 of over two per cent, the decline from 1997 to 2000 was just over six per cent (Figures 12 and 13). As with the previous paragraph, the percentage decline may not coincide with trend behaviour.
- The pattern of decline is consistent for males and females and all age groups and most timeslots examined by the ANAO. There are variations in the extent and rates of decline and in a number of cases, the ABC's reach for particular gender, age, timeslot combinations has increased in some years and declined in others. However, the underlying trend has been one of decline.
- There have been some exceptions to the general pattern of decline. For example, amongst metropolitan viewers, the evening news (the 7pm to 7.30pm timeslot) shows an underlying increasing trend over the decade (Figures 14 to 19). The Friday 8.30pm to 9.30pm timeslot shows a relatively

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<sup>130</sup> Data for the same base year (1993) as metropolitan was not available from the ABC.

stable pattern in audience reach and an increase in audience share. Amongst metropolitan viewers, *Four Corners* has a slightly declining underlying trend over the decade (Figures 20 and 21).

- Amongst metropolitan viewers, whilst the number of young children under 12 watching ABC Television as a proportion of total number of young children in the population remained stable for most of the decade, the data indicates a recent decline over the period 1999 to 2000 (Figures 22 and 23). This recent pattern of decline in the reach of ABC television to children under 12 is common to all the major broadcasters. The data shows that in 2000 the ABC had marginally the greatest reach amongst young children aged 0–4 in metropolitan centers.<sup>131</sup>

### *ABC Television audience share*

**7.34** Drawing on the same graphs as above, the analysis of share shows the following:

- As outlined earlier, although there has been a general increase in ABC share, that is, the number of people watching ABC Television as a proportion of television viewers, closer analysis shows that there has been a decline in ABC share of younger adult viewers (under 40), but an increase in ABC share of older viewers.
- The greatest increases in share tend to be for persons aged 55 and over, whereas the ABC's share of the younger age group, 18 to 39 has declined. These patterns apply for both genders and for metropolitan and rural viewers.
- The decline in the ABC's share of metropolitan and rural persons aged between 25 to 39 has been consistent since the early 1990s. In contrast, the decline in the ABC's share of metropolitan persons aged between 18 and 24 has only set in since 1999.<sup>132</sup>

**7.35** Since 1993, the ABC's share of children between the ages of 0 and 4 increased by just over 11.7 per cent.<sup>133</sup> The share of television watched by 0–4-year-olds has decreased for all commercial free-to-air networks since 1994. The ABC now has a greater share, and has maintained a greater share, of viewing by the 0–4 year age group than has any other network. Since 1991, the ABC's share of children between the ages of five and 12 increased by almost 59 per cent.

<sup>131</sup> The reach of the television stations for 2000 for children 0 to 4 in metropolitan centres was: ABC 77.7 per cent; Channel 7 75.9 per cent; Channel 9 77.6 per cent; Channel 10 69.4 per cent; SBS 24.1 per cent.

<sup>132</sup> Data for rural persons aged between 18 and 24 was not available.

<sup>133</sup> Data for earlier years was not available.



## **Conclusion**

**7.36** Over the last 10 years, there has been a decline in the number of people watching free-to-air television. This is the result of a combination of an increase in alternative leisure activities such as the Internet, subscription television and less free time to watch free to air television for many. The analysis of audience reach and share for ABC Television showed that over the last 10 years there has been a decline in the number of people watching the ABC as a proportion of the Australian population as a whole. On the other hand, the ABC's share of people who are watching television has increased. However, there has been a decline in ABC share of younger adult viewers (under 40), but an increase in ABC share of older viewers and children under 12.

**7.37** Throughout the world, audience reach and share is an established means for comparing the performance of broadcasters. Since audience share for a particular broadcaster is (in the case of television, for example) the proportion of the people watching television who are watching that broadcaster, the broadcaster's share can rise simply because the proportion of people watching another television broadcaster has declined. Whilst this says something about the relationship between the broadcaster and the audience that stays with it, the data also says something about the broadcaster who has lost audience share.

**7.38** Just what information such data might say about the ABC and its audiences is unclear in the absence of other information about the reasons why it retains or loses viewers. Additional information about the reasons for variations in audience share would be of help to provide a better understanding of the performance of the ABC. Whilst audience share is a useful measure of the ABC's performance in relation to other broadcasters, additional measures may be needed to understand more fully why its share of the audience is changing and, more particularly, to guide the adoption of strategies to increase its share of particular audiences as well as its reach.

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

## **Recommendation No. 13**

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

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

### *ABC response*

**7.41** The ABC agrees with part (a), with the qualification that the commissioning and/or purchase of additional market surveys are subject to available levels of funding. The ABC Annual Report provides audience reach and share data for television and radio. In the 2000–01 Report, data in the form of graphs were provided for the year just past and for the previous four years. The concept of share and reach for the on-line community is very new. It is anticipated systems recently introduced to the industry as a whole will provide reach and share data in future years. The ABC will consider providing a narrative to explain and illustrate emerging trends over the five-year period.

**7.42** The ABC agrees with part (b).

## **Regional data**

**7.43** As noted earlier, the OZTAM survey is of the five metropolitan centers only, while the ABC is required to broadcast to all Australians. This means that the ABC requires estimates of the audience behaviour of all Australians, not just those living in the five metropolitan cities surveyed. The ABC advises that although some regional audience data is available from ACNielsen in some major regions, other rural regions remain unmeasured. This is because the economics of providing the same in-depth coverage as achieved in the metropolitan and major regions are unrealistic. However, the ABC advises that it wishes to explore alternative means to achieve measurement coverage of the whole of Australia.

## **Recommendation No. 14**

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

### *ABC response*

**7.45** The ABC agrees that more extensive research of all markets, including regional and rural areas, is desirable. So too is research that may help to measure the performance of the Corporation in relation to its obligations as laid out in the ABC Act. The Corporation will give further consideration to an expansion of such research within the limits of available resources.

**7.46** The Corporation currently spends about \$500 000 per annum on measuring television audiences in the aggregated regional television markets. There are opportunities to participate in surveys of the more remote television markets through *ad hoc* diary surveys in a range of regional areas. The ABC may participate in Morgan and Nielsen's omnibus surveys. But the sample size is very small.

**7.47** The ABC participates with commercial operators in regional radio surveys when they occur. To date this financial year the ABC has participated in surveys in Rockhampton, Gladstone, Darwin and Wangaratta.

### **Quality and outcome measures**

**7.48** Television audience measurement of reach and ratings provides information on who is watching television and to which channel they are tuned. Whilst the data is detailed and provides minute-by-minute information for a wide range of socioeconomic and demographic classifications, nevertheless the data is strictly a 'head count' of viewing behaviour. It does not purport to assess viewers' attitude to, or appreciation of, programs.

**7.49** The Charter describes the ABC's functions in broad terms such as *comprehensive, innovative, high standard, sense of national identity, cultural diversity, educational nature, awareness of Australia, multicultural character of the Australian community*. In order to be able to assure Parliament that it is complying with the Charter, the ABC could be expected to have a methodology that would enable consistent reporting in relation to these concepts. The methodology could be expected to meet standard requirements regarding the robustness of performance measures such as those summarised in the criteria detailed in the audit approach in Chapter 6. For example, in order to report to Parliament in relation to the Charter requirement to broadcast programs of a 'high standard' the ABC could be expected to use measures of the quality of its programs and report the results of the quality of programs by means of such measures.

**7.50** As noted earlier, McKinsey and Company recommended to the ABC in 1973 that measures of quality be developed and used for management and reporting purposes. The ANAO understands that previous ABC administrations did not progress this recommendation.

**7.51** The ABC has advised the ANAO that it recognises that the one-dimensional view of viewing behaviour measured by reach and share is insufficient to properly assess the quality of its programs and schedule and particularly its Charter obligations. Accordingly, the ABC is committed to establishing what might be described as an ‘Audience Appreciation’ service. The ABC has advised that discussions are currently underway to establish how such a qualitative service could be implemented in Australia. These include proposals to establish a similar service to that operating in the United Kingdom as well as a number of alternatives that may be more relevant to Australia. The ANAO understands that current plans would be for a service to start in early 2002, provided that it is a cost-effective solution. The ABC is also exploring the use of focus groups and this would be applicable across all platforms—television, radio and on-line. Already studies of Local Radio in Adelaide and Brisbane have been recently completed and studies in Sydney, Melbourne, Perth and Newcastle are being progressed and were expected to be finalised by mid-November 2001.

**7.52** The ABC has also initiated work to develop measures of distinctiveness, a concept relevant to its Charter requirements. The ANAO supports these initiatives and encourages the ABC to develop methodologies to improve its capacity to report performance in relation to all concepts in the Charter.

**7.53** The ABC appears to be somewhat behind the majority of overseas national public broadcasters in its measurement of the outcomes it expects to achieve. Overseas public broadcasters devote a considerable amount of effort to researching the effects that they have on audiences and the achievement of their public broadcasting mandate. Many conduct surveys, usually annually, to measure the distinctiveness, credibility and ‘image’ of the broadcaster. In Scandinavia, in particular, considerable attention is given to demonstrating that the public service broadcasters are achieving their public service aims. Norway, for example, has a Broadcasting Council, appointed by the government, which advises whether or not public service broadcasters have met their public service obligations in their programming policy.

## **New strategic focus of audience research**


**7.54** The ABC advises that it is totally committed to research as an effective and robust means of guiding program and schedule development and the assessment of the Corporation’s output. Importantly, it recognises that research, as a strategic tool, provides management with the means to better understand how the ABC can meet the needs of its audiences whilst maintaining the integrity of the Charter mandate.

**7.55** The ANAO understands that in previous administrations, the Research Department, headed by a Research Manager, was a part of general marketing and largely reviewed program performance. Now the research function is an integral part of the Development Division, led by a Head of Research with specific responsibilities to expand the importance of research both within the ABC and also externally by playing a key part in the broadcasting industry. The Head of Research is currently reviewing the entire research function to develop a coherent research strategy to meet the needs of the ABC over the coming years.

**7.56** The ANAO supports the new strategic focus of the research function.

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Canberra ACT  
8 April 2002



Ian McPhee  
Acting Auditor-General



# **Appendices**





## Appendix 1

### The Charter of the ABC and the Duties of the Board

#### Section 6—Charter of the Corporation

- (1) The functions of the Corporation are:
  - (a) to provide within Australia innovative and comprehensive broadcasting services of a high standard as part of the Australian broadcasting system consisting of national, commercial and public sectors and, without limiting the generality of the foregoing, to provide:
    - (i) broadcasting programs that contribute to a sense of national identity and inform and entertain, and reflect the cultural diversity of, the Australian community; and
    - (ii) broadcasting programs of an educational nature;
  - (b) to transmit to countries outside Australia broadcasting programs of news, current affairs, entertainment and cultural enrichment that will:
    - (i) encourage awareness of Australia and an international understanding of Australian attitudes on world affairs; and
    - (ii) enable Australian citizens living or travelling outside Australia to obtain information about Australian affairs and Australian attitudes on world affairs; and
  - (c) to encourage and promote the musical, dramatic and other performing arts in Australia.
- (2) In the provision by the Corporation of its broadcasting services within Australia:
  - (a) the Corporation shall take account of:
    - (i) the broadcasting services provided by the commercial and public sectors of the Australian broadcasting system;
    - (ii) the standards from time to time determined by the Australian Broadcasting Authority in respect of broadcasting services;
    - (iii) the responsibility of the Corporation as the provider of an independent national broadcasting service to provide a balance between broadcasting programs of wide appeal and specialized broadcasting programs;

- (iv) the multicultural character of the Australian community; and
  - (v) in connection with the provision of broadcasting programs of an educational nature—the responsibilities of the States in relation to education; and
- (b) the Corporation shall take all such measures, being measures consistent with the obligations of the Corporation under paragraph (a), as, in the opinion of the Board, will be conducive to the full development by the Corporation of suitable broadcasting programs.
- (3) The functions of the Corporation under subsection (1) and the duties imposed on the Corporation under subsection (2) constitute the Charter of the Corporation.
- (4) Nothing in this section shall be taken to impose on the Corporation a duty that is enforceable by proceedings in a court.

### **Section 8—Duties of the Board**

- (1) It is the duty of the Board:
  - (a) to ensure that the functions of the Corporation are performed efficiently and with the maximum benefit to the people of Australia;
  - (b) to maintain the independence and integrity of the Corporation;
  - (c) to ensure that the gathering and presentation by the Corporation of news and information is accurate and impartial according to the recognized standards of objective journalism; and
  - (d) to ensure that the Corporation does not contravene, or fail to comply with:
    - (i) any of the provisions of this Act or any other Act that are applicable to the Corporation; or
    - (ii) any directions given to, or requirements made in relation to, the Corporation under any of those provisions; and
  - (e) to develop codes of practice relating to programming matters and to notify those codes to the Australian Broadcasting Authority.
- (2) If the Minister at any time furnishes to the Board a statement of the policy of the Commonwealth Government on any matter relating to broadcasting, or any matter of administration, that is relevant to the performance of the functions of the Corporation and requests the Board to consider that policy in the performance of its functions, the Board shall ensure that consideration is given to that policy.

- (3) Nothing in subsection (1) or (2) is to be taken to impose on the Board a duty that is enforceable by proceedings in a court.

## Appendix 2 Audit Criteria

Audit Criteria: General	Audit Criteria: Specific
<p>1. The ABC Board should have corporate governance systems in place to ensure that the ABC meets its statutory obligations and reflects better practice corporate governance arrangements in Australia.<sup>134</sup> <b>The audit will focus on those elements of corporate governance directly connected to program decision-making, the ABC's Charter and related legislative provisions.</b></p>	<ul style="list-style-type: none"> <li>• The Board issues directions that interpret the ABC's Charter and gives operational meaning to the Charter. The Charter describes the ABC's functions in broad terms such as comprehensive, innovative, high standard, sense of national identity, cultural diversity, educational nature, awareness of Australia, multicultural character of the Australian community.</li> <li>• The Board sets strategic directions for ABC programming which are consistent with Charter requirements, and are clearly documented and updated at appropriate intervals.</li> <li>• The strategic directions set out the ABC's goals (including targets as appropriate) for:             <ul style="list-style-type: none"> <li>⇒ <i>achievement of the key concepts in the Charter and related sections of the ABC Act;</i></li> <li>⇒ <i>quality of programs including presentation by the Corporation of news and information that is accurate and impartial according to recognised standards of objective journalism;</i></li> <li>⇒ <i>relative proportions of genres broadcast;</i></li> <li>⇒ <i>audience reach and audience gain overall and for specific demographic groups;</i></li> <li>⇒ <i>innovative impacts on the Australian broadcasting industry;</i></li> <li>⇒ <i>productivity, efficiency and cost effectiveness of the organisation;</i></li> <li>⇒ <i>achieving maximum benefit to the people of Australia.</i></li> </ul> </li> <li>• The Corporation clearly defines the respective roles of ABC Board and management.</li> <li>• The Board has determined appropriate risk management arrangements.</li> </ul>

<sup>134</sup> Better practice according to the ANAO's *Principles and Better Practices: Corporate Governance in Commonwealth Authorities and Companies*, ANAO 1999.

	<ul style="list-style-type: none"> <li>• Board members are involved in the development of agendas for Board meetings.</li> <li>• The Board meets at appropriately regular intervals and ensures all relevant documentation is available in a timely way to all Board members.</li> <li>• Support services available to the Board are sufficient for the discharge of duties.</li> <li>• The Board has appropriate procedures for ensuring the recording, follow-up and monitoring of implementation of its decisions.</li> </ul>
<p>2. ABC management have corporate governance systems in place which support the Corporation's ability to meet its statutory obligations and which reflect better practice corporate governance. <b>The audit will focus on those elements of corporate governance directly connected to program decision-making, the ABC's Charter and related legislative provisions.</b></p>	<ul style="list-style-type: none"> <li>• Management maintains an effective organisational structure to implement the Board's strategic directions that clearly assigns responsibility, authority and reporting relationships.</li> <li>• Management has established appropriate systems that provide regular and reliable reports to the Board allowing Board members to monitor the performance of management and the organisation, including major management divisions.</li> <li>• Management has established procedures to ensure that its communications with the Board provide the support needed to enable the Corporation to fulfil its statutory obligations.</li> </ul>

<p>3. The ABC's performance information reflects better practice principles and assists the ABC evaluate whether programming meets the ABC Charter.</p>	<ul style="list-style-type: none"> <li>• Performance information collected satisfies statutory requirements and demonstrates better practice standards.</li> <li>• The performance information framework supports the following principles: <ul style="list-style-type: none"> <li><i>relevance</i>—performance information enables the evaluation of the organisation's performance;</li> <li><i>accuracy</i>—performance information is valid and reliable and measures accurately what is required;</li> <li><i>timeliness</i>—performance information becomes available to users within acceptable time frames.</li> <li><i>accessibility</i>—performance information is available to users (eg ABC staff and Parliament) through delivery processes that they can use and in formats that suit them;</li> <li><i>interpretability</i>—users can understand the information and use it appropriately;</li> <li><i>coherence</i>—comparability to other performance information; standardisation of performance measures; and ability to assess performance trends over time, can be validly used in combination with other sources of information.</li> </ul> </li> </ul> <p>(Attachment 1 to this Appendix provides more detail about these terms)</p> <ul style="list-style-type: none"> <li>• The performance information framework supports: <ul style="list-style-type: none"> <li>⇒ An integrated approach to management;</li> <li>⇒ measurement and reporting of performance across the organisation (eg, PBS, Annual Report, Corporate Plan, divisional business plans);</li> <li>⇒ informed decision-making, transparency and accountability;</li> <li>⇒ continuous improvement in management and service delivery;</li> <li>⇒ the assessment of productivity, efficiency and effectiveness.</li> </ul> </li> <li>• Performance information is clearly linked to the: <ul style="list-style-type: none"> <li>⇒ strategic directions set by the Board to allow the ABC to meet its Charter obligations;</li> <li>⇒ corporate planning and budgetary process.</li> </ul> </li> </ul>
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## Appendix 2

### Attachment 1

#### DESCRIPTION OF THE DATA QUALITY FRAMEWORK

<i>Framework</i>	<i>Definition</i>
Relevance	The <b>relevance</b> of statistical information reflects the degree to which it meets the real needs of clients. It is concerned with whether the available information sheds light on the issues most important to users. Relevance is generally described in terms of key user needs, key concepts and classifications used and the scope of the collection (including the reference period). These components are then compared against specific user needs to assess relevance.
Accuracy	The <b>accuracy</b> of statistical information is the degree to which the information correctly describes the phenomena it was designed to measure. It is usually characterised in terms of error in statistical estimates and is traditionally decomposed into bias (systematic error) and variance (random error) components. It may also be described in terms of major sources of error that potentially cause inaccuracy (e.g. sampling, non-response).
Timeliness	The <b>timeliness</b> of statistical information refers to the delay between the reference point (or the end of the reference period) to which the information pertains, and the date on which the information becomes available.
Accessibility	The <b>accessibility</b> of statistical information refers to the ease with which it can be referenced by users. This includes the ease with which the existence of information can be ascertained, as well as the suitability of the form or medium through which the information can be accessed. The cost of the information may also be an aspect of accessibility for some users.
Interpretability	The <b>interpretability</b> of statistical information reflects the availability of the supplementary information and metadata necessary to interpret and utilise it appropriately. This information normally covers the availability and clarity of metadata, including concepts, classifications and measures of accuracy. In addition, interpretability includes the appropriate presentation of data such that it aids in the correct interpretation of the data.

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Coherence	The <b><i>coherence</i></b> of statistical information reflects the degree to which it can be successfully brought together with other statistical information within a broad analytic framework and over time. Coherence encompasses the internal consistency of a collection as well as its comparability both over time and with other data sources. The use of standard concepts, classifications and target populations promotes coherence, as does the use of common methodology across surveys.
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## Appendix 3

### Corporate Governance

#### What is it?

1. Broadly speaking, corporate governance is about the institutional framework of management. The framework deals with issues such as the setting of strategic directions, the management of risks, accountability for performance and the transparency of action. Corporate governance deals with general principles for the steering of an organisation, especially issues of responsibility and accountability for the steering function and the transparency of decision-making, including the use of performance information as feedback in decision-making relevant to this function.
2. Corporate governance arrangements may vary across economic sectors such as insurance, banking, other financial services, retail, manufacturing, the health and welfare sector. General principles are based on best international practice and evolve over time.
3. Key elements of corporate governance for Commonwealth authorities and companies (CAC bodies) regulated by *Commonwealth Authorities and Companies Act 1997* (CAC Act) such as the ABC include:
  - the transparency of corporate structures and operations;
  - the implementation of effective risk management and internal control systems;
  - the identification of a responsible body (eg the Board) for setting the strategic directions of the organisation;
  - the accountability of the Board to stakeholders; and
  - responsibility to society.
4. There is also an increasing focus on a formal system of decision-making within organisations to ensure transparency and consistency. Good corporate governance will help facilitate decision-making and appropriate delegation of responsibilities both within and outside the organisation.
5. Such arrangements are designed to ensure that:
  - the varying interests of stakeholders are appropriately balanced;
  - decisions are made in an informed and transparent fashion; and
  - decisions contribute to the overall efficiency and effectiveness of the organisation.

## Why is it relevant to the ABC?

6. Commonwealth authorities and companies such as the ABC are creations of Parliament. The complex nature of the relationships between Parliament, Ministers and CAC bodies makes corporate governance an important matter for these organisations.

7. Embedded in the CAC Act is a set of corporate governance principles that apply to all CAC bodies. The CAC Act has been designed to be principles-based and aligned with better practice in both the public and private sectors. The very nature of public services means that there are often broad objectives, variable and complex benefits, and society-wide impacts.

8. The ABC itself has to deal with a more complex range of political, economic and social objectives than its commercial counterparts, as well as operate under a different set of external constraints and influences than private sector broadcasters. In addition, CAC bodies are subject to the expectations of, and accountability to, their various stakeholders, who are likely to be more diverse in their nature than stakeholders of private sector organisations. Therefore, the simple transfer of private sector corporate governance practices to the public sector may not be feasible for CAC bodies including the ABC.

9. However, public sector organisations are increasingly adopting well-tested private sector corporate governance practices as part of public sector reforms. These include improved visibility in decision-making, standardised reporting and the use of Board sub-committees to, for example, oversight the audit function, review remuneration and review the functions of the Board itself.

10. The ANAO has produced a Better Practice Guide *Corporate Governance in Commonwealth Authorities and Companies* dealing with the issues faced by public sector bodies. The Guide suggests the following corporate governance duties for a public sector Board:

- formulate the strategic directions for the organisation;
- approve and periodically review the overall corporate strategies and significant policies;
- identify business risks as well as potential opportunities;
- determine and develop appropriate performance measures and other performance information as well as appropriate internal and external reporting mechanisms;
- establish an effective process to review organisational performance against identified objectives, as well as reviewing collective Board performance and the performance of individual Directors where appropriate;

- effectively communicate to stakeholders the performance of the organisation and the main corporate governance mechanisms to achieve that performance, for example, a specific corporate governance statement included in the Annual Report; and
- provide guidance and oversight to senior management by using appropriate control and performance requirements where the implementation of processes are delegated to senior management.

## Appendix 4

### Previous ABC Corporate Plans

1. Under the heading, *Delivering Budget Accountability*, the 1999–2002 Corporate Plan lists the two outcomes and the outputs related to them. The Plan states a vision for the ABC and outlines the values of the Corporation. The Plan proceeds to state five objectives for the Corporation to achieve over 1999–2002. The context of each objective is described, the challenge ahead summarised and the priorities and initiatives for action in relation to each objective over the next three years outlined. The intended results are listed, followed by the measures that would be used to assess the ABC's success in achieving these intended results.

2. The five objectives are:

- Fulfilling the Charter and other responsibilities under the ABC Act.
- Transforming ABC services in the digital age.
- Developing Australian content.
- Expanding services to local and regional communities.
- Developing efficiency and effectiveness.

3. The following measures are examples of those used to assess success in relation to some of the objectives:

- Objective 1: results from community appreciation surveys and other relevant opinion polls meet or exceed levels reached in 1998–99;
- Audience reach and share on television, radio and on-line will maintain or exceed 1998–99.
- Objective 2: the level of Australian content broadcast on all media is maintained or increased compared to 1998–99 levels;
- The number of ABC Television programs in the top 100 which are classified as Australian content is maintained or increased compared with 1998–99 levels;
- The number of accesses to ABC Online exceed those achieved for 1998–99.
- Objective 5: By November 1999 the ABC will identify a range of appropriate benchmarks against which the Corporation is able to measure itself in terms of efficiency and effectiveness;
- Against the identified benchmarks the ABC will establish measures of efficiency and effectiveness in relation to:

- (a) Utilisation of assets;
- (b) Revenue generation;
- (c) Transmitting program content;
- (d) Production of output;
- (e) Return on public investment in programs and services.

4. Whilst the Plan gives some insight into the Board's objectives, priorities, strategies and expected results and the intended means for measuring performance, it does not set goals that require a clearly higher level of performance. Where targets are set, they are simply of the form of 'the same as last year or better.' The initiatives summarised under priorities and initiatives are generally actions that the ABC might be expected to take any way; they are generally not priorities or initiatives over and above business as usual. For example, included under priorities and initiatives for Objective 1, *Fulfilling the Charter and Other Responsibilities under the Act*, an objective of particular interest given the impetus for this audit, are the following:

- Sustain its programs and services;
- Improve the management of the scheduling and commissioning of ABC programs across all networks;
- Improve the ABC's understanding of audience needs and concerns;
- Regularly review editorial standards and processes.

5. The outline provided does not inform Parliament about how the Board interprets the Charter in any particular ways in the three-year period of the Plan. It does not provide any insight about how the Board intends to make a difference to the content broadcast by the ABC to give effect in any particular way to the Charter nor how Parliament might be able to tell if the content broadcast by the ABC reflects the Board's interpretation of the Charter. It is a statement largely along the lines of 'the next three years will be much the same as the last three.'

6. Most of the Plans issued since 1991 had an additional shortcoming in that they were structured along the lines of the ABC's administrative structure at the time. As a consequence, the Plans did not make clear the **corporate** objectives, priorities, strategies, policies, expected results and performance measures separate from those specific to particular administrative units. Furthermore, many of the previous plans contain statements of objectives, priorities, strategies and intended means for measuring performance very similar to those in the 1999–2002 Plan. Several previous Plans contained specific quantitative targets. For example, the 1991–94 Plan set the performance indicator *The level of Australian*

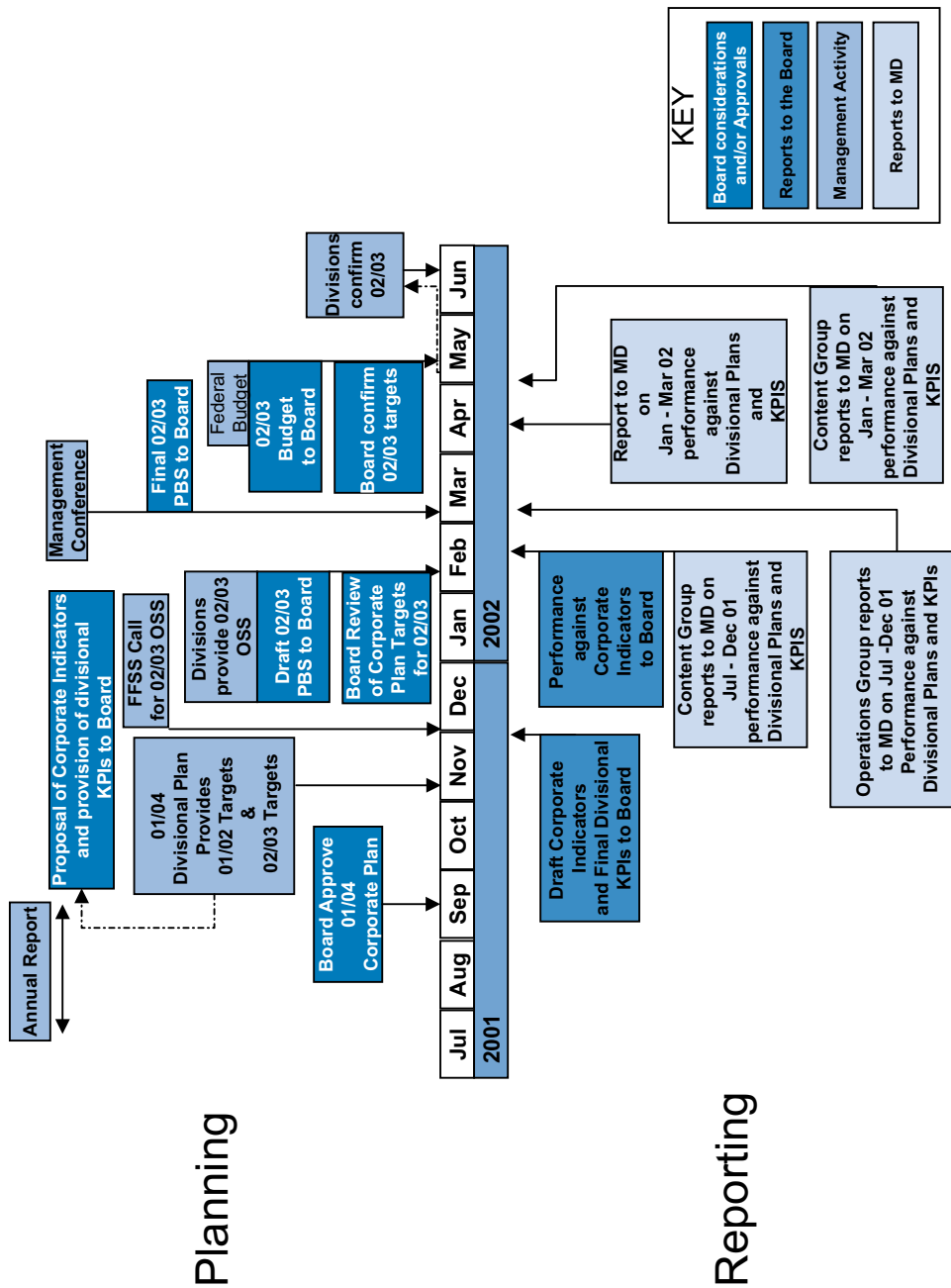
*content, maintaining above 57 per cent for 6pm to midnight and above 50 per cent for 6 am – midnight for television. It also contained for television the indicator Maintain the overall share of audience at the level attained in 1990 (13–17 per cent) over the next three years. These two were dropped after 1995. However, the 1996–99 Plan reintroduced the Australian content performance indicator, but aimed to achieve by 1999 60 per cent between the 6 am to midnight from a base of 52 per cent in 1996. In contrast, the 1997–2000 Plan aimed to achieve a minimum Australian content 10 per cent less than the previous Plan for the 6 am to midnight time slot. All Plans between 1991 and 1996 did not include revenue and expenditure forecasts even although these are required by the ABC Act. These Plans also did not specifically address the matter of the Board fulfilling its duties under s8.*

## Appendix 5

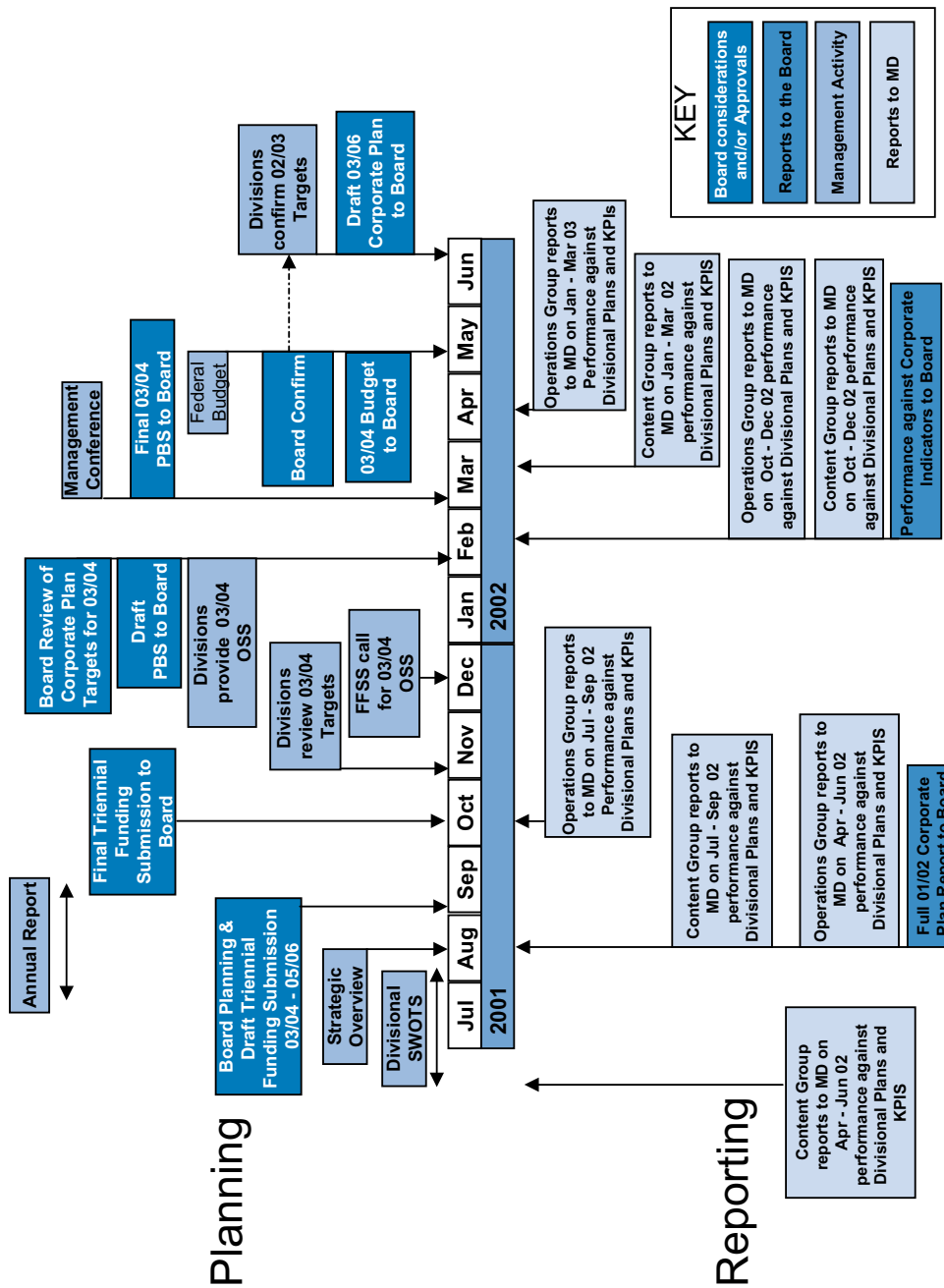
### The ABC's planning and reporting cycle

Figure 1

PLANNING AND REPORTING CYCLE DURING 2001-02



**Figure 2**  
**PLANNING AND REPORTING CYCLE DURING 2002-03**





<b>PLANNING AND REPORTING – 2001–02 AND 2002–03</b>		
<b>ACTIVITY</b>	<b>PLANNING</b>	<b>REPORTING</b>
<b>1.1 Corporate Plan</b>	<ul style="list-style-type: none"> <li>• 2001–04 Plan approved by Board in September 2001.</li> <li>• Review of annual targets in February of each year.</li> <li>• Annual targets confirmed in May/June of each year following endorsement of the annual budget by the Board.</li> <li>• Next draft Plan submitted to the Board in June 2002, after agreement reached on triennial funding. Plan will cover 2003–06. Board due to approve in July 2003.</li> </ul>	<ul style="list-style-type: none"> <li>• Performance against Corporate KPIs reported to Board in February of each year.</li> <li>• Full report against Corporate Plan to Board in August of each year.</li> </ul>
<b>1.2 Corporate KPIs</b>	<ul style="list-style-type: none"> <li>• Proposed Corporate KPIs submitted to the December Board for approval.</li> <li>• Draft targets against Corporate KPIs proposed to the Board in February of each year.</li> <li>• Targets against Corporate KPIs confirmed by the Board in May/June each year following its endorsement of the annual budget.</li> </ul>	<ul style="list-style-type: none"> <li>• Performance against Corporate KPIs reported to Board in: <ul style="list-style-type: none"> <li>➢ February for the July to December period</li> <li>➢ August for the January to June period.</li> </ul> </li> </ul>
<b>1.3 Divisional Plans</b>	<ul style="list-style-type: none"> <li>• 2001–04 Plans presented to the Board for information in December 2001.</li> </ul>	<ul style="list-style-type: none"> <li>• Report to Managing Director on July to December 2001 performance in February and March 2002.</li> <li>• Quarterly reports on performance to Managing Director thereafter.</li> </ul>
<b>1.4 Divisional KPIs</b>	<ul style="list-style-type: none"> <li>• Final Divisional KPIs presented to the Board for information in December 2001.</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly reports on performance against Divisional KPIs included with Divisional Plan reports to the Managing Director.</li> </ul>
<b>Annual Budgets and Program Budget Statements (PBS) – Outcomes and Outputs</b>	<ul style="list-style-type: none"> <li>• Annual budget planning commences in December of each year.</li> <li>• Draft PBS submitted to the Board for approval in February of each year.</li> <li>• Final PBS submitted to the Board for approval in March of each year.</li> <li>• Final annual budget submitted to the Board for approval in May or June of each year.</li> </ul>	<ul style="list-style-type: none"> <li>• Half yearly reports on annual budget submitted to the Board in December of each year.</li> <li>• Full year report against annual budget submitted to the Board in August of each year.</li> <li>• Report against Outcomes and Outputs included in Annual Report, tabled in Parliament in October of each year.</li> </ul>

<b>Triennial Funding</b>	<ul style="list-style-type: none"> <li>• Draft 2003–06 Triennial Funding submission submitted to the September 2002 Board meeting.</li> <li>• Final 2003–06 Triennial Funding October 2002.</li> </ul>	<ul style="list-style-type: none"> <li>• Outcome of Triennial Funding submission confirmed in May 2003 Federal Budget.</li> </ul>
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## Statistical Appendices

The accompanying graphs of viewing behaviour in Figures 1 to 23 are discussed in paragraphs 7.23 to 7.56 of Chapter 7.<sup>135</sup>

The figures graph data provided to the ABC by ACNielsen as a result of ACNielsen viewing behaviour surveys of the five metropolitan cities for all television broadcasters for the period 1991 to 2000. The figures are for specific time slots (for example, Sunday 7 pm to 7.30 pm) and for a selection of age and gender groups.

The key concepts of 'reach' and 'share' are defined in paragraphs 7.24 to 7.31.

For ease of reference, the key paragraphs are reproduced below:

The television industry uses two basic measures of viewing behaviour. The **audience reach** of a broadcaster is an estimate of the percentage of the total population watching that broadcaster. On the other hand, **audience share** of a broadcaster is an estimate of the number of people watching that broadcaster as a proportion of people watching television.

The ABS advised changes in reach may reflect changes in population dynamics as well as changes in the preferences of viewers. That is, a change in a broadcaster's reach population may indicate that:

- the population of interest has grown; and/or
- the proportion of this population viewing the broadcaster has grown.

Given the reach figures provided are in gross number of persons, a change in proportion over time is ambiguous. The ABS advised that because of this ambiguity it would be helpful to the analysis of reach data to distinguish between these two types of change to better understand changes taking place in television viewer behaviour. By not adjusting for real growth in the reach population, the effects of any population change and any change in viewing preference are confused.

The ABS advised that in all of the underlying populations sampled by the ACNielsen surveys, there is fairly uniform annual growth of about two per cent except for populations for the 0-4, and 0-12 categories. The 0-12 category shows either a stable population or a slight decreasing trend, whilst the 0-4 category has a noticeably decreasing trend.

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<sup>135</sup> The vertical axes of these graphs vary from graph to graph. ANAO has produced the graphs in this way to show clearly variations in reach and share over time. Of course, making clear the variations in this way does not imply any statistical significance in the variations disclosed.

Thus, even if the proportion of persons viewing the ABC does not grow, a growth in the reach figures of about two per cent would be expected, except, of course, for the 0 – 12 and 0 – 4 categories which are subject to different demographic trends as previously mentioned.

The ABS adjusted for this by measuring two growth figures:

- per cent growth in the reach population; and
- per cent growth in the underlying population.

The quantity preference is simply the difference in these percentage growths:

- Preference = (per cent growth in the reach population—per cent growth in the underlying population).

In the following graphs the three variations are shown as reach, growth and preference respectively.

Figure 1. Analysis of share—all metro persons 6am to midnight

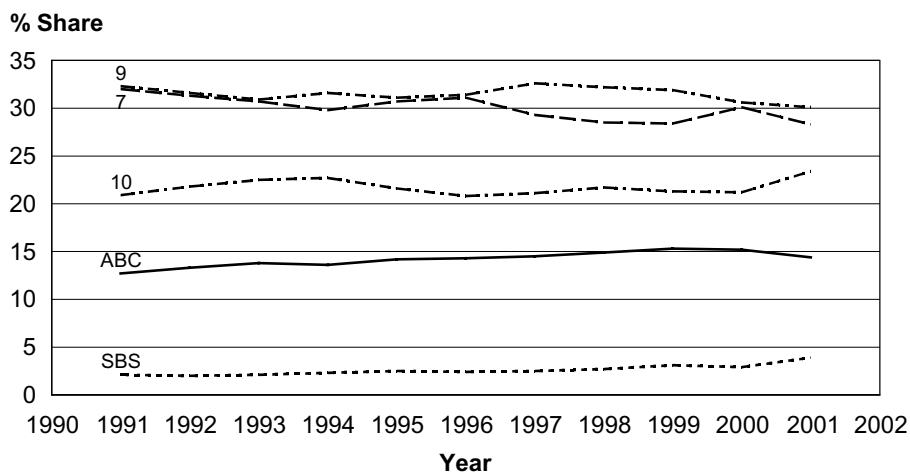


Figure 2. Viewer numbers—all metro persons 6am to midnight

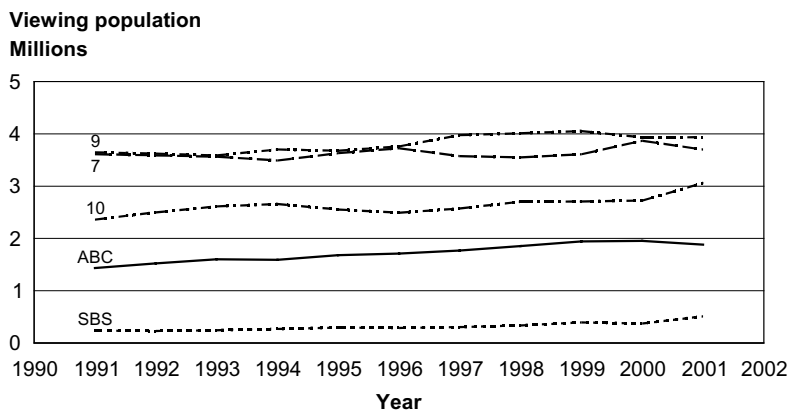




Figure 5. Analysis of reach—metro persons 18 to 24 6am to midnight

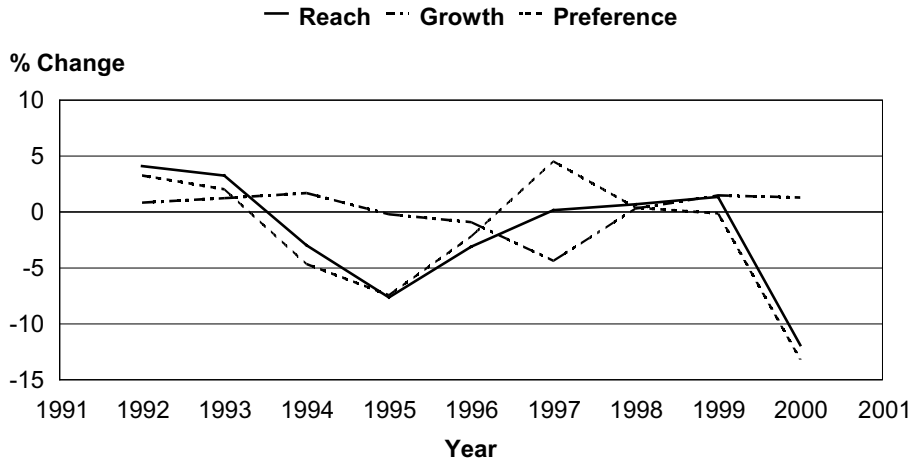


Figure 6. Reach and share—metro persons 25 to 39 6am to midnight

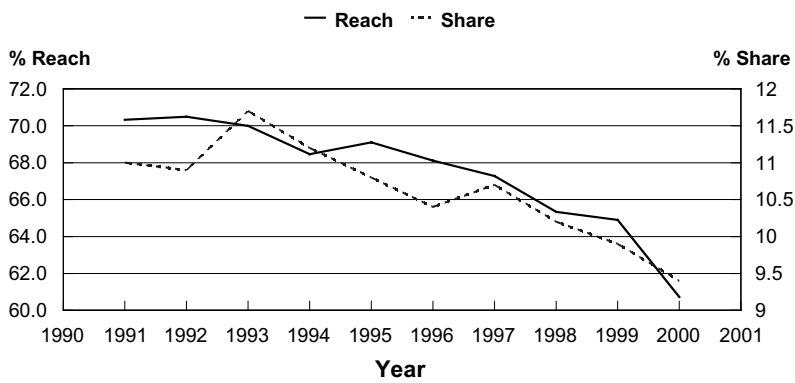


Figure 7. Analysis of reach—metro persons 25 to 39 6am to midnight

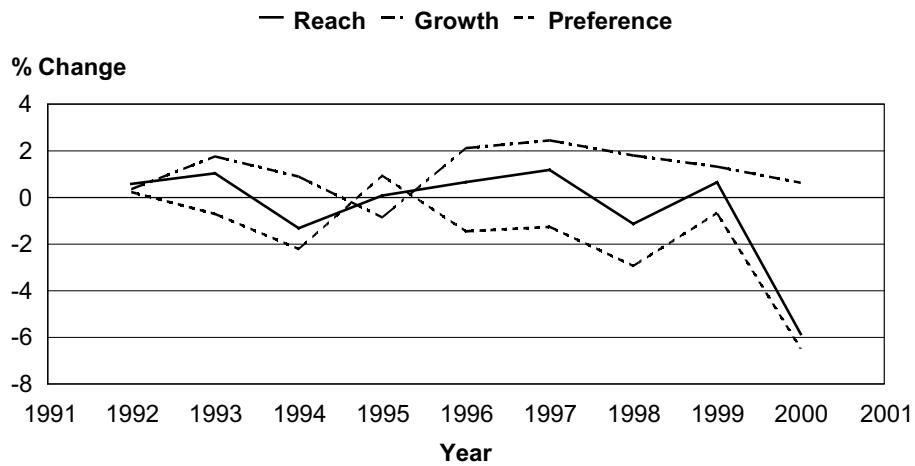


Figure 8. Reach and share—metro persons 55 plus 6am to midnight

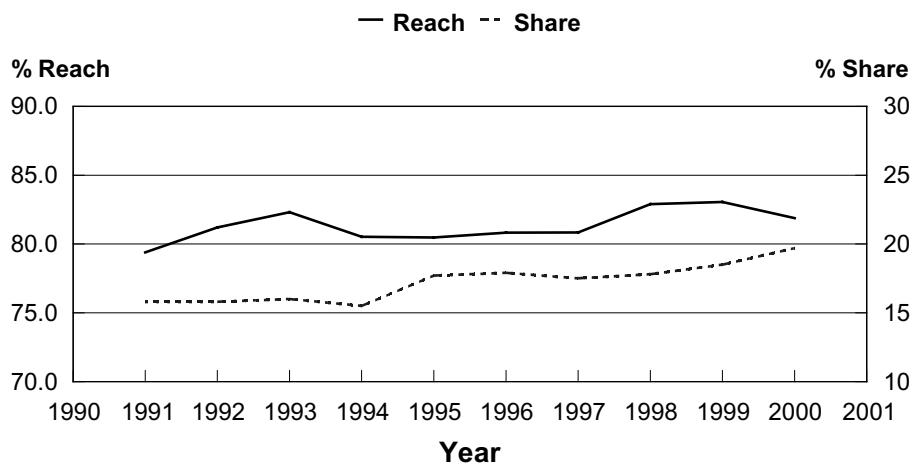




Figure 9. Analysis of reach—metro persons 55 plus 6am to midnight

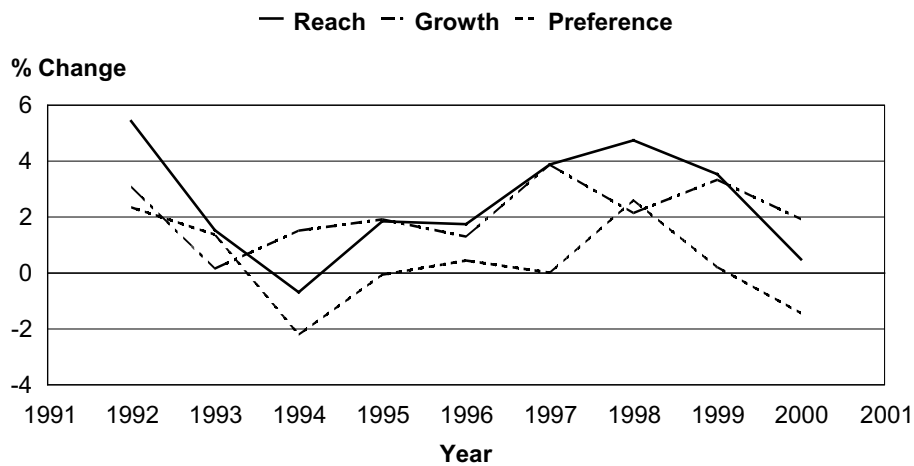


Figure 10. Reach and share—all metro persons 6am to midnight

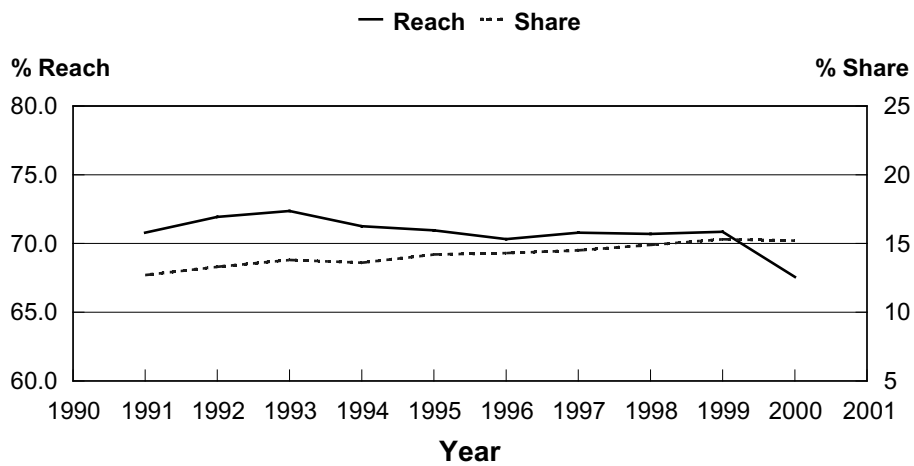


Figure 11. Analysis of reach—all metro persons 6am to midnight

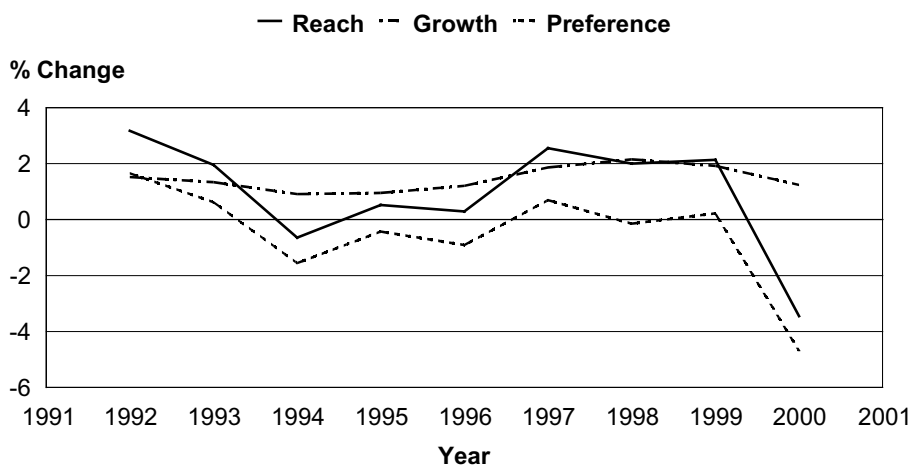


Figure 12. Reach and share—all rural persons 6am to midnight

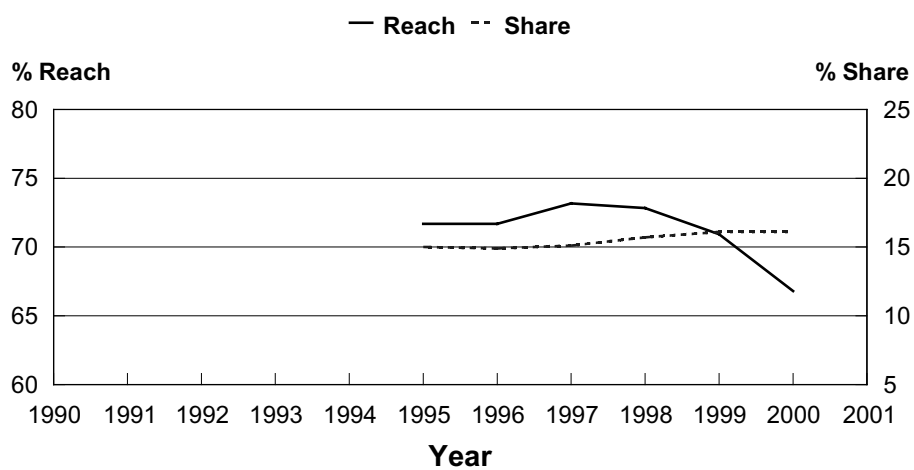


Figure 13. Analysis of reach—all rural persons 6am to midnight

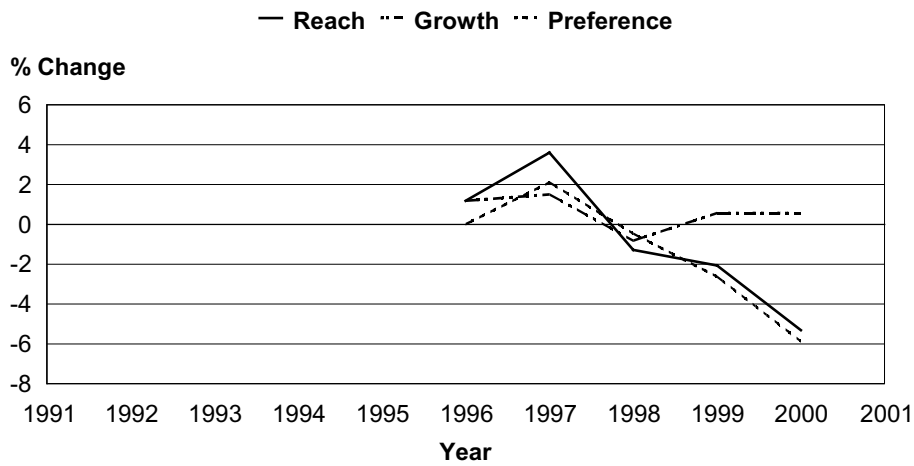


Figure 14. Reach and share—all metro persons Sunday 7pm to 7:30pm

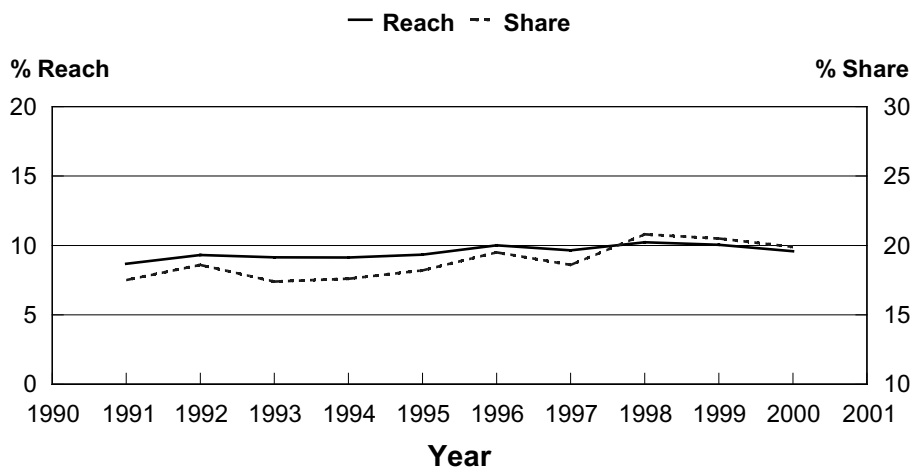


Figure 15. Analysis of reach—all metro persons Sunday 7pm to 7:30pm

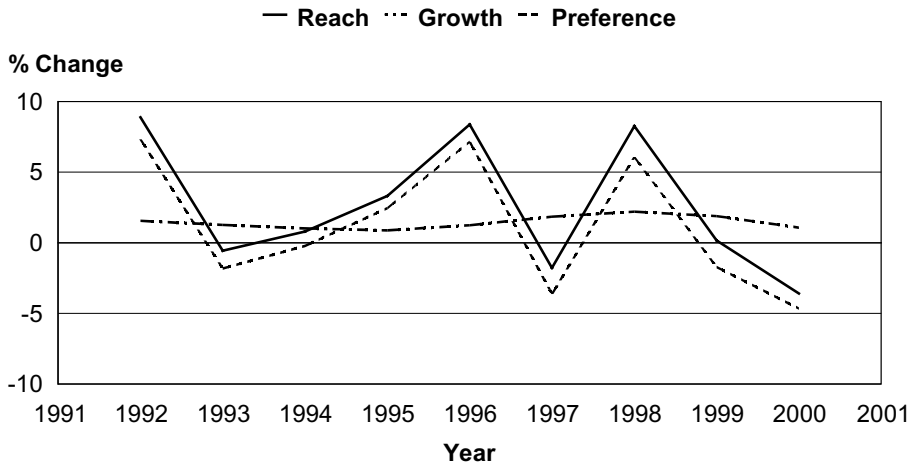


Figure 16. Reach and share—all metro persons Saturday 7pm to 7:30pm

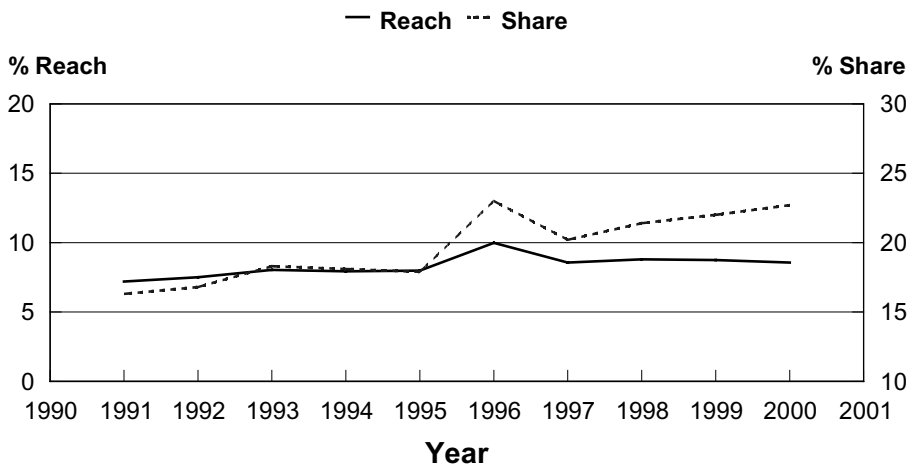


Figure 17. Analysis of reach—all metro persons Saturday 7pm to 7:30pm

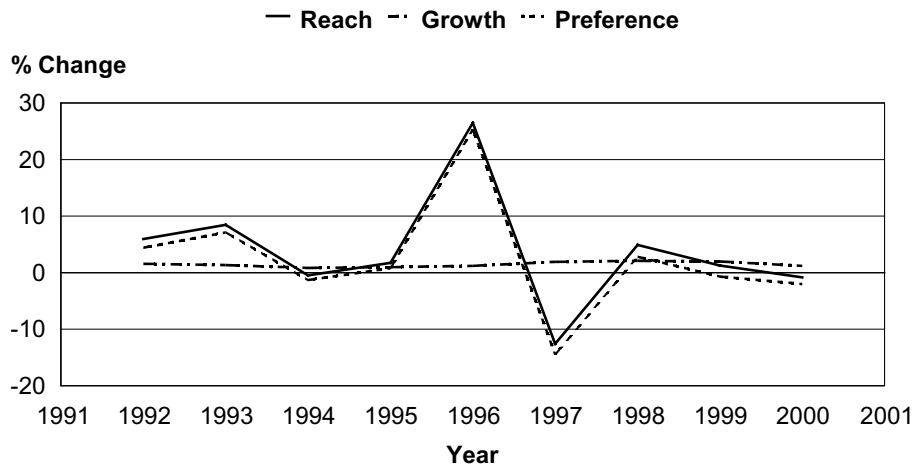


Figure 18. Reach and share—all metro persons weekdays 7pm to 7:30pm

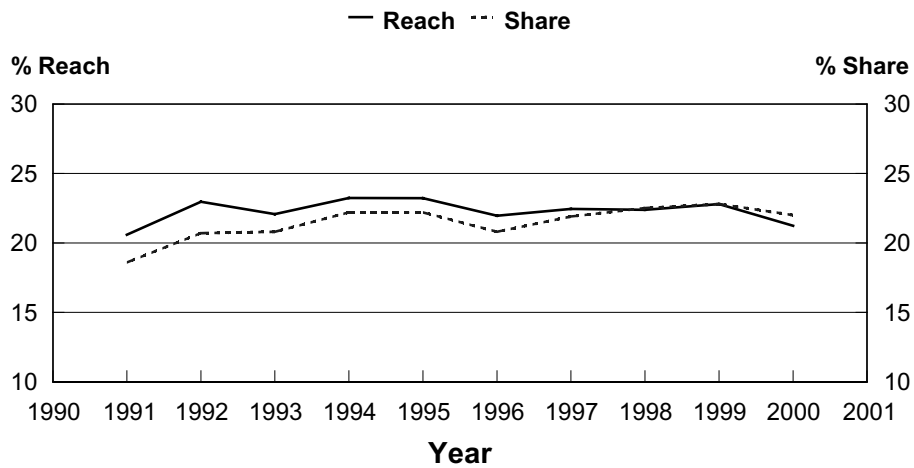


Figure 19. Analysis of reach—all metro persons weekdays 7pm to 7:30pm

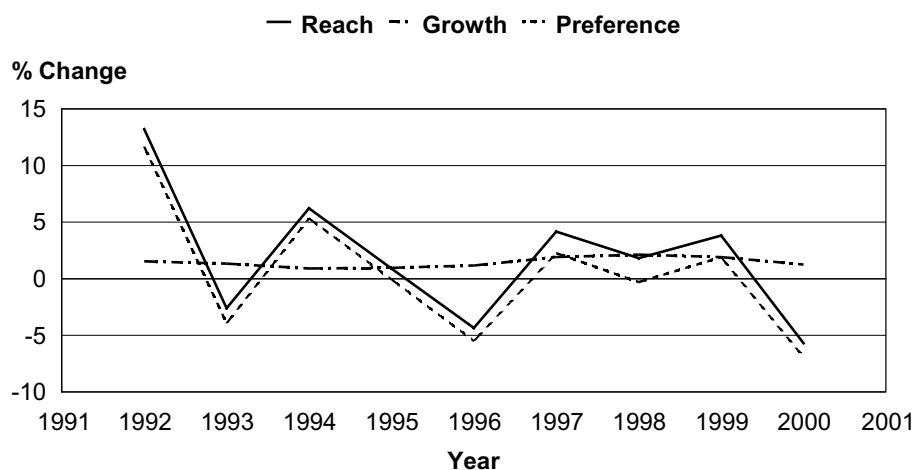


Figure 20. Reach and share—Four Corners: all persons

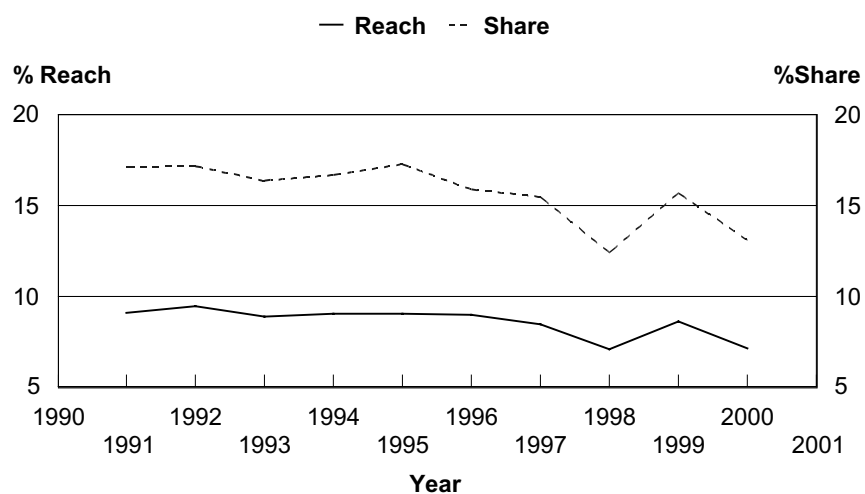


Figure 21. Analysis of reach—Four Corners: all persons

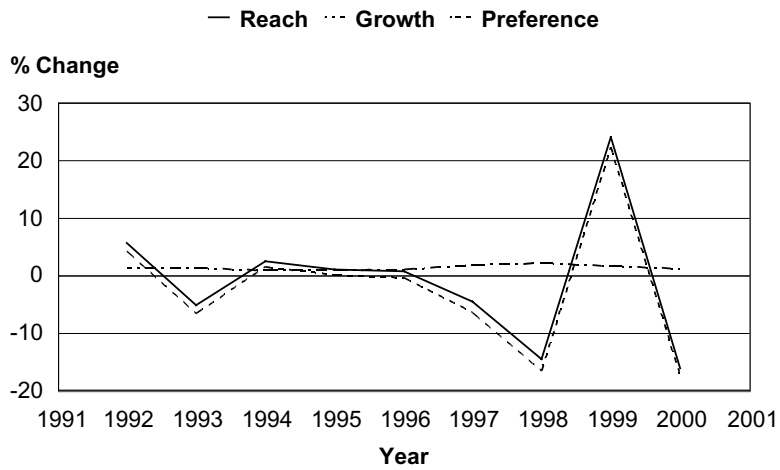


Figure 22. Analysis of reach—0-4 year old metro persons 6am to midnight

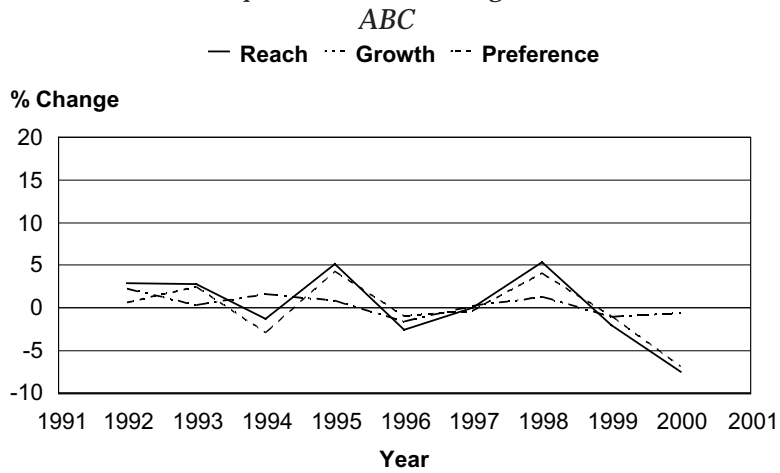
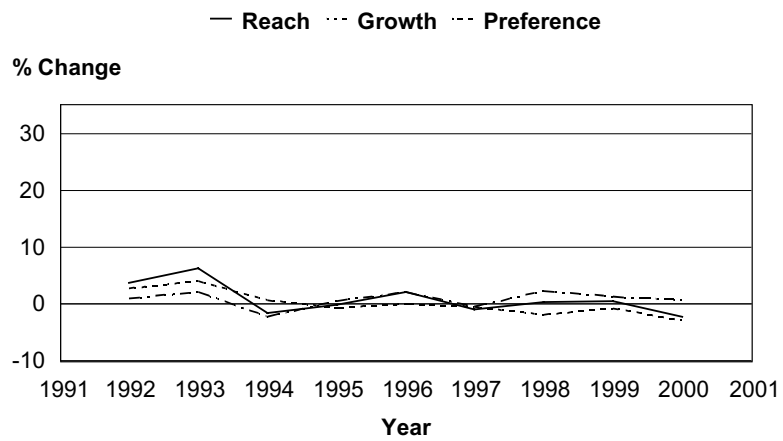


Figure 23. Analysis of reach—5–12 year old metro persons  
6am to midnight  
ABC









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