Outsourcing Risk – or Managing through the ‘Black Hole’ of Accountability

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1. Setting the Scene

The theme of this conference 'CPAs for today and tomorrow' highlights the changing environment within which CPAs are having to operate, both in the public and private sectors. While it could be argued that the Australian Public Service (APS) has been steadily evolving towards a more private sector orientation over the last decade or so, there is no question that we have shifted into a higher gear in this respect under the current Government. This acceleration has also been promoted as a consequence of reviews such as the National Competition Policy (Hilmer Review) and the Industry Commission inquiry into competitive tendering and contracting (CTC) in 1996.

The Government has made it clear that the challenge of public sector reform remains both substantial and urgent. For the APS, the nature of the challenges has been clearly set out in the replacements for the Audit Act 1901, the Workplace Relations Act 1996, the new Public Service Bill (1997) and in a recent discussion paper by the then Minister for Industrial Relations and Minister Assisting the Prime Minister for the Public Service.

The Government accepted the basic principles set down by the National Commission of Audit for determining what activities should be undertaken within the public sector. This has already led to an increased focus on privatisation and outsourcing of government services and activities. However, it has also meant that even 'core' government services have become more contestable or have had to be more directly competitive with private sector providers. In a recent interview the new Minister assisting the Prime Minister for the Public Service indicated that the Government's aim is to;

...as far as possible, put the Public Service on Private Sector principles

The clear message has been that the APS is a key element of the government's micro-economic reform agenda and it is no longer appropriate for the APS to have
an unquestioned monopoly even in traditional service delivery areas such as policy advice and in the determination of welfare entitlements. It must now prove that it can deliver government services as efficiently and effectively as the private or non-profit sectors. The situation is not so clear-cut and clinical in relation to 'core' government activities, however they may be defined. In some cases there may be no justification for certain 'primarily commercial' activities to be conducted in the public sector.

In short, a new emphasis has been placed on the contestability of services, the outsourcing or even sale of functions which the private sector can undertake more efficiently as well as ensuring an APS commitment to the process of performance benchmarking and continuous improvement. The Government has also recently required APS managers to review their responsibilities and assess the cost-effectiveness of activities to determine how the performance of government activities an be improved. Part of this approach involves the consideration of tools such as CTC. Market testing is now an integral part of our management approach.

Other specific elements of the emerging public sector environment which will impact on the responsibilities of managers are the adoption of accrual accounting and budgeting over the next few years; the introduction of whole of government financial reporting on an accrual basis to apply to 1997-98 and beyond; the Charter of Budget Honesty; and the introduction of Service Delivery Charters.

Agencies and entities need to develop more effective and better integrated Corporate Governance structures if they are to meet the challenge of greater competition and achieve a high level of credibility with stakeholders. Already having a greater focus on client service has led many APS Chief Executives (CEOs) to seek new ways of managing their organisations with a strong emphasis on personal leadership. Another important element of this changing environment has been the development of credible risk management approaches based largely on the MAB/MIAC Risk Management Guidelines.

The growing recognition and acceptance of risk management as a central element of good corporate governance and as a legitimate management tool to assist in strategic as well as operational planning has many potential benefits for the APS. It encourages a more outward-looking examination of the role of the agency or entity, thereby increasing customer/client focus including a greater emphasis on outcomes, as well as concentrating on resource priorities and performance assessment as part of management decision-making.

To be effective, the risk management process needs to be rigorous and systematic. If agencies do not take a comprehensive approach to risk management then managers may not adequately identify or analyse risks. Compounding the problem, they may well design inappropriate treatment regimes which do not appropriately mitigate the
actual risks confronting their agencies and programs. Recent ANAO audits have highlighted the need for:

- a strategic direction in setting the risk management focus and practices;
- transparency in the process; and
- effective management information systems.

A high level of accountability is demanded of agencies and entities, with decisions of the former, in particular, largely open to public scrutiny. Such scrutiny is performed by the Auditor-General, the Ombudsman, the Privacy Commissioner and the Parliament, as well as other regulatory and review organisations. CEOs should aim to ensure that decisions made using risk management are not based on 'risky' management practices. We need to be conscious that mistakes will be made and look to ensure that management learns from such mistakes and implements effective processes so as not to repeat any errors. Moreover, the more 'market-oriented' environment being created is inherently more risky from both performance and accountability viewpoints. To good managers, it is an opportunity to perform better, particularly when the focus is more on outcomes and results and less on administrative processes and the inevitable frustration that comes from a narrow pre-occupation with the latter.

The significance of these environmental changes introduces particularly important issues for accountability within the public sector. I will discuss such changes and their implications under five headings. The first is a brief review of the changing legislative framework which reflects our future directions and gives us the opportunity to adopt more pro-active management approaches. The second is an outline of the importance of considering those issues in an integrated way within the corporate governance environment. The third highlights the changing accountability requirements in relation to client service delivery, particularly in a more contractually oriented environment with provision of services directly by the private sector and/or in a more contestable market with its attendant demands for better performance information.

Particularly with the greater involvement of the private sector in the delivery of public services, the Ombudsman has warned of the problems of inappropriate risk transference from program managers to clients and the potential absence of accountability to those clients between the public service purchaser (the agency) and the public service provider (the private sector). Who is accountable for what? Are we trying to outsource risk as well as the services? And therein is the genesis of the title and the main thrust of this address. The fourth section examines risk management in the APS as well as some of the related issues arising out of Audit reports. Finally, the last section is a brief discussion of the audit/review role of various public service...
'watchdogs' including that of the Parliament itself, that bears particularly on 'risk' issues and accountability more generally.

2. The Changing Legislative Framework

The 1980s was considered to be the decade of reform for the APS. This process has continued into the current decade. The steadily evolving reform environment and the current Government's approach are being reflected in a range of legislation recently passed by, and some still currently before, the Parliament. The package of legislation will establish the whole resources management accountability of the Government and the bureaucracy to the Parliament. As such, the legislation will influence not only the operations of the ANAO but also of the entire Commonwealth public sector.

We are witnessing a change in the Westminster style of governance which is impacting markedly on the ways in which public sector organisations deal with their various stakeholders and manage themselves. The latter processes can be broadly described as corporate governance. This section of my paper is concerned with developments impacting on both levels of governance. The aim is to achieve seamless interaction and mutual reinforcement between the two. This requires effective leadership and clear strategic direction. Above all, it demands open and on-going communication across all stakeholders.

The main vehicles that will be used to reshape the management responsibilities of the APS are the Workplace Relations Act 1996 and the Public Service Bill 1997. These will mean significant change for the industrial relations framework and the way the public service manages itself. The decision to replace the Public Service Act was announced by the then Government in May 1995 following consideration of recommendations made by the McLeod Review of the existing legislation. The new Public Service Bill was introduced into Parliament in June 1997. It aims to make the public service more efficient and accountable to the Parliament by establishing an interlocking framework of powers and responsibilities, integrated with a genuinely devolved managerial environment.

In the words of the previous Minister for Industrial Relations and Minister Assisting the Prime Minister for the Public Service, the legislation will 'remove its regulatory prescription' and be 'much simplified and streamlined'. There has been general agreement about a more 'principles-based' Act that supports a more flexible working environment. In large part this will be determined as part of any workplace agreements which are intended to be more reflective of similar arrangements being generated in the private sector based on the Workplace Relations Act 1996. The following comments by the Minister are instructive on the issue of accountability:
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It (the Public Service Bill) will promote higher performance in the APS by devolving management responsibility to individual agencies and, at the same time, ensure that public interest objectives are maintained through enhanced accountability.

More recently, the Joint Committee of Public Accounts (JCPA) reported that the Public Service Bill:

In large part seeks to give a contemporary legislative basis for employment and management practices which have evolved in the APS over the last ten years, and to incorporate into the public sector the current Government's industrial relations reforms.

The Committee was concerned that any statement of APS values must clearly indicate to whom the APS is accountable and recommended adding the following words to Clause 10(3) of the Bill after the word 'actions' of line 17 of page 7:

...within the framework of Ministerial responsibility to government, parliament and the public.

Public service values and codes of conduct, including ethical considerations, have always been regarded as endemic to the notion of public accountability. Some witnesses at the JCPA inquiry expressed strong reservations about the apparent reliance of the Bill on private sector models of employment. The following comment reflects the concerns:

I ... am sceptical about the capacity of the private sector employment paradigm to accommodate and satisfy the APS values of merit, equity, participation, fairness, diversity and so on.
This observation also reflects consideration of the interaction of the public service with, and accountability to, the Australian community as citizens.

The introduction of the two types of Charters, the Charter of Budget Honesty and Public Service Charters will do much to improve the transparency and accountability of the government and public service to citizens. The Charter of Budget Honesty provides the public with greater opportunity to review fiscal policy and performance, thereby increasing accountability of the Government to the public. Development of Public Service Charters and Standards provide the public with an opportunity to help establish the client delivery requirements and review public service performance against those requirements.

The replacement of the Audit Act 1901 by three pieces of legislation will provide a renewed framework for the assurance of public sector accountability. The three Acts, due to commence on 1 January 1988, will jointly provide the financial accountability mechanisms necessary to carry a modern democratic state into the next century. They will reaffirm and strengthen the Auditor-General's mandate in a more flexible and adaptive environment with considerable devolution of authority and greater commercialisation of activities, including service delivery. The most obvious aspect of the bills is the absence of detailed processes of agency accountability which are mainly left to the CEO of each organisation and described as 'Chief Executive's Instructions'. Personal accountability has become a reality.

These fundamental changes to the public service have wide ranging ramifications. The decrease in prescriptive legislative control is compensated for by an increase in the accountability for resources and achievement of outcomes whilst maintaining the probity and fairness expected of the public service. As a part of this the growing focus will be on Corporate Governance, reflecting how the organisation is led and managed to meet government, parliamentary and public expectations. This is the context for the next section of the address.

3. Corporate Governance

Corporate governance is basically about how an organisation is managed, its corporate and other structures, its culture, its policies, its performance and the ways in which it deals with its various stakeholders. It is an holistic concept depending very much on the integration of those various aspects to achieve effective governance of an organisation. The concept has received considerable attention in the private sector particularly as a result of company failures, internal control and systems problems and growing shareholder concerns about Board and company performance as well as the impact this has had (might have) for the liability of individuals. In some cases these concerns have also been audit focussed particularly as they relate to financial management, accounting and reporting. The
notion of due diligence has been given an added dimension with potentially serious financial implications for auditors.

In the public sector context, corporate governance is also about ensuring that the organisation and its people exhibit high standards of official conduct and professional practice and fair dealings in accordance with recognised professional and APS standards and ethics. In my view there is more than just an issue of degree in these respects between the public and private sectors. In fact they raise interesting questions about if, and how, such requirements could be successfully applied, or be seen to be applied, to private sector providers of 'public services'. Such questions bear particularly on accountability but also include issues about the commercial nature of contracts.

The following observation places these concerns within the context of managerial risk taking:

Corporate governance is the balancing of the need for managerial risk taking, entrepreneurial energy and high capability, with the need for some kind of monitoring, so that management's direction is aligned with the interests of those who have entrusted their capital to the enterprise and to a lesser extent to the interests of other stakeholders.

I am pleased to say there has also been relatively recent recognition of the similar need for good corporate governance in the public sector. While some public sector managers have been dubious about that need, others have been quite proactive and supportive of its explicit introduction. Clearly, many of the elements of corporate governance are not new to the public sector such as corporate and business strategic and operational planning, control environments, relationships to various stakeholders, performance information, public reporting and ethical conduct.

While noting that public sector agencies vary in their nature, organisational complexity, size and client base, it should also be recognised that they currently have largely common internal structures which support the CEO's decision making. These structures, which are essential building blocks to form a governance framework for the entity, are gradually being clarified and integrated in a corporate approach. In addition, as the legislation changes and rules become less prescriptive, and some might argue less inhibiting, the underlying values of good management are being recognised and made more apparent.
The values, standards and practices which underpin corporate governance in public sector agencies flow from peak APS values, obligations and standards, which in turn are derived from legislation, policy and accepted public service conventions. Decision-makers should be careful not to underestimate the importance of the cultural and experiential factors which reinforce acceptance of, and the commitment to, these notions of public service.

Elements of good corporate governance should:

- demonstrate that required managerial disciplines are in place;
- assist with planning and decision making for management;
- complement any review and evaluation of program management;
- identify best private (and public) sector practices;
- establish credibility with external parties; and
- provide a defence against internal/external criticism.

A sound governance framework would, for example, assist an entity to:

- achieve its corporate objectives;
- identify, prioritise and manage risks;
- promote high ethical standards;
- ensure various management roles and accountabilities are clear;
- provide relevant and timely information to the appropriate stakeholders; and
- meet emerging benchmarks or standards for internal control and information reporting on results.

Perhaps more obviously, agency governance can greatly enhance accountability for performance through establishing effective systems of control. I have no doubt there is considerable interest in how an agency can establish a robust control environment and the control structures necessary to support it. I will discuss this later but first I will outline recent corporate governance initiatives in the public sector.

**Recent Corporate Governance Initiatives in the Public Sector**

In the area of corporate governance, there is much the public sector can learn from the experience of our private sector colleagues. We understand that, while private
sector solutions may not be directly translatable to the public sector, there are suitable alternatives which can help achieve a similar outcome.

As a result of the recent recognition of the need for good corporate governance in the public sector, the ANAO along with other public sector agencies has been involved in developing suitable public sector governance frameworks that are credible, are of real benefit to management and enhance external scrutiny.

The ANAO has developed a discussion paper on core public sector corporate governance which is designed to assist CEOs in establishing an appropriate management framework for their entities which we anticipate will lead to efficient and effective use of Commonwealth resources in a fair, equitable and ethical manner. This followed intensive interaction with Commonwealth agencies and entities, private sector organisations and professional bodies.

We have also included the paper on our Internet site and continue to encourage any comment on the issues. In essence the paper is intended to encourage entities to consider corporate governance principles and the ways in which they could be developed in the particular circumstances of the entity concerned.

Our interest in Corporate Governance has a number of facets. Firstly, by preparing and widely distributing a statement on this topic the ANAO is influencing change which directly supports our vision of being a major contributor to achieving excellence in public sector administration and accountability. Secondly, we saw value in applying the principles of corporate governance to administration of the ANAO itself. As an indication, I reaffirmed, as part of my 1996-97 annual report to the Parliament on the activities of the ANAO, our commitment to developing an effective corporate governance framework within the office which included the adoption of an ANAO Code of Conduct during the year. Thirdly, our audit work, both financial and performance, will increasingly focus on governance issues both at corporate and program levels within agencies.

The Minister for Finance, the Hon John Fahey, recently released the Governance structure for Government Business Enterprises (GBEs) which adopted many of the recommendations of the Review of GBE Governance Arrangements. Under the arrangements, Shareholder Ministers (the portfolio Minister, Finance Minister and an additional optional Minister) will have less control over the operations of the GBE maintaining strategic control consistent with accountability requirements to Parliament and the public. Directors, appointed by the Shareholder Ministers, will be responsible for developing business strategies and handling day-to-day management policies.

In reducing the control to be exercised over the GBE by Ministers, accountability and reporting arrangements for GBEs have been increased. The general conduct of Directors will be subject either to the Corporations Law (for company GBEs) or the
CAC Act (for statutory authority GBEs). Boards will have absolute responsibility for GBE performance, and will be accountable to Shareholder Ministers. GBEs will be required to:

- present Corporate Plans and Statements of Corporate Intent to Shareholder Ministers for approval;
- provide progress reports and annual reports; and
- keep Shareholder Ministers informed of significant events affecting the value of the GBE.

This change in focus of the Government for GBEs is a signal that the current Government is placing greater emphasis on accountability for outcomes rather than control over actions. This includes placing greater responsibility for performance on the entity head and Board Members. This requires, for example, Entity Heads to put in place systems of control which provide assurance of performance and adequacy of control procedures. Boards need to satisfy themselves that such requirements have been effectively put in place.

The New Zealand Controller and Auditor-General in a special report tabled in their Parliament on 13 December 1996 recommended a minimum set of governance arrangements for Crown entities. The report noted some key requirements for effective governance of such entities as follows:

- A relevant, clear and comprehensive governance framework for each Crown entity or group of Crown entities.
- Explicit, documented and clearly understood roles and responsibilities for the governing body, responsible Minister and ministerial advisers.
- A board appointment process which ensures that appointees are chosen on the basis of a skill profile and are drawn from the widest practical pool.
- A consultative business planning process which ensures that the governing body bases its goals and strategies on a sound understanding of the Crown's interests and priorities.
- Monitoring arrangements which are targeted at the key areas of organisational risk, and provide assurance to the responsible Minister that the long-term performance and capability of the entity is being maintained.
- Public accountability documents which recognise the Crown's interests and priorities as long-term owner, certain objective measures to assess performance, and provide the basis for more comprehensive performance monitoring where appropriate.
- Agreed performance reporting practices which enable responsible Ministers to measure performance against stated targets, provide assurance that the
governing body is discharging its stewardship responsibilities, and identify emerging issues facing the entity.

Periodic appraisals of whether a Crown entity is continuing to fulfil its intended purpose in an appropriate manner.

The Control Environment

The control environment is a reflection of management's commitment and attitude to ensuring well controlled business operations that can demonstrate accountability for performance. The notion of a control environment starts from the top of an agency and, to be effective, it requires clear leadership and commitment. This imperative is reinforced by the interrelationship of risk management strategies with the various elements of the control culture.

I cannot over-stress the importance of the need to directly integrate the agency's approach to control with its overall risk management plan in order to determine and prioritise the agency functions and activities that need to be controlled. Both require similar disciplines and emphasis on a systematic approach involving identification, analysis, assessment and monitoring. Control activities to mitigate risk need to be designed and implemented and relevant information regularly collected and communicated through the organisation.

Management also needs to establish ongoing monitoring of performance to ensure that objectives are being achieved and that control activities are operating effectively. The achievement of the right balance is important so that the control environment is not unnecessarily restrictive nor encourages risk averse behaviour. To the contrary it should be promoting sound risk management and the systematic approach that goes with it.

The adoption of a sound and robust control environment at the top of an agency will substantially influence the design and operation of control processes and procedures. The key components of a control environment which should lay the foundation for an effective control structure are:

- control culture and management style;
- planning, budgeting, monitoring and reporting processes;
- structure of the agency;
- governing body of the agency;
- the audit committee;
Control structures implemented within an agency should be commensurate with an acceptable level of risk, the nature of the entity and its program delivery. It must be kept in mind that controls provide reasonable assurance, not absolute assurance that organisational objectives are being achieved. Control structures should facilitate not impede outcomes or results. Control is a process, that is, a means to an end, and not an end in itself. It impacts on the whole agency. As such, it is the responsibility of everyone in the agency and is effected by staff at all levels.

The control structure will provide a linkage between an agency's strategic objectives and the functions and tasks undertaken to achieve those objectives. A good governance model will include a control and reporting regime which is geared to the achievement of the agency's objectives and which adds value by focussing control on the 'big picture'. An important management tool in the control and accountability structure of an agency and an entity is the audit committee. I will discuss this topic next.

Audit Committees

I would like to reflect on the audit committee's role, particularly in the corporate governance context. It is another critical success factor for agency performance and a check on risk management approaches and discussions. The role of the audit committee assists in establishing a strong and effective control environment and developing an overall corporate governance framework incorporating stewardship, leadership and control responsibilities of the governing body. Its ability to seek explanations and information as well as develop its understanding of various accountability relationships and their impact, particularly on financial performance makes it a key component of the corporate governance framework for an agency.

Audit committees are also a complementary vehicle for implementing risk management plans. This view is shared by the private sector as the following indicates:

Corporate representatives agree that both audit committees and risk management plans are an indication of best
A difficult issue which needs to be considered is how do public sector audit committees, which generally consist of management only and have separate assurance roles to the Executive Board for their line responsibilities act, or be seen to act, independently in performing the Committee's monitoring role? Unlike the private sector, this demarcation issue in the public sector is unclear. Fundamental importance is attached to the independence of the 'Governing body' in private sector corporations and, in turn, to their Audit Committees. There is certainly advantage in having an independent input into the Committee to enhance its credibility and effectiveness.

As you may be aware, the replacement legislation for the Audit Act 1901 requires agencies and entities to have Audit Committees. The ANAO has recently completed a Financial Control and Administration (FCA) audit into the use of Audit Committees. That audit also produced a Better Practice Guide in the form of an Audit Committee Handbook. The Handbook makes the point that an effective committee has the potential to strengthen the control environment (of which it is a part) and assist the CEO and/or Executive Board to fulfil their stewardship, leadership and control responsibilities. Moreover, many of the benefits claimed are predicated on the Committee's independence and the objectivity this brings to its deliberations. In the final analysis the composition of an Audit Committee is a function of the governance model under which it operates.

In a situation where an 'external' Board is accountable for an entity, it is entirely appropriate to have an Audit Committee comprised of a majority of members who are external to the entity, that is, not part of executive management. Audit Committee membership in such circumstances is drawn from the larger Board. However, where a governance model places sole responsibility and accountability with a single position, that is the CEO, an Audit Committee comprised of a majority of members from outside the organisation does not seem to confer the same benefits. The conundrum is to effect the appropriate balance between authority (and credibility) and independence for the Committee.

An effective audit function requires a good knowledge and understanding of the organisation's functions and/or business. Therefore, it can be expected that an agency's Audit Committee will comprise at least some members from management. The clear imperative for the latter, which should be reinforced by the CEO, is that their membership is as informed and independent contributors, not as representatives of their particular areas of responsibility. While this demand can create difficulties for individual members from time to time, the corporate imperative has to prevail to inspire confidence and trust.
Complementing such membership, desirably, should be at least one 'external' representative who can provide skills, knowledge and perspectives that can both reinforce the independence of the Committee and enhance its deliberations and outcomes. I note that less than 30 per cent of Commonwealth agencies and entities currently have at least one external member on their Audit Committees.

While I welcome the opportunities being provided to invite ANAO auditors to meetings of the Audit Committees, membership is potentially a conflict of interest and sends the wrong signals to the various stakeholders. In a number of cases we have taken an observer role which provides some discretion to both parties about ANAO attendance at committee meetings.

In my view the CEO needs to specify clearly his or her assurance model as part of the corporate governance framework for guidance to the Audit Committee and to Internal Audit. I would expect that guidance would reinforce the authority and independence of both. That means the CEO does not need to chair the Committee and should not in my personal view. The possible exception to the latter is where the CEO might wish to give a clear message to the agency, at the outset, of the importance of the Audit Committee and its role in good corporate governance and the necessary 'stamp of authority'. The CEO should then step aside once there is confidence this has been achieved. The Chair of the Committee should ensure that the CEO is provided with regular reports and other feedback, particularly on any significant issues arising from its work.

Audit Committees are an important element of the Corporate Governance framework. They are an important interface with both internal and external audit. They should also be able and willing to contribute to a better integration of the various elements of the framework. In this way they can both help, and provide assurance to, stakeholders within and outside the organisation particularly on issues of accountability, sound risk management and good financial reporting.

4. Client Service Delivery

The growing importance of client service delivery by the public service in the perception of both the Parliament and the general public has led to the increased emphasis placed on it as part of public sector accountability for performance. Central to the development of a growth in interest in client service issues has been:

- the Government's decision to adopt Public Service Charters;
- contestability of a wide range of public services; and
- increased levels of contracting out and competitive tendering (CTC).
In addition to these pressures, the increasing influence of information technology and telecommunications on how business is conducted continues to drive the public service to be innovative in the way it delivers services to clients. Requirements of the APS to retain and improve services whilst retaining accountability for resource usage requires an established, comprehensive performance information framework. The framework should assure all stakeholders, including internal management that standards are being met and identify areas for potential improvement.

The Government's objectives for service charters include:

- setting out the nature and level of service clients can expect to receive; and
- putting service quality alongside efficiency and effectiveness as a key evaluation criterion.

The then Department of Industry, Science and Tourism recently published the Principles for Developing a Service Charter (1997). These principles provide a guide for departments and agencies developing charters and include monitoring, review and accountability mechanisms. Most significantly, and ambitiously when considered in the light of overseas experience, the Government has taken the decision that charters would apply well beyond those services provided directly to the community by Government.

The Government has decided that key aspects of service charters should also apply to indirect service delivery functions, that is, through program grant arrangements and competitive tendering and contracting out. This approach has been taken to ensure that efficiency gains will not be achieved at the expense of service standards. The Child Support Agency and the Australian Taxation Office have been leaders in the introduction of service charters and reflect good practice. Service Charters should also assist in strengthening accountability by providing a clearer focus on activities against which agencies should report as part of their annual report requirements.

Service Charters can also assist in establishing a basis of minimum standard for competitive tendering and contracting. This should help to ensure that efficiency will not be achieved at the expense of service standards. Service Charters and standards therefore should provide a valuable accountability link between the contracted party and the agency.

The ANAO completed two performance audits in December last year which examined the adoption of a client focus by two major agencies, the Australian
Taxation Office (ATO) and the Department of Social Security. These audits found that the agencies had begun the shift towards a greater client focus. The ANAO made several recommendations aimed at assisting those agencies to develop a better client service focus throughout each agency. The ANAO will continue to examine issues of client service as an element of its performance audit program looking at both agency and private sector delivery of services and then performance against any Service Charter. The Charter will only have credibility if there is real accountability for performance by the designated provider. The public needs to know who they should contact if the required service is not being delivered and what accountability requirements are being demanded of the provider, whether public or private sector.

In addition, the ANAO together with the Management Advisory Board (MAB) recently developed a joint publication titled Customer Focus in a Public Sector Environment. In this publication we emphasise the need for adoption of a client-oriented service approach in stating that:

Public sector agencies should recognise the rights and obligations of the general public as citizens. Agencies should also appreciate, however, the value of a strategy to ensure that staff focus on quality service provision, using the concept of a customer as is accepted in the private sector, in adopting or adapting its better practice in service delivery.

On Being Contestable

Delivery of cost-effective services remains a central focus of the APS today and contestability of public service delivery mechanisms is an important feature of ensuring cost-effectiveness. Most public servants are familiar with this and many would argue that the contest has been often unequal - from both sides of the fence I might add. However, up until recent years, there has not been any serious consideration of government agencies generally being subject to competition in their delivery of services. That is not to say that there have not been bureaucratic battles over territory nor that the private sector has not previously delivered such services. From the general public's point of view there are both risks and gains from greater contestability.

The then Department of Finance published a useful outline of concepts, case studies and lessons learned in relation to contestability in late 1995. Their definition of contestability for the APS is:

... the prospect of competition in public sector activities to improve both program efficiency and effectiveness.
To many, the word 'prospect' reads as a threat despite the comment that contestability

... does not imply transfer of provision of services to the private sector.

However, it is more a challenge to increase efficiency and effectiveness. This does bring into question issues of 'competitive neutrality' or the so-called 'level playing field' as promoted in the Hilmer Report. These issues present difficult problems to public sector managers both in defending apparent advantages of being in the public sector with, for example, its less risky environment and clear disadvantages of constraints such as confinement of areas of business and lack of similar management flexibility and additional accountability to that in the private sector.

In my view, while contestability does confront public service managers with a number of the risks of operating in a competitive market, it is very much a second best approach to improving efficiency and effectiveness if they do not at least eventually have to engage in genuine competition. Competitive neutrality would suggest this should probably be as a government business enterprise, preferably in corporate form. It is a matter for governments to decide the benefit of retaining such activities within the public sector.

The major risk is not being able to show clearly that you are competitive, particularly where you are not operating in the marketplace. However, as some of the business managers in the previous Department of Administrative Services would no doubt assert, being in the marketplace per se does not necessarily provide a clear indication of one's competitiveness.

On the other hand, in a non-competitive environment, as for the ANAO, it is a discipline to engage in peer reviews particularly with audit firms in the private sector to assess our cost effectiveness. But we do not take the risks of being in competition which would be non productive to try to emulate. As well, we do not have the authority nor the resources to engage in the more lucrative consulting that is often an adjunct to the audit activity. Nevertheless, we use the discipline of contestability to improve our performance. I note the Finance comment that contestability differs from, but includes, contracting out. The latter involves its own specific risks which I will touch on shortly.
While contestability clearly involves new and increased risks to be managed by individuals and their organisations, there are broader risks that need to be considered as indicated by Finance.

Contestability in the public domain carries with it greater responsibilities for CEOs and Ministers than for private sector CEOs. Businesses in the private sector enter the market exclusively for profit. Opening up new areas of the public sector to the prospect of competition carries additional responsibilities for policy makers. Issues relating to security, accountability and equity need to be taken into account.

These issues bear directly on the question of what activities should be undertaken within government and why. The ANAO has defined its audit business in terms of the traditional core government functions, broadly coinciding with the coverage of the new Financial Management and Accountability legislation. Again, broadly, our non-core business coincides with the new Commonwealth Authorities and Companies legislation with the exception of any budget dependent entities that are included, at least as we understand the coverage at the moment.

A contractually oriented APS

Contracting out is not a new phenomenon as indicated by Gary Sturgess in an address last year in Canberra. However, as he also pointed out, a major difference is that:

... we are now contemplating competition in the central functions of government.

The key message is that it is no longer appropriate for the APS to have a monopoly even in traditional service areas such as policy advice which I alluded to earlier. This has continued to widen the areas considered suitable for a split between the purchaser and provider. Broadly defined, a purchaser/provider arrangement is one in which the purchaser decides what will be produced and the provider delivers the agreed outputs or outcomes. A purchaser/provider arrangement is the basis of most contractual and commercial arrangements operating in the public sector including the Competitive Tendering and Contracting (CTC) of service delivery mechanisms.
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There are risks which underscore the importance of accountability in the implementation of CTC within the public sector. The main message is that savings and other benefits do not flow automatically from the introduction of CTC. New opportunities and new risks are introduced and, as with all other APS activities, these must be acknowledged and managed appropriately. These risks can vary in scope and include the content of the contract itself as well as the processes of tendering, selecting, monitoring and reviewing.

While competition is the key 'driver' for administrative savings, the nature of the public sector environment requires strong accountability elements if performance overall is to be enhanced. A key to any outsourcing arrangement is the need to retain the capacity to manage effectively the service provider. It should not just be assumed the service will be provided as agreed. There needs to be a suitable level of monitoring and review to ensure that this is in fact the case.

Conflicts can arise with contracts that are either too broad or too restricted in their coverage. Vague relationships do not assist either party nor lend confidence to the partnership arrangement. Clear definitions of the boundaries of a contract should assist in resolution of any disputes as to what is, or is not, covered including basic deliverables such as service levels and response times. However, contingency clauses which provide flexibility to respond to changing circumstances and an agreed mechanism for addressing problems contained within contracts can assist agencies and contractors in meeting public needs.

Conversely, highly restrictive and/or prescriptive contracts can reduce flexibility of both the contractor and the agency in delivery of the services, adding to compliance costs. Significant controls and high compliance costs for both the contractor and agency are detrimental to efficiency and effectiveness and can inhibit initiatives which can contribute significantly to actual outcomes or results. There is clearly a need for skills development in the public sector in the areas of project and contract management. For many, this will be a new area of expertise and one of considerable challenge.

A complementary issue is that of assignment and acceptance of responsibility. Agencies must be careful in determining areas of responsibility and accountability for services delivered by contractors. The Ombudsman has referred to a 'no-man's land' of accountability and 'unpublicised transfer of risk' and, more recently, to a 'new twilight zone for consumers of government services'. In response to a range of complaints received the Ombudsman observed that:

Where contractors provide core government services indirectly it is critical that the thread of accountability goes back to the principal agency. Agencies should not contract out responsibility at their client's expense.
From an accountability viewpoint, the ANAO considers it is critical that agencies consider the nature and level of information to be supplied under the contract and access to the contractors’ records and premises as necessary to monitor adequately the performance of the contract. Performance reporting clauses in contracts can be made to work effectively and as with any performance information, it is important to clearly state expectations as a basis for regular evaluation as the lynch-pin of accountability for performance.

As part of its duty to Parliament, the ANAO may require access to records and information relating to contractor performance. The ANAO considers its own access to contract related records and information would generally be equivalent to that which should reasonably be specified by the contracting agency in order to fulfil competent performance management and administration of the contract. The inclusion of access provisions within the contract for performance and financial auditing is also very important in maintaining the thread of accountability. From this perspective, the ANAO considers it is imperative for contracting agencies to ensure the contract indicates the ANAO's powers in this respect and makes suitable arrangements for:

- sufficient access to records, information and premises of the contracting parties to allow them to ensure their own, and ultimately their Minister's accountability expectations are met; and
- the Auditor-General to have sufficient access to ensure the accountability requirements of the Parliament are met.

Access to relevant records and information could be met by standard contract clauses supplemented as necessary by particular clauses that reflect individual circumstances of each agency (see Attachment A). The use of mainly standard contract clauses would enable all parties contracting to the Commonwealth to be aware of the Commonwealth's expectations and their obligations in this regard for all contracts with third party service providers. However, the case for such clauses has to be sensitive to the commercial nature of the contracts involved. Recently the Chairman and interim CEO of the Public Employment Placement Enterprise (PEPE) was reported as saying:

I see the contract as being over protective boiler-plating. It's trying to protect the purchaser (Employment Department) from every conceivable possibility.
This comment followed an earlier reported decision by the large commercial personnel agency Manpower Australia not to tender for the new Commonwealth scheme for placing unemployed in jobs because of the relatively short duration of the contract and a cancellation clause with fourteen days notice without a reason being stated. The managing director indicated that these clauses were no basis for a commercial investment.

The Privacy Commissioner has also expressed concern over the use of contractors, specifically for the outsourcing of Information Technology functions. The Privacy Advisory Committee advice for Commonwealth Agencies states that the Information Privacy Principles contained within the Privacy Act do not apply to contractors and the Privacy Commissioner cannot directly investigate a breach of privacy. As a result the Commissioner recommends that agencies provide for the Privacy Act to apply through a clause in the contract. The Commissioner has also suggested model contract clauses to protect individuals' privacy. The Minister for Finance has indicated that appropriate amendments will be made to the legislation to ensure that the private sector will be subject to the Act.

The aim of agencies should be to develop partnership arrangements dependant on soundly based agreements which can literally be put in a bottom drawer for reference purposes only. The success of such arrangements depends considerably on establishing a solid basis of trust with scope for a 'give and take' relationship within the terms of any agreement. This does add an element of risk because judgement can be involved, often at relatively short notice. This is the essence of good management. However, the Commonwealth's exposure to any adverse implications must be clearly within the terms of the agreement. This not only assists WIN-WIN outcomes but also ensures transparency (accountability) of the decisions being taken.

A broader based risk which should be considered is in the context of the increasing cross entity and cross program focus for development, evaluation and review purposes. This is identified by the then Department of Finance paper, mentioned earlier, as follows:

Under purchaser/provider arrangements, there is a risk that the vertical relationships within a portfolio or organisation will be strengthened at the expense of horizontal ones. Managers may place less emphasis on coordinating programs and policies across portfolios.
The CTC arrangement can also add to the perennial problem of divorcement of policy and administration. The issue is how to get the two-way feedback loop to work efficiently and effectively so that experience with direct client relationships and observation of, as well as participation in, program implementation can answer important questions of the appropriateness of objectives and strategies and overall program effectiveness.

In a submission to the Senate Standing Committee on Finance and Public Administration Inquiry into contracting out of government services, the Commonwealth Ombudsman expressed concern about the accountability of contracted services. Investigations into over 300 complaints in relation to contracted services in 1995-96 revealed concerns by suppliers and consumers about:

- the inability of consumers to recover losses from service providers;
- standoffs and lack of mechanisms for resolving disputes over contracted services;
- buck-passing between different agencies - the department, contractor and insurer;
- inadequate or ambiguous contractual arrangements;
- oppressive behaviour of government departments towards small business; and
- favouritism or exclusion from the tender process.

The Commonwealth Ombudsman's submission made it clear that where contracts cannot be adequately enforced contracting out should not be used. The then Department of Finance's submission to the Senate inquiry notes:

Whatever method of service delivery is used, whether by the public sector directly or by private sector organisations under a contract, the government agency remains accountable to government, to Parliament and to clients for the standard and quality of services, the use of funds and the interests of clients.

It is important to understand that the introduction of new ways of delivering public services such as through CTC does not obviate or limit the need for accountability because of the market discipline induced by competition. To the contrary, less direct relationships and greater decision-making flexibility strengthen that need. The recent Federal Court decision involving Hughes Aircraft Systems International vs Air Services Australia on public sector tendering (June 1997) also reinforces the need for probity in the tendering process. In this case, the key message from Justice Finn is that all public bodies issuing a Request for Tenders (RFT) may be bound to comply with the terms of the RFT including matters going to the methodology,
timetable, evaluation framework and evaluation criteria. Australian case law now incorporates a precedent that:

...terms were implied as a matter of fact and law that the public body would conduct its tender evaluation process, and deal fairly with a tenderer in the performance of the tender.

In this case, the Commonwealth body had breached that contract because it:

... failed to evaluate the tenders in accordance with the processes set out in the RFT, failed to ensure that confidentiality measures were maintained and accepted an out of time change to the proposal by one tenderer.

The above case is illustrative of the more litigious environment for the public sector where contractors and unsuccessful bidders seem less fearful of challenging government decisions in the courts. Clearly, to operate effectively within this environment, agencies require, inter alia, careful attention to probity and an analysis of the risks involved in implementing CTC. Within this context, some kind of cost-benefit analysis seems the most appropriate mechanism to assess the achievement of the stated outcomes. CTC should be no different to any other option in this regard.

These issues also need to be considered within an ethical decision-making framework that can be provided through well designed corporate governance principles - addressing both relations with stakeholders and the accountability/performance requirements of the agency. The importance of ethics is underscored by the recent case of J S McMillan Pty Ltd vs the Commonwealth (July 1997) which involved tenders for the old Australian Government Publishing Service site. Justice Emmett found that while the Commonwealth breached the Trade Practices Act (1974), the Commonwealth is not bound by the Act in this case because it was not found to be carrying on a business in evaluating tenders for AGPS.

While this latter decision gives some protection to the Commonwealth in the courts in areas of government activity, the risk is that market perceptions of 'sovereign risk' could rebound on the Commonwealth in the future in terms of market cynicism and reduced competition for government business.
The Influence of Information Technology

The changes taking place in information technology and telecommunications also provides scope for the APS to develop new and innovative service delivery mechanisms, but at the same time introduces several new risks for the public service. For example, the growing popularity of the Internet provides a quick, accessible delivery mechanism for departments to provide information. The challenge remains for it to be a reasonably secure, interactive tool for the exchange of information between departments, agencies and clients.

Internally to the organisation, the improvements being made in information systems, both at a technical level and in the type, availability and useability of information stored within the system provide challenges to agencies. Information security will remain a concern of the public service, and appropriate controls and audit trails should be maintained to ensure continued protection of information gathered. Outsourcing contracts should be closely monitored in a business sense. It is an area where a genuine partnership should be encouraged with the contractor to ensure early warning of problems or action to be taken where program effectiveness is at stake.

The Year 2000 'millennium bug' is also a major concern to Commonwealth departments and agencies. If left untreated, there could be serious problems in the operation of the APS and wide impact on the general public. These include a potential inability to pay income support to preventing or severely restricting international trade by import and export systems freezing. In a recent address I indicated that the Year 2000 problem is a whole of business issue which:

...demands an effective risk management approach as part of good corporate governance.

The ANAO will table a report later this year on how a range of agencies is addressing the issue of the millennium bug.

As reliance by agency staff and clients on information contained within computer systems becomes greater, disaster recovery plans and business resumption plans become increasingly important. These help to ensure that in the event of problems occurring with computer systems, information is protected, retained and can be efficiently retrieved so the organisation can return to work as quickly and as cost effectively as possible.
Information Technology (IT) strategies should be viewed as an integral part of the overall business strategy for the organisation. All senior and executive managers should have an input into the IT strategic direction to ensure that the strategy will continue to meet their emerging information needs. IT strategies should not be left to the IT section alone to develop, and as outsourcing of these types of services continues, establishing a clear direction for IT is increasingly important to the business.

Performance Information

The increased level of CTC has heightened the impetus on the public service to develop effective monitoring and performance evaluation systems to review contractor performance. The public reporting of outcomes against the established standards is an important element in the accountability framework and Public Service Charters should be designed to be streamlined and integrated with existing reporting mechanisms. As the Secretary of the then Department of Industry, Science and Tourism indicated in June last:

... the important thing is that this information is published and people know how their public services are performing - and as no-one wants to be at the bottom of the table, there is great incentive to improve.

Performance information is a critical tool in the overall management of programs, organisations and work units. It is important not as an end in itself, but in the part it plays in managing effectively and has an expanded role in the new ways of delivering public services as a means of protecting Commonwealth and general public interests. It is therefore a key component of good risk management and corporate governance. I am not just talking about indicators, measures or targets. Performance information is evidence about performance that is collected and used systematically. Performance refers to the carrying out or achievement of a particular purpose, task or function. For a program, organisation or work unit, the key elements of the program or work structure include the resources used (inputs), what is done (processes), what is produced (outputs), and what impacts are achieved (outcomes).

Performance information fits within the wider management framework that includes objectives, strategies for achieving objectives and mechanisms for collecting and using performance information. Performance information is documented and reported in corporate publications to the Parliament and other stakeholders and
managed within the annual corporate cycle. In these respects it is crucial to public sector accountability. Put simply, it is the main means through which assurance is provided transparently to the Parliament and public that the Government's objectives are being met. The Public Service and Merit Protection Commission has recently released a set of Performance Management Principles, prepared in consultation with thirty-eight other agencies, which are aimed at the management of individual and team performance to improve overall organisational performance (see Attachment B).

The National Commission of Audit supported the development of Whole-of-Government reporting, concluding that a full accrual accounting framework is an essential complement to the structural and cultural change the Government is seeking by way of a more competitive, efficient and effective public sector. The Government has adopted the recommendation that from 1996-97 onwards an audited Commonwealth financial statement be prepared. The Government has also decided that in 1998-99 a trial of accrual budgeting for selected agencies will take place, leading to a full accrual framework incorporating an Accruals Budget and quarterly accrual reports from 1999-2000.

As noted by the JCPA:

...the statements will contain a wealth of information which can be used to construct a range of specific performance indicators to monitor and assess the performance of agencies and of programs within agencies. The information can also be used in a predictive sense to help decision makers assess the impact of proposed resource allocations on other programs within an agency or on the whole agency.

The ANAO and the now Department of Finance and Administration have been working on an accrual set of Whole-of-Government financial statements with the second trial on the 1995-96 financial year accounts completed in July 1997. The 1996-97 report will be audited by the ANAO. The aim is to provide a better picture of the Government's financial situation and how it has allocated and spent resources over the previous year. The Whole-of-Government financial report will provide an overview of the Commonwealth's position. It will also provide credible information upon which informed decisions can be made on the Government's overall objectives and in respect of choices that the Government is considering in the allocation of scarce resources to its various priorities and commitments.
I see the move towards both accrual budgeting and reporting as an important element in assisting departments and agencies to develop useful performance information systems. It will help agencies to become more outcome-focussed in reporting, providing improved information to both agency management and the Parliament and encouraging an effective Corporate Governance framework.

The development of performance information can be both resource intensive and costly. Therefore we should focus on a suite of key indicators which measure something of importance rather than something that is easy. Traditionally, the performance indicators that have been identified in the APS have focussed on inputs and outputs. It is generally agreed that performance indicators need to be more outcome focussed. This not only includes information on what has actually been achieved but also about the cost-effectiveness of those achievements. The difficult task is to identify and relate outputs to outcomes, particularly in quantitative terms.

Risk Management reinforces the need for an effective performance information framework. This incorporates not only internal information on inputs and outputs, but wider information about how well objectives are being met and identified risks are being addressed. This helps to ensure that cost-effective risk treatment options are being employed, but it is also important to monitor the environment to see if the risk has changed, or new risks are emerging. This requires a greater focus on the outcomes of actions taken by the agency.

Australia is not alone in grappling with the development and use of sound performance information, particularly in the light of the new service delivery arrangements. Significant developments have been occurring in New Zealand, the United States of America, Canada, the United Kingdom and in a number of European countries such as France and Sweden. Many countries are now actively sharing experiences on deriving suitable performance information for accountability purposes. Perhaps the best known and often quoted example is Western Australia where the Financial Administration and Audit Act 1985 not only requires agencies to report on their performance indicators but also requires the Auditor-General to issue an opinion on them.

Having developed the mechanisms to allow the assessment of performance, it is important that we use our performance information for ongoing monitoring as well as for point in time assessment and reporting. Ongoing monitoring at different levels in the organisation assists to identify at an early stage if there are problems. Prompt remedial action can then be taken to ensure that the risk management program is on the right track and that we are using our resources in such a way to maximise outcomes.

Risk Management
In discussing risk management it needs to be recognised that our evolving system of public administration and the ability of agencies to work within cash limited budgets, does depend on continuous improvement including, in particular, innovation. It should also be recognised that innovation involves taking risks which need to be assessed and managed efficiently. Risk management has been defined as:

...the systematic application of management policies, procedures and practices to the tasks of identifying,
analysing, assessing, treating and monitoring risk.

The MAB/MIAC Guidelines for Managing Risk in the APS state that:

Risk arises out of uncertainty. It is the exposure to the possibility of such things as economic or financial loss or gain, physical damage, injury or delay, as a consequence of pursuing a particular course of action. The concept of risk has two elements, the likelihood of something happening and the consequence if it happens.

Risk management has several benefits, including improved transparency in decision making (thereby increasing accountability); effective and efficient allocation of resources; more creative and innovative management practice; increased standards of client service; and the capacity to manage in face of competing obligations. Effective risk management should allow small mistakes to be made, allowing managers to learn however, those mistakes should not be repeated.

Of particular importance is the observation by the then Chair of the Joint Committee of Public Accounts that:

My Committee is not interested in making scapegoats of managers when mistakes happen. Rather our focus will be on investigating the risk management plans that were in place and considering what lessons can be learned and how the same mistakes can be avoided in the future.
This is very encouraging in that it clearly demonstrates the view that we should learn from our mistakes rather than looking for who is to blame. But only where it can be clearly demonstrated that we had undertaken appropriate risk management not just thrown caution to the winds and engaged in some risky management. For most of us the issue is not really about the concepts of risk and risk management but on what we need to do to get the right outcomes.

What is clear is that the risk management model can be applied equally in both the private and public sectors. It can be used to share information about successful corporate governance, management and administration. Since we live in a mixed economy, each sector can always learn from the other about good management. However, the stakes are much higher than that.

By this I mean that whereas investment in the private sector is voluntary, the public sector is entrusted with funds from the general public on a non-voluntary basis, increasing the requirement for accountability. Also, the success of the private sector, particularly internationally, depends importantly on a well managed, efficient and effective public sector. The interrelationship of all sectors of the economy has never been more important to our international competitiveness and future growth.

Risk management requires greater flexibility in the decision-making process. This greater flexibility increases the need for accountability and probity for the decisions which are made, and as with any other aspect of public sector administration, risk management has to be considered in the context of the changing culture and framework of the public service.

Risk management, like the development and use of performance information, is not a discretionary activity. It is an integral part of corporate governance and therefore good management, especially when we have limited resources. Against the background of the increasing use of a range of different service delivery arrangements, risk management can only become more important. As with any other aspect of public sector administration, risk management has to be considered in the context of the changing culture and environment of the public service. As stated recently by one of the practitioners of risk management:

The primary requirement for furthering risk management as a legitimate and responsible technique for APS managers is a strong signal from the Government of its acceptance.

Part of this is shifting the focus of parliamentary scrutiny from more minor items to wider issues of efficiency and effectiveness. We need to emphasise that it is sometimes more effective to spend a dollar to save five dollars. For example, the Australian Taxation Office estimated that it directly collected $10 in additional
revenue for every $1 it spent on certain compliance improvement activities. Of course this might imply a re-allocation of ATO priorities rather than an argument for greater funding from the Budget.

Managing risk is a necessary part of the way individual managers think about their management task. The risk profile can vary from low level criticism for mistakes in processes to a high level call to account for failure to meet program performance requirements. The broad guidance to managers is to seek to achieve ‘value for money’. This basically means achieving effective performance at least cost. Guidelines, instructions or monitoring arrangements should therefore logically aim to encourage maximum value for money rather than minimum risk taking. However, that is running ahead of the main discussion.

Managers at all levels need a clear statement of values and ethics (for example, a Code of Conduct). A good starting point is the MAB/MIAC publication on ethical standards and values. The report states that:

...it is important that agencies make APS principles and values relevant and applicable to the particular situations faced by their staff.

That is, they must not only know what is to be done and how but also the manner in which their activities will be conducted. A systematic approach to risk assessment is quite useful in these respects. An effective plan to deal with risk ideally should include such an approach.

For most of us the issue is not really about the concept of risk management but what has to be done to identify and manage particular risks and, perhaps, more problematically, to have some practical guidance on the degree of risk a public servant should take in the various situations faced.

Above all, acceptance of risk management as an integral part of an organisation's culture, involving all staff, requires clear leadership and example from the top. This is seen by MAB/MIAC in the Guidelines as one of the key messages for managers in managing risk:

People should be encouraged and supported by their leaders to manage risk.
As you would be aware, the main requirements of an effective risk management approach are management integrity and ethical values; a control environment; clearly specified objectives; risk analysis; information systems; control procedures; effective communication; mechanisms to manage change; and monitoring arrangements. These elements need to be applied, on a holistic basis, to different types of risk.

The risk management framework is a useful means for management to be assured of its approach, including the public defence of its decision making. The framework applies to both individuals and committees. It can be used by all management levels, including by those at the most senior levels of corporate governance. The latter include executive and non executive directors, boards of management, internal audit and other high level support committees such as audit, finance and information technology strategy.

Although the MAB/MIAC model may seem to present risk management as six sequential stages, in practice they are not. Certainly there are six separate and definable processes, but practically, information discovered at one stage may require the agency to return to previous stages. For example, a risk may not be accepted by an agency, but examination of the costs and benefits of various treatment options may result in the agency discovering that treatment is not a viable action. In this case a contingency may be developed and/or the agency may be forced to reassess the risk to acceptable, change priorities or transfer the risk (where appropriate).

Since prevention is better than cure, the key to any risk management approach is being proactive and well informed and having an appropriate control environment in place. Managing risks is far more pervasive than dealing with losses from fraud, theft or inefficiency, important though the latter might be. To manage risks and prevent undesired outcomes, risks first must be identified, analysed, prioritised and reviewed.

Accountants are well placed to assist agencies in developing their risk management plans. Accountants' skills in financial analysis will be central to their involvement, but their wider corporate knowledge, analysis and problem resolution skills will also contribute throughout the risk management process and assist to develop an appropriate and effective risk management plan. This is in line with the current broadening of accounting roles and skills within organisations incorporating personal, interpersonal and communication skills in addition to widening the use of analytical and problem resolution outside of the traditional areas of finance and into business processes and decision making.

Additionally, a key to the risk management process is retaining, and improving the transparency of the decision making process. This does not mean additional bureaucracy, but clearly stating decisions and factors which led to those decisions. This is a discipline that promotes probity and openness of decision-making within the APS and is critical to successful application of risk management by agencies.
In 1995, the OECD published the results of a major study, titled Governance in Transition: Public Management Reforms in OECD Countries. The study highlighted what many earlier works have stated, which is that highly centralised, rule-bound, and inflexible organisations that emphasise process rather than results impede good performance. It posed several questions including:

- how to keep reforms coherent and consistent in conditions of substantial devolution of authority and greater separation of responsibilities among policy-makers, funders and providers of services; and
- how to ensure that organisations have the capacity to implement reforms.

Although the OECD study did not discuss risk management as such, it is worthwhile considering whether a risk managed approach to corporate governance can lead to sound answers to these questions. These issues will remain a challenge to the public sector into the twenty first century as the current APS structural reforms and new management directions continue to be implemented and develop.

The risk management process also better indicates the type of data that is required by organisations to assist with the risk management process. For example, the audit on Assessable Government Industry Assistance (AGIA) found that the ATO did not collect statistics on AGIA and this information would help the agency to better target education and enforcement activities.

Risk management has also highlighted data quality and structural problems which face organisations in undertaking risk management. The Australian Customs Service (ACS) has transaction systems which although they collect a large amount of information, are constructed in a manner which makes extraction and analysis of data difficult. ACS is developing a data warehouse which will store much of their data and is also developing software which will enable staff to better analyse data contained within the data warehouse.

**Appropriate Documentation**

The final Guidelines for Managing Risk in the Australian Public Service include the following comments from the ANAO:

The ANAO considers that the documentation of key risk management principles and management decisions is
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an essential element of risk management. Documentation should be sufficient
to enable a decision on the
design of a process to be reviewed and evaluated.

The ANAO does not expect agencies to produce separate risk management
plans for the benefit of review
agencies. Provided there is tangible evidence that the process has been
conducted properly, documentation can
and should be integrated into the normal planning and operational processes of
an agency in the way that best
suits its organisational needs.

The then Department of Finance suggested that:

The existence of a formal risk management strategy will help in terms of
satisfying accountability requirements.

The key elements of such a strategy should be well documented in order to:

help ensure that the analysis is done;
have it available for review;
communicate it to staff and others involved in the processes or program so there
is a shared understanding of directions
and associated risk; and
if ever required have it available in defence of the organisation or particular
program involved.

We need to take a disciplined approach if these elements are to become an
accepted part of our management culture. While I stress such an approach is not the
sole responsibility of Corporate Services areas, they can draw on considerable
relevant experience to assist in its articulation and dissemination. Recent ANAO
audits examining risk management found that documentation of the risk
management process and outcomes could be improved.
Agencies can assist employees in retaining appropriate levels of documentation through developing risk management guides and formatted documents which indicate the type and extent of information to be retained. The MAB/MIAC guidelines do this to some extent. These types of documents can also assist and speed up the risk management process, especially in the initial attempts of developing a risk management strategy, through informing people of what must be done and steering them in the direction the agency wants to go. In using these documents, agencies should continue to encourage lateral and innovative thinking. This can be assisted by continually refining the information and emphasising that the forms are a guide only.

Establishing the Context

Establishing the Context is an important element of the risk management process. This step involves establishing the strategic direction of the organisation and looking not only internally to the organisation and APS, but also to the environment outside. The involvement of stakeholders is integral for the organisation to effectively establish the context and involves identifying and analysing the interests not only of Parliament but also of interest groups and direct clients.

Managers also need to be aware of and understand the relevant legislation as well as the myriad of rules, regulations and guidelines which impact on their business. Each of these has to be considered and if necessary complied with in the everyday process of managing business strategies and decisions.

Establishing the context also involves identifying factors which influence the clients. This may incorporate significant policy direction, rules, regulations and law, potential major legal cases, such as in the recent high court decision which ruled that State imposed taxes on alcohol and tobacco were illegal. By identifying and monitoring these elements of the environment in which the organisation works this enables the organisation to better and more quickly respond to changes in the environment.

Identification and analysis of stakeholders, who they are, what their interests are and their general direction helps the organisation to understand the environment in which it operates. It helps to identify how actions of the organisation may impact on the stakeholders, and how actions of stakeholders impact on the organisation. By encouraging discussion and analysis of stakeholders there is greater opportunity for the groups to work together, helping to reduce the them-and-us mentality.

Risk management was an important link for both the Australian Taxation Office (ATO) and the Australian Customs Service (ACS) in coming to the realisation that they did not know enough about their clients. This has led to a significant amount of research being undertaken to develop an understanding of their clients. In both organisations this has resulted in client segmentation. In the ATO this involved the
establishment of eleven business lines with six business lines dealing directly with clients, thereby improving client service and the understanding of risks in those client segments. In the ACS, compliance staff are organised into nine industry groups to develop compliance activities specific to those industry sectors.

An improved understanding of the whole environment in which the APS operates can only help it to become more responsive to that environment, promoting flexibility in management and in client service delivery.

Identifying Risks

The aim of risk identification is to generate a comprehensive list of relevant risks. Comprehensiveness is important as unidentified risks cannot be treated, and may pose a major threat to the organisation. Organisations must therefore encourage wide thinking about potential risks to the organisation, using a variety of techniques which encourage both conventional and lateral thinking. Risks can be identified from a variety of sources and methods. For example, the use of facilitated brainstorming can encourage lateral thinking; systems and gap analysis can identify potential system weaknesses or areas for improvement; and complaints mechanisms can identify where risk events have occurred.

A key element in effectively identifying risks is the empowerment of staff to question what they do and why. By encouraging open discussion about how work is undertaken, staff are more likely to identify potential areas of risk through overly tight controls and excessive bureaucracy or, on the other hand, to identify where controls should be improved to mitigate risks. It is also important to encourage thinking on a holistic basis, concentrating on potential risks within the system or features of clients which indicate that the client as a whole may be a risk.

For example, in the Diesel Fuel Rebate Scheme, an ANAO audit found that individual transactions were examined for accuracy and compliance but there was no overall assessment made of the risks posed by the individual client. As a result, the same client could be audited several times over a short period for different transactions, even though these transactions all went through the same control system put in place by the client company. The ANAO concluded that a holistic approach with focus at the client level would greatly improve efficiency of the scheme, both for the ACS and the client, who would have lower costs of compliance.

Analysing Risks
Many organisations cannot agree on the risks which they face and thorough analysis of the risk can help the organisation to decide which risks should be treated. It is therefore important that the corporate criteria for assessing risks (the likelihood and consequence measures) are clearly established. The criteria should be clearly set against the organisation’s aims, objectives and mission to ensure alignment of actions with the organisation’s strategic direction. In practice it is important to not only rely on quantitative measures, but also to incorporate qualitative measures to provide depth to the assessment of risk.

Analysis of risks can be a time consuming task, and to assist staff in the analysis phase it can be useful to provide staff with proformas and examples. This helps to not only guide the process of analysis but to also provide transparency and indicate the level of documentation which is required for the risk analysis process by the organisation.

The most current information about the risk needs to be used to ensure appropriate analysis is undertaken. It is important however, that the process is not delayed as staff wait for all possibly relevant data to be obtained. Information available should be used, with plans and action put into place to obtain more information about the risk to enable the risk analysis to be refined as new or additional information becomes available.

Assessing and Prioritising Risks

These important, but very difficult phases of risk management, involve deciding, for example, whether risks are acceptable or unacceptable. To do this in an effective and consistent manner it is important that the criteria for assessing risks are agreed to beforehand. This enables the risks to be compared against what is agreed to be acceptable. This makes the process easier for those undertaking the assessment by providing some guidance. Consistency is also promoted by ensuring that everyone is using the same criteria, thereby removing some scope for individual biases and subjectivity. This produces an assessment which is in line with the Corporate direction of the agency/department and ensures its approach to acceptable risk is not followed up as part of the risk treatment phase, whilst those considered unacceptable are treated expeditiously.

There are many factors which need to be considered when deciding to accept a risk. These include:

- degree of control the agency has over the risk;
- cost, impact, benefits and opportunities afforded by the risk;
- the level of risk determined in the analysis phase;
available resources to treat the risk;
the availability of treatment options.

Prioritisation of risks is basically looking at the risks which are not acceptable in relation to each other and listing in order of treatment within management action plans. The explicit consideration of the priority order in which a risk will be treated is fundamental. Priorities may or may not directly reflect the level of risk. For example, significant risks may not be accorded the highest priority. They may instead be transferred to other parties. Alternatively, a better (more cost effective and efficient) allocation of resources might be achieved through treating a number of other lower level risks together.

The risk assessment and prioritisation phase is important for it establishes the corporate agenda for dealing with the risks facing the organisation and the manner in which they will be treated. As such, they provide a firm foundation for action plans explaining why the organisation will be taking the indicated action. The importance of this phase should not be underestimated by management.

Treating Risks

Treating risks is about considering alternative options for those dealing with those risks which are assessed as unacceptable. Even with apparently appropriate treatment in place there is potential for residual risk. The aim is to reduce the risk to a level where it is acceptable by the agency. Broadly speaking, there are three options for the treatment of risk;

- avoid the risk;
- reduce the level of risk by reducing consequences or likelihood (or both); and
- transfer the risk.

Avoiding a risk completely is often difficult, as any operation bears some kind and level of risk. Avoiding the risk may involve deciding not to proceed with a policy or program. However, in this situation the ultimate decision would be taken by a Minister (or Cabinet). Although an agency or department would be able to provide information about the risk, the final decision is not within the control or authority of the agency.

In my observation, reducing risk through minimising the likelihood and/or consequences is the most common approach adopted by departments and
agencies. This involves taking action to reduce the likelihood of a risk occurring, and
minimising the consequences if the risk does occur. Part of this approach includes
making plans to mitigate the effect of the risk if it occurs. Prompt action is likely to
limit the impact of such an occurrence.

The degree and method by which an organisation is able to reduce risk relates also
to the level of actual control which the agency or department has over the risk.
Therefore an early assessment of the extent of control the agency has over the risk
is important. If the risk is primarily internal to the organisation, there is a greater
opportunity for the agency to reduce the likelihood of its occurrence, and an
increased ability to detect it if it does. In this example, risk treatments may well focus
on the likelihood of the risk occurring.

In our current environment there are many potential risks over which an agency may
have little or no control. The less control the organisation has over the risk, the
greater emphasis should be placed on mechanisms to detect the risk and treatments
which reduce the effect of the risk. In this case, contingency planning to mitigate the
effects of the risk may be the best approach. There are two contrasting examples
of a risk management plan which mitigates the effect of a risk when it occurs. For
example, in the case of the Arnotts extortion attempt, the company launched an
effective campaign to remove goods (and avoid the risk of a customer being
poisoned). Once the extortion attempt was over, Arnotts instigated an advertising
campaign to promote sale of the product. This (on the face of it) well coordinated
approach to dealing with the situation appeared to maintain public confidence in the
product.

In contrast, is the case of alleged salmonella poisoning through Wallis Lake oysters.
The apparent lack of a plan (by any of the parties involved) in the event of oysters
being poisoned may have contributed in the seemingly uncoordinated approach to
the recall of the product and the extensive efforts to source the problem. The
uncertainty created a significant amount of adverse media comment and potentially
undermined public confidence in the product for some time.

These two instances are good illustrations of dealing with risk as they occurred at
approximately the same time and, although not public service related, they show the
potential benefits of good risk management practices and likely consequences of not
having effective control processes and plans in place.

Risk management is more than simply contingency planning. Risk management
requires proactive management in reducing likelihood and consequences of a risk. In
the case of the Wallis Lake oysters, avoiding contamination through effective
management systems together with early detection of contamination and swift action
would have greatly ameliorated the impact on the industry.
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In developing treatments for risks it is important to consider systematically the cost-benefits of each option separately and jointly. This does not mean that the lowest cost solution is necessarily adopted, or that the solution which avoids or removes the risk is to be preferred. In considering appropriate treatments it is important to understand the relationships between the risks and their treatments. One treatment solution may decrease one risk whilst increasing another. Similarly, one treatment may decrease the likelihood and consequence of several risks. It is therefore important that the costs and benefits of treatment options are also considered for identified risks, with any interrelationships being specifically identified.

With the emergence of contracting out of public services, sharing or transferring risk as a condition of outsourcing contracts is growing. Contracting-out carries its own risks and in proposing to share or transfer risk, those risks should be made transparent. By clearly indicating risks to be borne by contracting parties, the APS should ensure any accountability and probity concerns are addressed. As I noted earlier, the Ombudsman has indicated that care should be taken in transferring risks to ensure that any risk being taken by the contractor or insurer is not simply transferred to the end client. This is especially important where it is an unintended consequence of the program and where the client is unable or unwilling to bear the risk. The likelihood of disparate impacts on clients could well be consistent with the general requirements of 'fairness' and 'equity' in the delivery of government services.

By clearly articulating treatment options being adopted by the agency and the cost-benefits of those options, it is possible to gain a greater understanding of the resourcing consequences for an agency. By also identifying linkages between specified risks and resourcing decisions aimed at meeting those risks there is a greater level of accountability within the public service not only for the efficient use of resources but also for program outputs/outcomes.

Continuous Monitoring and Review

Since prevention is better than cure, the key to any risk management approach is being proactive and well informed. Risk-taking is a dynamic exercise. Continued monitoring and review are necessary for successful risk management because risks not only change over time but their relative significance may also change, as may the mechanisms and tools to manage the risks efficiently and effectively. Constant vigilance is the price to be paid where there is a possible loss, or less than satisfactory use, of the public’s resources.

As I discussed earlier, performance information is integral to any management approach, including risk management. The development of appropriate performance information to monitor changes in identified or emerging risks and the effectiveness of treatment regimes is a necessary part of an effective and dynamic risk management approach. This also requires establishing clear responsibilities and
reporting processes which establishes an effective accountability regime and
enhances corporate governance. Staff need to know who they should report to in the
event of the sudden impact or escalation of a risk, in addition to normal reporting
requirements. Processes to deal with any activation or escalation of risk should be
readily available. Program changes and/or new risks should be quickly identified and
communicated, and appropriate treatments developed in a coordinated, timely and
well managed manner.

Risk management is a continuous process. That is, a risk management plan cannot
be established and then left on the shelf. The changing nature of our environment,
and consequentially the risks which are faced by the APS, do not allow us to stand
still. Risk management plans must be reviewed regularly to assess if the risk pattern
has changed and to determine the effectiveness of treatment programs put in place
by the agency.

In addition, the process by which the risk management plans are established needs
to be reviewed regularly. This helps to

ensure ongoing rigor of the process and to encourage innovative approaches.
Developments in technology, and changes in the way government operates, may
also result in current methods becoming inappropriate and/or new, more efficient and
effective processes being developed.

Risk management can be a time and resource intensive process, especially in its
initial establishment by agencies. The activities involved include identifying not only
the risks which the organisation faces but also promoting an organisational culture
which encourages greater knowledge and understanding of the wider environment in
which the APS operates. They may also involve questioning of business processes
and development of coordinated approaches to significant changes in the
environment. By remaining vigilant to changes in the environment, both nationally
and internationally, the APS will be better able to respond positively to those changes
and minimise any risks involved for the Service.

Lessons from ANAO audits

Having discussed in some detail the various elements of the risk management
process, I now turn to a number of the lessons the ANAO has learnt in adopting and
auditing risk management. Risk management is integral to audit activity. However, as
well over the past two years we have considered the role and contribution of risk
management in various contexts of program administration. Given the importance of
risk management in today's APS environment the ANAO will continue to review
agencies' implementation of effective risk management strategies as part of its
ongoing audit program.
Overall, the audit findings from our program over the past two years are a 'mixed bag' of outcomes. And those outcomes have varied markedly across organisations even where there is a degree of interaction and complementary activity. A common issue in audits has been the varying quality of the documentation not only of risks but also of the processes supporting the risk management plans.

The ANAO is a key element of the external accountability framework for Commonwealth entities. As part of our audit role, we need to understand, inter alia, the basis of entity decisions. Auditors are not blessed with clairvoyance. We need information on how decisions are made. Decision-makers should, desirably, identify and consider all relevant factors and develop a sound and documented approach in arriving at any significant decision. What auditors do is to look for evidence that management functions in such an efficient and defensible manner to ensure program objectives and performance requirements are met cost-effectively. Parliament expects the same.

The ANAO requires some evidence of the risk management processes and of the basis of the answers to the questions posed above to provide the necessary assurance to the Parliament and to assist better decision-making by the entity. In general, this amounts to nothing more than managers themselves needing to review their own performance for their own assurance and as a means of making further improvements to program efficiency and effectiveness.

My Office has examined risk management in Financial Statement Audits (FSA), Performance Audits (PA) and also in one of our newer products, Financial Control and Administration (FCA) audits. In general, we have found that risk management is gradually being developed in the APS, with some agencies being much more advanced than others. Recent financial statement and performance audits examining the adoption and implementation of risk management in the APS have adopted the MAB/MIAC guidelines, referred to earlier, as the audit criteria.

There are several areas where the APS needs to develop a greater appreciation of likely risks in addition to improving general program administration. These include research and development activities and large, complex project management. In line with the ANAO's vision of adding value to public administration, audits considering risk management have sought to identify better practices in agencies. This has resulted in the identification of several key success factors for the effective introduction of risk management into an agency including the importance of:

- obtaining top level endorsement of and commitment to risk management;
- appointing a champion to drive the risk management implementation process and to support continued development of risk management in the agency;
- planning a strategy for introducing risk management across the organisation incorporating target timeframes and
milestones and regularly reporting against those plans;
a top-down approach which first addresses the strategic/corporate level risks to
then drive operational and tactical
levels. This helps to ensure the process remains focussed on and integrated
with the overall agency objectives, goals
and mission;
clarifying that it is everyone's responsibility to ensure a rigorous risk management
process;
an awareness of the personalities spectrum in any organisation-from the risk
adverse right through to risk embracers; a
managed change in culture is usually required; and
risk management training and other related skills, with appropriate use of
consultants to complement in-house
resources to assist with the implementation and adoption of effective risk
management approaches.

During the 1994-95 cycle of financial statement audits an assessment was made in
113 entities of financial risk management processes in place. Overall, the review
found that considerable progress had been made in the adoption of risk management
philosophies and approaches, with the majority of entities having sound financial risk
management processes in place (50 per cent of those reviewed) or were in the
process of developing them (48 per cent). Entities were, however, encouraged to
broaden their assessments and strategies consistent with the then MAB/MIAC
Exposure Draft on Managing Risk in the Australian Public Service.

During the 1995-96 round of financial statement audits, progress made in the
development of risk management procedures was followed up and included in my
report to the Parliament on the Results of the 1995-96 Financial Statements Audits
tabled in December 1996. It is our intention, in these types of reviews, to indicate to
entity managers how they compare to the better practice of their peers and identify
areas where improvements might be made. The Report summarises the progress
made for seven major departments and agencies in introducing formal risk
management regimes. It indicates that agencies are continuing to develop risk
management processes with some, as I mentioned earlier, being more advanced
than others.

The performance audit report on the Meat Research Corporation Management of
Project Futuretech, tabled in May 1996, examined the efficiency and effectiveness
of the decision to develop a commercial prototype. As you would be aware,
research and development projects can be high risk and their control requires
rigorous application of risk management techniques. The audit reviewed the
tendering procedures, contractual arrangements and project management and found
instances of poor management practices in decision making processes, contractual
and tendering arrangements and in overall project management. These
deficiencies resulted from an apparent failure to identify and evaluate possible risks and to apply appropriate techniques to manage them effectively. The result was a significant increase in costs of the project.

The ANAO's report on the Department of Defence's Jindalee Operational Radar Network Project, (JORN) questioned whether the project team had considered all risks to the Commonwealth through their project management. Despite risk analyses, the risk management approach did not identify, treat or minimise risk effectively. The Joint Committee of Public Accounts has conducted a hearing into this matter, and is considering the issue further. The JORN project is an example of the Commonwealth acting both as a purchaser and provider of a product, with a consortium involving Telstra and the private sector as the provider. The audit highlighted how difficult it can be to make such a purchaser-provider model work well with complex project management, contractual difficulties, ensuring useful and timely performance information is provided for ongoing assessment of progress as well as the need for tactical decision-making.

Our report on Medifraud and Inappropriate Practice found that the Health Insurance Commission (HIC) had adopted a sound risk management approach to leakage through fraud and inappropriate practice from the Medicare and Pharmaceutical Benefits Scheme. In particular the HIC had identified significant risks as well as analysing and ranking them. All fraud control plans had been developed from fraud risk assessments and reflected the risks identified.

In a revision to the Better Practice Guide for the Administration of Grants, the ANAO emphasised risk management as an essential element in the management of grant programs and the importance of identifying and managing risks at all stages of the process. The audit examined eighteen reviews of twenty-four programs across ten portfolios and found no evidence of any formal risk assessments in relation to funding activities. The revised Guide highlights particular risk factors and discusses aspects of controlling them.

In addition to incorporating risk management into the wider audit approach taken for Performance audits, Financial Statement audits and Financial Control and Administration audits, the ANAO has recently completed two performance audits in the ATO and the ACS which specifically examined the risk management process employed by those agencies. Another audit examining the Small Business Income Line adoption of risk management practices in the ATO is nearing completion. The three audits were designed to complement and build on each other to develop a picture about the adoption, implementation and application of risk management processes as outlined in the MAB/MIAC Guidelines. I will briefly discuss the main points of each in relation to risk management.

The ATO Risk Management performance audit, referred to earlier, had several key findings and made a number of recommendations on how the ATO could improve its risk management process. One of the major issues was the increased need for
a management information system which can support the risk management process. The report also highlighted the need to monitor and review progress against achievement of risk management objectives and strategies and the need for adequate documentation to ensure a transparent risk management process.

The other recently completed audit related to Risk Management in Commercial Compliance - Australian Customs Service. In contrast to the organisational strategic focus of the ATO report, the ACS audit focussed on the operational application of risk management. However, its findings were similar, highlighting the increased need for information and the requirement for adequate documentation to ensure transparent risk management processes. The report also considered that risk management would benefit from a more comprehensive risk analysis, assessment and prioritisation process which utilises both qualitative and quantitative analytical techniques.

The ACS report underlined the importance of having a plan and strategy for introducing risk management and the establishment of timeframes and milestones against which to measure progress. The ANAO considered that clearly establishing a date when senior management will be able to rely on the information generated through the process for strategic decisions in business planning and resourcing would emphasise the importance of risk management and promote the adoption of thorough risk management practices in the agency.

The ANAO also identified some better practice undertaken by ACS in its implementation and use of risk management in the Commercial Compliance Branch. Most significantly, the appointment of a champion to lead and be responsible for the introduction of risk management and establishing a co-ordination unit for implementation has helped to continue the momentum for adopting risk management. Maintaining momentum for introducing and using risk management is important to ensure that it remains a central feature of the agency and doesn't fall to the side lines. We encourage all agencies implementing risk management to appoint a senior executive to oversee and maintain the program for introduction of risk management.

The third audit in this series is, as I indicated, reviewing the operational application of risk management in the Small Business Income line in the Australian Taxation Office. This audit has also indicated the need for improving the analysis, assessment and prioritisation processes of individual risks. The report is likely to emphasise the need for activity costing to promote cost management and provide information on the costs and benefits of treatment regimes for both performance monitoring and to assist with the development of future risk management strategies.

The Audit Role in Enhancing Accountability for Risk management
There are several bodies which provide an accountability framework for the APS. I will briefly discuss four of these, that is, external audit, internal audit, the Ombudsman, and the Parliament.

External Audit

Having outlined major aspects of the emerging public sector environment and the changing accountability framework, including risk management, it may be of interest to outline what we are doing in our own environment and to assist our clients in meeting their accountability objectives as well as managing risk effectively. I reiterate that the ANAO's concern is to add value to public administration which largely means improving performance. However, we clearly have a role in promoting accountability for achieving expected performance.

The ANAO's effectiveness is directly related to the extent to which we understand the environment in which we work. The ANAO does not stand outside the APS as some kind of interested on-looker. We are an integral part of the Service and of the changes and reforms which are occurring. We understand that we must not only take account of the changes to public sector operations in the conduct of our own work but we must also, as the agency with a key role in bringing about improvements to administration, work hard at promoting and facilitating required and desirable change.

Any influence the ANAO has will largely occur through its individual products. It is important for us to gain maximum advantage from the close working relationship and knowledge that we have with all public sector entities through the audit process. We are therefore continuing to develop our range of audit products and services. The inter-related nature of the ANAO's product range is recognised as an central part of our overall business strategy. Some of our newer products are aimed at facilitating and promoting good management practice across the APS. These include the development of FCAs, Assurance and Control Assessment Audits (ACAs) and Better Practice Guides.

FCA audits inform Parliament about aspects of financial control and administration which are not likely to be covered by financial statement and performance audit products. FCAs have two objectives - to provide assurance on aspects of public administration and control of public funds and to identify, develop and report best or better practice. One of the major outcomes of these audits are the Better Practice Guides which promote improved performance across the public sector.

ACAs were introduced in 1996 to examine basic administrative processes and to provide a positive assurance that agencies are meeting their obligations under the
financial legislative framework. They focus on common key controls or core activities of a corporate nature and I will report findings as part of my annual report on the financial statements of agencies and entities. Performance Audits and the results of the Financial Statement audits continue to provide valuable information on program administration and other issues facing the APS at varying levels. Our performance audits in particular continue to draw out wide-ranging lessons and better practices for all agencies in program administration and general management principles and approaches.

One audit related product, where additional effort has produced acknowledged widespread benefit, is the series of Better Practice Guides. Some performance audit reports have in the past included better practice guides where lessons learned from an audit of a particular entity have relevance to the wider public sector. Guides separate to the reports are now more frequently produced arising from both financial statement and performance audits. Other financial guides released have been Financial Statement Preparation and Illustrative Financial Statements (AMODEL accounts). In 1996-97 the ANAO published eight Better Practice Guides, with a Customer Focus Better Practice Guide to be launched later this month. A full list is included at Attachment C.

As mentioned earlier, the ANAO has also released a paper titled Applying Corporate Governance Principles and Practices to Budget Funded Agencies. The paper is aimed at assisting CEOs in the public sector to develop more effective corporate governance frameworks. Such occasional papers will continue to be produced as opportunities arise.

Internal Audit

Internal Auditors will need to play a major participatory role facilitating an effective and accountable risk management response such that the agency's performance is not under threat through, say, inadequate internal management processes. Accountants and Internal Auditors need to provide assurance to the Chief Executive Officer (CEO) that risks have been minimised by ensuring internal controls are sufficiently robust to be relied upon, particularly for financial reporting.

The reform agenda requires defensible management processes which result in transparent accountability mechanisms. This is the direct responsibility of management including Internal Audit. The latter will provide a valuable information source on risk management as risk assessment has been an important element in auditing. Internal Audit can also provide assurance to management that risk management processes have been undertaken with rigor and meet documentation and transparency requirements to maintain required accountability and probity. The strategy is to make Internal Audit indispensable through broader management and
analytical skills than just the traditional accounting qualifications, important though the latter undoubtedly are in the current climate of accounting and budgetary reform.

From an Internal Audit viewpoint, there is a need for a comprehensive strategy that complements and supports the CEO's planned actions to consolidate the Government's fiscal direction. This clearly has implications for audit practitioners. Auditors, among other attributes, have to be very good at diagnostics and analysis. They have to be able to spot financial strengths and weaknesses and anticipate control and other accountability problems downstream which differentiates them in a professional sense from most other staff.

From an external audit point of view, outsourcing of Internal Audit is viewed as another means of service delivery. In short, the ANAO neither supports or opposes outsourcing of the function per se. In essence, the decision depends very much on just what kind of internal audit services management requires. I am particularly sympathetic to the situation confronting management in determining viable arrangements in small agencies. There is clearly a 'critical mass' problem which impacts adversely on the recruitment and retention of the requisite professional skills.

Any decision by management on outsourcing should be made on a realistic assessment of value for money given the risks and responsibilities involved. This assessment will vary with the circumstances of each agency and the trade-offs individual managements are prepared to consider, particularly in their control environments and within the broader accountability responsibilities to the Parliament. It is important that such assessments are made within the ambit of their corporate governance arrangements so that the full implications are reviewed but not in any partial sense where the consequences are only discovered later in some accountability failure, impacting adversely on the whole agency.

An interesting observation was made in an audit conducted by the New South Wales Auditor-General late last year:

Any economies of scale through shared audit management were felt to be less important than a close and unambiguous relationship with one Board and one management team.

ANAO auditors have noted a tendency to outsource only the internal audit activities associated with financial reporting. This has been extended to audit of internal systems in some cases. The remainder of the functions, however, does not automatically default to the external auditor. This potential gap is currently exercising our minds for discussion with relevant agency Audit Committees. As an indication, in many instances the internal audit issues that should be of concern to managers are not 'material' to our financial statement audits of individual entities and therefore
not ones to which we would normally devote resources. Nonetheless they could involve at least a 'reputation' risk for the organisation. A mistaken dependence on external audit does not seem to be very good risk management in such circumstances.

The Commonwealth Ombudsman

As part of the Government's accountability framework, the Commonwealth Ombudsman has a leading role in maintaining the probity and accountability of the public service. If the Ombudsman's role is to incorporate the investigation of and reporting on disputes between parties with Commonwealth Contracts, the Office is likely to require access to Commonwealth and third party records relating to the administration of contracts, including performance monitoring. The effectiveness of performance monitoring will largely determine the necessity for access to third party records to provide assurance to Parliament.

Documentation of risk management, by clearly and transparently establishing the decision-making process of the agency should greatly assist the Ombudsman and other regulatory agencies in their work. By facilitating any review process, agencies are better able to identify areas for improvement in their administration. The outcome of the Senate Committee inquiry into contracting-out, referred to earlier, will be of considerable interest in these respects.

The Parliament

Ultimately, the responsibility for holding the APS accountable for decisions is held by the Parliament. In a keynote address to a Public Sector Accounting Convention late last year, the then Chairman of the JCPA, Mr Alex Somlyay, noted that the Government has some significantly different approaches to the role of the public sector and the way in which public services are delivered.

An appreciation and conscious use of sound risk management are becoming increasingly widespread in the APS with the reservation that such acceptance needs to be supported by similar understanding and endorsement by the Parliament. Contrary experiences with Parliamentary Committees, in particular, can inhibit progress or lead to hasty retreats such as occurred in some agencies with the use of the Australian Government Credit Card following Parliamentary criticism.

We all have an important role to play in developing parliamentarians' appreciation of the changes taking place in the APS, including the use of risk management. As
noted by the then JCPA Chairman recently, parliamentary members generally do not have a great awareness of public service reforms. Mr Somlyay went on to comment that:

The challenge for parliamentarians, and everyone interested in the effective functioning of parliamentary democracy, is to improve on what we have. Being critical is easy - building better systems and better performance is much harder, but ultimately much more beneficial.

Concluding Remarks

The current direction of the APS is to become much more outward-looking and responsive to client needs while continuing to maintain and improve the transparency and accountability in its decision-making and service delivery. This has been supported legislatively through the Workplace Relations Act (1996), the Auditor-General, FMA and CAC Acts (1997), and, in the future, with the introduction of the Charter of Budget Honesty (1996) and Public Service (1997) Bills. Culturally, this has required a shift in the APS approach to a more private sector orientation in its attitudes to service delivery, in part assisted by the introduction of client service charters, involving: a greater focus on service delivery mechanisms such as purchaser/provider arrangements; more emphasis on contestability and contracting out; development of formal corporate governance structures, including the development of risk management approaches; and increasing demands for more comprehensive performance information and the systems which provide it.

Public Service managers will be required to provide and receive greater levels of assurance about the cost, quality and timeliness of services delivered, independently of who actually provides the services. As a result, effective Corporate Governance frameworks will need to be established within agencies. These will integrate and build on agency structures already largely in place through such elements as leadership, public service culture including values and ethics, planning, risk management, systems control, audit committees, internal audit and performance information.

The increase in awareness of client service delivery issues has been through three main factors: Client Service Charters, Contestability, and Competitive Tendering and Contracting. All three provide for an accountability chain between the provider (delivery mechanism-contractor or agency), the purchaser (agency) and the receiver (client) by clearly establishing the quality of service to be provided and then measuring and reporting on the results achieved. Responsibility remains with the agency. Accountability cannot be
outsourced. However, service providers have to be clear about what is expected of them. This places considerable emphasis on the contract and its management. These are not areas where the APS has traditionally had a great deal of experience and skills. We are therefore on a steep learning curve.

Risk management is one element which fits into the larger APS reform agenda but should not been seen as an end in itself. Risk management aims to promote a strategic, transparent, flexible and documented approach by agencies to decision-making. Such an approach should promote accountability and improved performance information as well as assisting audit review and agency evaluation. Performance standards need to be specified and generally understood.

Risk management forms an important part of Corporate Governance and therefore accountability. Risk management attempts to treat risks to bring them to a level which is acceptable by the agency and aims to promote a strategic, transparent, flexible and documented approach by agencies to decision-making. Each stage of the risk management process is integral to the effective management of risk. Continuous monitoring and review reinforces the need for constant vigilance to identify changes in new and currently identified risks.

No one part of the risk management processes is more important than another. They are all integral to the effective management of risk. Successive phases reinforce each other with the monitoring and reviewing process continuously feeding into each phase. The key to risk management is timely and adequate information. There will be increasing demands by managers at all levels for current information about all aspects of the agency's environment and operations. The challenge for all of us is how should those information demands be best met, that is, to have the right information, in the right place, in the right time and at the right price.

The greater need by managers for information about their changing environment, both internally and externally increases the focus for effective management information systems, and is mainly being provided through the use of Information Technology. A challenge for the APS will be how best to identify and keep pace with these information needs whilst retaining appropriate levels of security and privacy. Perhaps the real imperative is to encourage managers to use the available flexibility, tools and techniques to achieve better outcomes and results. Better recognition and reward systems would help in this respect.

The ANAO has conducted several audits which have reviewed risk management practices in a number of agencies in a diverse range of situations. The results of these audits indicate mixed progress towards implementing effective risk management both within and across agencies. A common issue has been establishing an appropriate level of documentation of not only risks, but of the process supporting risk management plans. This is a key to maintaining the accountability requirements of the agency. In addition, the audits identified several key success factors to adopting and implementing risk management in agencies.
Risk management will continue to form an important part of the audit work undertaken by my Office.

In this period of change within the public service, external review mechanisms such as Auditors-General, the Ombudsman and Parliament play an important part in maintaining and building an accountability framework suitable to the evolving public sector environment. In terms of adding value, review agencies can act as supporters and even proponents of change through identifying and promoting better practice across government. It is important that there is a shared understanding and commitment to common public sector goals and strategic directions. Contradiction and inconsistency create uncertainty, inhibit initiative and innovation and lead to lack of commitment, performance and accountability. Mutual re-enforcement, encouragement, shared vision and virtual partnerships can have the opposite effect. And they can do much to ensure we do not have a 'black hole' or 'twilight zone' of accountability.

Risk management must be pursued systematically within a public service culture that reflects the imperatives of the political environment including public service values, ethical conduct, probity, fair dealing and accountability for performance in an open, that is transparent, manner. Such vital factors need to be recognised as the APS moves to a more private sector orientation, involving the actual provision of services, including policy advice, by that sector. This is another management challenge. It is not about risk transference. It is about managing another dimension of risk with which many of us have had only limited experience. Contract management skills and experience are at a premium. Meeting this demand is one of our most urgent tasks. Nevertheless, we would do well as public service managers to heed the advice of the well known author and academic Peter Hennessy as follows:

Pieces of paper are one thing, real belief systems quite another. It is very hard to export the public ethic into the private contractor hinterland. Commercial contracts are not susceptible to a foolproof, public service ethical override.

I have no doubt that, given the opportunity, public service managers would prove that they are contestable and would ensure that the Government and the Parliament have no reason for concern about accountability for program performance, even where the private sector is involved. But we have a lot of work and learning to do. That is the nature of a professional public service committed to continuous improvement. At the very least we should be the 'experts' in public accountability.
Model Access Clause - Agency

1. The Customer, and other persons authorised by the Customer, have the right of access to the premises of the Contractor at all reasonable times and the right to inspect and copy documentation and records, however stored, in the Contractor's possession or control, for purposes associated with the Contract or any review of performance under the Contract. The Customer will also have access to any Commonwealth assets located on the premises of the Contractor which come into existence as a result of the Contract.

   a) The rights referred to in clause 1 are subject to:

   b) the provision of reasonable prior notice by the Customer;

   c) the Contractor's reasonable security procedures; and

      if appropriate, execution of a deed of confidentiality relating to non-disclosure of the Contractor's confidential information.

2. The requirement for access as specified in clause 1 does not in any way reduce the Contractor's responsibility to perform its obligations in accordance with the Contract.

3. In exercising the rights granted by this clause, the Customer shall not interfere with the Contractor's performance under the Contract in any material respect. If, in the Contractor's reasonable opinion there is likely to be a significant delay in the Contractor discharging an obligation under the Contract because of a cause beyond the reasonable control of the contractor and as a direct result of the Customer's action under this clause, the Contractor may request a reasonable extension of time.

4. The Customer shall not refuse a request for extension of time under clause 4 without reasonable grounds for doing so.
5. The Contractor must ensure that any subcontract entered into for the purpose of this Contract contains an equivalent clause permitting the Customer, and other persons authorised by the Customer, to have access as specified in this clause.

6. This clause applies for the term of the Contract and for a period of five years from the date of expiration or termination.

**Model Access Clause - ANAO**

1. The Auditor-General or a delegate of the Auditor-General, for the purpose of performing the Auditor-General’s statutory functions, may, at reasonable times and on giving reasonable notice to the Contractor:

   - require the provision by the Contractor, its employees, agents or subcontractors, of records and information which are directly related to the contract;
   - have access to the premises of the contractor for the purposes of inspecting and copying documentation and records, however stored, in the custody or under the control of the Contractor, its employees, agents or subcontractors which are directly related to the contract; and, where relevant
   - inspect any Commonwealth assets held on the premises of the Contractor.

2. The Contractor shall ensure that any subcontract entered into for the purpose of this contract contains an equivalent clause granting the rights specified in this clause.

3. This clause applies for the term of the Contract and for a period of five years from the date of expiration or termination.

**Model Access Clause for Tender Conditions**

1. The Auditor-General has statutory powers to obtain information.
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2. The Audit Act 1901 and the Auditor-General Bill 1996 provides the Auditor General or an authorised person with a right to have, at all reasonable times, access to information, documents and records (see Ss 14B and 48E of the Audit Act and Ss 32 and 33 of the Auditor-General Bill).

3. In addition to the Auditor-General's statutory powers, and in recognition of the need for the Auditor-General's functions to be conducted in an efficient and cooperative manner, if a tenderer is chosen to enter into a contract, that tenderer will be required to provide to the Auditor-General, or a delegate of the Auditor-General, access to information, documents, records and Commonwealth assets, including those on tenderer's premises. This access will be required at reasonable times on giving reasonable notice, for the purpose of carrying out the Auditor-General's functions and will be restricted to information and assets which are in the custody or control of the tenderer, its employees, agents or subcontractors, and which is directly related to the Contract. Such access will apply for the term of any Contract entered into and for a period of five years from the date of expiration or termination.
ATTACHMENT B

PERFORMANCE MANAGEMENT PRINCIPLES - STRATEGIC PERFORMANCE MANAGEMENT

CONSORTIUM

The aim of performance management is to improve the management of individual and team performance and consequently improve organisational performance. The performance management framework should be consistent with the Core Values in the Public Service Bill 1997; the Public Service Commissioner's Directions and Standards; and the core values of the agency.

1. Performance management links individual goals to the agency corporate plan and organisational goals.

2. Performance management schemes should be tailored to meet organisational needs and goals.

   Staff should be involved in the design of the scheme.

   Characteristics to consider include regular feedback, incentives/rewards, individual/team issues, skill development for all staff to support implementation, assessment and giving and receiving of feedback so that staff understand and competently participate in the scheme.

3. High level management commitment is necessary.

   High level support for performance management is critical. Management at all levels will demonstrate this commitment through their leadership, active participation and endorsement of a performance culture.

4. Participation needs to be universal.

   To achieve optimum outcomes for individuals and the organisation it is important that all staff participate.
5. Appraisal to be equitable.

Performance appraisal should provide fair, consistent and results oriented assessment taking into account the principles of natural justice, privacy and equal employment opportunity.

6. Employees should be allowed to fail.

Each person will react in one of three ways to failure: by learning from his or her mistakes; by continuing to fail; or by becoming reluctant to try again. The challenge for management is to remove the punishing effects of failure and to help employees avoid the reluctance to take further risks.

7. Simple effective system.

The performance management scheme needs to be a practical, simple, user friendly tool that can be easily understood and used by all participants.

8. Performance needs to be focused on high level achievement, quality outcomes, and desired behaviour.


A reward and recognition system for outstanding performance will promote achievement and provide motivation. It will allow staff who elect to stay at a level to be recognised for work well-done. Some systems assume that everyone wants to climb the ladder, as reward has been primarily based on promotion.

Rewards do not have to be financial.

Rewards and incentives should inspire and motivate staff to achieve performance well above the standard required for the job. They should be within budget allocation. Staff will be outcomes focused and accountable for performance. To achieve real accountability there will be recognised (positive or negative) consequences for all standards of performance.

Adopt community standards re appeals.
Performance is linked to people management processes

Performance management is linked to other people management processes such as induction, probation, selections and staff training, etc.
ATTACHMENT C

BETTER PRACTICE GUIDES/PRINCIPLES

Audit Committees 1991


Auditing Program Evaluation 1992

Sale of Commonwealth Assets (Audit Report No.33) 1992-93

Public Sector Internal Auditing 1993

Performance Pay and Appraisal (Audit Report No.16) 1993-94

Administration of Grants 1994

Case Management Workers Compensation (Audit Report No.22) 1995-96

Implementation of Competition in Case Management (Audit Report No.30) 1995-96

Performance Information (Audit Report No.25)
- Performance Information Principles 1995-96

A Framework and a Checklist for Financial Management (Audit Report No.7) 1995-96

Joint Commercial Arrangements (Audit Report No.33) 1995-96

Asset Management 1996

Managing Redundancies in the APS 1996
AMODEL Financial Statements - Department, Commercial and Non-commercial Authorities 1996

Financial Statement Preparation 1996

Payment of Accounts (Audit Report No.16)
- Paying Accounts 1996-97


Guarantees and Indemnities (Audit Report No.6) 1996-97

Telephone Call Centres 1996-97

Audit Committees 1996-97

Management of APS Staff Reductions 1996-97

Asset Management 1996-97

Management of Corporate Sponsorship 1996-97

Administration of Grants 1996-97

Corporate Governance 1997
Notes and References

Independent Commission of Inquiry Into National Competition Policy 1993
'National Competition Policy - Report to Heads of Australian Governments' AGPS Canberra

Industry Commission 1996 'Competitive Tendering and Contracting By Public Sector Agencies' January

The Audit Act 1901 has now been replaced by the following Acts to operate from 1 January 1998:

Auditor-General Act (AG) which will provide for the appointment, independence, status, powers and responsibilities of the Auditor-General;

the establishment of the ANAO and for the audit of the ANAO by an Independent Auditor. Together with the following two Acts, it will provide the mandate for the Auditor-General to be the external Auditor of all Commonwealth-controlled bodies;

Financial Management and Accountability Act (FMA) which will set down the financial regulatory/accountability/accounting (accrual based) framework for Commonwealth bodies that have not separate legal criteria of their own; they are, financially simply agents of the legal entity, that is the Commonwealth;

Commonwealth Authorities and Companies Act (CAC) which will provide standardised accountability, ethical and reporting provisions for Commonwealth bodies that have a separate legal existence of their own (even though they may derive some or all of their finances from the Commonwealth Budget). Such bodies comprise Commonwealth controlled companies and their subsidiaries and those statutory authorities whose enabling legislation gives them legal power to own money and other assets.

The Hon Peter Reith MP 1997 Minister for Industrial Relations and Minister Assisting the Prime Minister for the Public Service; 'Towards a Best Practice Australian Public Service - A Discussion Paper', AGPS Canberra

National Commission of Audit 1996 'Report to the Commonwealth Government', AGPS, Canberra

Dodson, Louise, 1997, 'The Dilemma of Private Sector Qualities in Public Service' Interview with the Hon. David Kemp MP, Minister Assisting the Prime Minister for the Public Service, The Australian Financial Review, 6 September (page 60)

Whole of Government Financial reporting will be a mandatory requirement for all governments (Commonwealth and State) in the near future following the introduction of the new accounting standard AAS31 on financial reporting by governments. The Charter is concerned with the enhancement of fiscal reporting.
and the requirement for the Government to observe certain principles of sound fiscal management.

The Charter is concerned with the enhancement of fiscal reporting and the requirement for the Government to observe certain principles of sound fiscal management.

A booklet 'Putting Service First - Principles for Developing a Service Charter', was launched by the Minister for Small Business and Consumer Affairs in March 1997. The Minister indicated that Service Charters will be a powerful tool for management, staff and customers to continuously improve services. The result should be a more accountable and responsive public service.

Management Advisory Board/Management Improvement Advisory Committee (MAB/MIAC) 1996 ‘Guidelines for Managing Risk in the Australian Public Service' APS Report No 22, AGPS Canberra October


The Public Service Commission 1996 ‘The report of the public service act review group: summary of recommendations and government decisions', Canberra, August (pages 2-6)


Ibid., (page 19).


Auditor-General (Commonwealth) 1997, 'Principles for Core Public Sector Corporate Governance', AGPS Canberra and Applying Principles and Practice of Corporate Governance in Budget Funded Agencies, AGPS Canberra June


Humphry, Richard AO, 1997 'Review of GBE Governance Arrangements', 14 March


Ibid., (pages 118 and 119).

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Samantha Keen 1995, 'Audit, risk management lead the way to best practice'. New Accountant Vol 8 No 18 Sept 14 (page 9)

Department of Industry, Science and Tourism, 1997 'Putting Service First Principles for Developing a Service Charter', AGPS Canberra March


Department of Finance, 1995 'Examining Contestability within the APS: Initial Information', Management Improvement Discussion Series Paper No. 3, Resource Management Improvement Branch, Department of Finance, Canberra, November

Ibid., (page 8)

Independent Committee of Inquiry into the National Competition Policy 1993 'National Competition Policy 'Report to Heads of Australian Governments AGPS Canberra (Known as the Hilmer Report)


Ibid (page 6)

Op cit., Department of Finance, 1995 'Clarifying the Exchange: A review of Purchaser/Provider Arrangements', (pages 1 and 2)

Harris, Trudy 1996, 'Consumers exposed in shift to contractors: Ombudsman', The Australian, 19 September ( Supplement H4)

Australian Public Eye 1997 'Accountability of PS Outsourcing Causes Concern to Ombudsman'. Issue 255, 14 October (page 3).


Grattan, Michelle, 1997 'Job agency head attacks contract'. The Australian Financial Review, 11 September (page 5)

Grattan, Michelle, 1997 'Key agency rejects job scheme'. The Australian Financial Review, 5 September (page 3)

Privacy Commissioner, 1997, 'Outsourcing and Privacy Advice for Commonwealth Agencies considering Information Technology and other functions', Preface

Commonwealth Ombudsman 1997 Submission to Inquiry into Contracting-Out etc - see note 44 (page 154)

Department of Finance, 1997, Submission to the Senate Finance and Public Administration References Committee, Inquiry into Contracting out of Government Services, Canberra (page 405)


Deacons Graham & James, 1997, Current Topics - Public Sector Tendering Alert, July; See also Australian Government Solicitor, 1997, Legal Briefing No33- Major Changes in Tendering Law-The Hughes Case, 2 July


Barrett, Pat, 1997, 'Audit - The Best Management Tool in the Year 2000?' Address to the Conference on Servicing the Year 2000 Computer Crisis, Canberra, 21 August (page 30)

Higgins, Russell 1997, 'Customer Service Charters - Using the Customer Relationship to help Organisational Change', Address to PSMPC Lunchtime Seminar, Canberra, 25 June


Barrett, Pat, 1997, 'Whole of Government financial reporting (or putting on a happy face)', 26 June


Somlyay, Alex MP, 1996, Keynote address to the 1996 Public Sector Accounting Convention, Canberra, 14 Nov, (page 5)


Vassarotti, Colin, 1997, 'Managing Risk in the Australian Public Service - Practical and Political Realities'. Canberra Bulletin of Public Administration No.84, May, (pages 79 to 84)

JCPA, 1993, Report 326. 'An Assessment of Tax', November. (page 221)


Ibid (page 5)

Corrigan John, 1997, 'The New World Cometh: the accountants as in-house adviser', Australian Accountant, James Clarke, Melbourne, March (pages14 to 17)


Department of Finance, 1994, 'Resource Management in the APS', Edition One, AGPS, Canberra (page 59)

The small business income, large business and international, individual non-business, withholding and indirect taxes and superannuation business lines.


Australian National Audit Office Report No. 28 1995-96 'Jindalee Operational Radar Network Project', Department of Defence, AGPS Canberra

Australian National Audit Office Report No 31 1996-97 'Medifraud and Inappropriate Practice', AGPS Canberra
Australian National Audit Office Report No 32 1996-97 'Administration of Grants in the Australian Public Service', AGPS Canberra (see particularly pages 49 to 51).


Op cit., Somlyay, Alex MP, 1996 Keynote address to the 1996 Public Sector Accounting Convention (page 2)

Somlyay, Alex MP, 1997, PSMPC SES Breakfast Seminar, National Press Club, Canberra, 28 August,

Ibid..(page 2)