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**Government Sector**  
**Accountability – The Impact of**  
**Service Charters in the Australian**  
**Public Service**

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Demands for a client focus, more responsiveness from the bureaucracy and the personal responsibility of managers are changing the system of accountability of the public service and, indeed, the relationship between government and citizen.<sup>1</sup>

... civil servants work for the government, and in democratic governments it is assumed that they work at least indirectly for all citizens.<sup>2</sup>

Another initiative has been the introduction of customer service charters. These will commit government agencies to the delivery of high quality services to the community. They will set out the expectations the public might reasonably have of agencies, and provide opportunities for public comment and suggestions on service.<sup>3</sup>

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## 1. INTRODUCTION

The Australian Public Service (APS)<sup>4</sup> has been undergoing continuing reform of its administration and management for many years,<sup>5</sup> especially since the 1980s. Compared to ‘pre-reform’ days, the APS of today is required to manage rapid policy change, with shorter time deadlines, better customer/client focus, and higher standards of accountability than ever before.

As in other democracies, Australian governments have endeavoured to make the public sector less costly and better tailored to public needs while providing higher quality services to citizens. Citizens have higher expectations of government and the public sector, and demand more effective, efficient and economical levels of service. It is not for nothing that those of us who are employed in the public sector, are known as ‘public servants,’ that is those who provide services to clients, and to citizens generally.

Australian public sector managers have responded to these client service demands on their particular operating environments by:

- developing tailored approaches to specific needs;
- devolution and decentralisation of administration closer to the client;
- streamlining and adapting traditional ways of providing services, particularly through technological advances; and
- taking advantage of partnerships and similar alliances that encourage cooperation within, and across, levels of government and blend the public and private sectors.

As an illustration of such positive changes, I note that in his Sir Robert Garran Oration in 1997, the Prime Minister went out of his way to recognise that the public service he found on return to Government in 1996 was, in many of its operations, markedly improved on the service he had known in the 1970s and early 1980s.<sup>6</sup> In particular, he mentioned that:

- the budgetary and financial systems had been streamlined;
- there was greater emphasis on results in place of the past concentration on process inputs;
- central agencies exercised far less control over the staffing and finances of other agencies;
- there was more contestability and competition in the delivery of programs, including legislative implementation and the contracting and oversight of service delivery, both within the public service and outside; and
- there was vastly more interest shown in delivering high-quality services to the public and in enhancing relationships with stakeholders.

Nevertheless, more needed to be done. The Howard Government embarked upon a further program of major reform because it considered the public sector should not be quarantined from playing its part in making the Australian economy more internationally competitive. Over the last six years, we have seen, in particular:

- the introduction of the new *Public Service Act 1999*<sup>7</sup> enunciating the principles and values of the public service while removing much of the prescription of previous legislation;
- devolution of authority, to provide public sector managers with greater flexibility in decision-making to achieve required results;
- the implementation of competitive tendering and contracting, refocussing the APS on its core activities of policy development, legislative implementation and the contracting-out and oversight of service delivery;
- a program of major financial reform across the APS starting with the replacement of the *Audit Act 1901* with the *Financial Management and Accountability (FMA) Act 1997*, the *Commonwealth Authorities and Companies (CAC) Act 1997*,<sup>8</sup> and the *Auditor-General Act 1997*, and culminating in the implementation of an accruals-based outcomes and outputs model with the full integration of accrual-based budgeting, management and reporting;
- greater decentralisation of government activity and greater use of information technology and communications (ITC), notably the Internet, for service delivery to more directly meet the needs of individual citizens and, in some cases (as has occurred also in some other countries), to encourage and facilitate greater citizen involvement in such activity; and

- the introduction of service charters detailing the levels of services to be provided by APS agencies to the public, as an important element of accountability for performance.

The increasing involvement of the private sector in the delivery of public services, under the so-called ‘New Public Management’<sup>9</sup> that had an influence in most western democracies, is challenging traditional notions of accountability. This is an issue that is central to good corporate governance of public sector organisations. Despite the introduction of changed arrangements for the provision of many services to public sector clients, all public sector organisations are required still to be transparent, responsive and accountable for their activities. Citizens are entitled to know whether public resources are being properly used, and what is being achieved with them. The introduction of client service charters is a significant development towards ensuring more complete accountability to citizens on the operations of the public sector, particularly those that impact on them personally.

This paper considers the question of public sector accountability,<sup>10</sup> in an environment where, more than ever before, significant aspects of the delivery of public sector outcomes to, and on behalf of, clients, involve complex, longer-term arrangements with the private sector. The paper:

- traces the development of client service charters within the public sector, firstly in the United Kingdom, and now in Australia;
- distinguishes between notions of ‘clients/customers’ and ‘citizens’ in the context of public sector service delivery;
- discusses public sector accountability principles and practices as part of the corporate governance framework which includes Service Charters;
- examines the increased focus on performance management and reporting, reflecting the Government’s requirements for better quality, and different methods of delivery of, client service;
- briefly discusses a number of case studies in relation to the provision of client service within the APS, drawn from performance audits conducted by the Australian National Audit Office (ANAO), involving a range of Commonwealth bodies; and
- offers some concluding remarks on the impact of client charters on accountability within the APS.

## **2. PUBLIC SECTOR CLIENT SERVICE CHARTERS**

### **What is a (Client) Service Charter?**

In short:

*A service charter is a public document that sets out the standards of service that clients can expect from an organisation, as well as avenues for taking up*

*complaints. It should be developed in consultation with clients, staff and other stakeholders. Service charters are intended to ensure that organisations:*

- *focus on service delivery*
- *measure and assess performance, and*
- *initiate performance improvement.*<sup>11</sup>

Service charters have been introduced for the public sector in many countries, not least in Australia.<sup>12</sup> Most follow the example provided by the UK's *Citizens' Charter* (described below), incorporating a number of principles that are aimed at making sure that:

*clients, the users of public services, should be treated as valued customers, just as if they were paying customers of the best of our private sector organisations.*<sup>13</sup>

The principles that seem to be common across the various jurisdictions in their implementation of service charters include:

- setting standards of service and having targets for services to be provided;
- providing for client consultation about services, and for client views to be taken into account in decision-making about them;
- provision of public information on the service standards and the results against them;
- openness about the conduct of public services, including provision of the names of those clients are dealing with;
- a system of redress, through monitoring, resolving and responding to complaints, and other measures up to financial recompense; and
- establishment of value for money through provision of information on inputs, outputs and outcomes.<sup>14</sup>

### **The *Citizens' Charter* in the UK**

The *Citizens' Charter* initiative was introduced as a Government-wide program by then Prime Minister John Major in July 1991. The program was to apply across both central and local government. In the context of continuing the market-based programs that had been introduced to the public sector already by the previous Thatcher Government, the rationale for the *Citizens' Charter* initiative included:

- all public services are paid for by individual citizens, either directly or through their taxes;
- citizens are, therefore, entitled to expect high quality services, responsive to their needs, provided efficiently at a reasonable cost; and

- where the state is engaged in regulating, taxing or administering justice, these functions too must be carried out fairly, effectively and courteously.<sup>15</sup>

The *Citizens' Charter* had four key themes:

- quality—a sustained new programme for improving the 'quality' of public services;
- choice—wherever possible 'choice' between competing providers was seen as the best spur to quality improvement;
- standards—the citizen must be told what service 'standards' are and be able to act where service is unacceptable; and
- value—the citizen is also a taxpayer so public services must give 'value' for money within a tax bill the nation can afford.<sup>16</sup>

The initiative also provided for government agencies to apply for a 'Charter Mark,' reviewable after three years, which accredited them as having achieved a level of performance set by the *Charter*.

The charter policy and program was implemented and managed through a Citizens' Charter Unit in the Cabinet Office. Within five years this Office was able to report that the *Charter* applied to all central government service areas, ranging from benefits offices and job centres to the police forces (and law and order agencies more generally). Some 42 charters were in place in central government and more than 10 000 at the local authority level. Subsequent reports indicate that the introduction of the *Charter* has resulted in improved performance by a number of agencies, increased client satisfaction and, in particular, much more openness in the public release of performance information by the Government and its instrumentalities.<sup>17</sup>

After the change of government in the UK in 1997, the incoming Blair Government reviewed the *Charter* program and decided to continue it with some amendments. In 1998, a revamped system known as *Service First* was introduced, emphasising 'effective consultation, meaningful standards, closer relationships between related service providers, updated principles and a re-invigorated awards scheme.'<sup>18</sup> The Prime Minister's Delivery Unit states that one of the nine principles of public service delivery is to set clear standards of service that users can expect; monitor and review performance; and publish the results, following independent validation wherever possible.<sup>19</sup>

## **Service Charters in the APS**

Prior to 1997, some Australian government agencies had introduced forms of service charters, reflecting the increasing emphasis that had been given in a number of reports<sup>20</sup> through the 1980s and 1990s on meeting client needs and improving client service standards. For example, the Australian Taxation Office's *Taxpayers' Charter* was available in draft format early in 1996. Particularly following two audit reports in late 1996,<sup>21 22</sup> the ANAO combined with the then Management Advisory Board to produce a "Better Practice Guide to Quality in Customer Service" which was released in November 1997.<sup>23</sup>

On 24 March 1997, the Prime Minister's *More Time for Business* statement included the announcement that, as part of the Government's response to the 62 recommendations of the Small Business Deregulation Task Force:

*The Government will require service charters to be progressively developed during 1997-98 by Commonwealth departments, agencies and enterprises dealing with the public. This initiative meets an election policy commitment to introduce service charters.*

*A taskforce comprising broad representation from government departments, agencies, business and consumers has consulted extensively on a set of principles to guide the preparation of charters.*

*These principles provide that a service charter:*

- *clearly identify the agency, the agency's purpose, its customer base and its services;*
- *detail information which facilitates communication between the agency and its customers;*
- *set out the agency's customer service standards and customer rights and responsibilities;*
- *articulate an agency's policy on obtaining feedback and handling customer enquiries and complaints;*
- *be developed in consultation with customers, staff and key stakeholders;*
- *be designed and promoted in a format and style suitable for an agency's customers;*
- *be supported by complaints handling mechanisms for resolving customer complaints;*
- *commit the agency to monitoring and reviewing arrangements; and*
- *require the agency to account publicly for its operations by publishing its customer service charter and information on its compliance with the charter and the agency's service performance.<sup>24</sup>*

The Prime Minister's statement also noted the following responsibilities:

- *Ministers will be responsible for managing the development of service charters with relevant areas of their portfolios.*
- *Departments and agencies will be required to report annually<sup>25</sup> on performance against service charters.*
- *The Minister for Small Business and Consumer Affairs will report to Parliament on whole-of-government compliance with charters.<sup>26</sup>*

While all agencies and Government Business Enterprises (GBEs) that have an impact on the public must develop a service charter, agencies are not obliged to develop

service charters for policy areas, but are encouraged to do so.<sup>27</sup> Client charters are seen as representing a public commitment by each agency to deliver high quality services to their customers.

A series of publications has guided Commonwealth agencies in their development and refinement of service charters since 1997, most recently the comprehensive *Client Service Charter Principles* released by the Department of Finance and Administration (Finance) in 2000.<sup>28</sup> Details of these, and the present state of development with implementation of service charters within the APS, are available from the service charters area of the Australian Public Service Commission (APS Commission) web site ([www.apsc.gov.au/charters](http://www.apsc.gov.au/charters)). This site notes that:

*Responsibility for Service Charters was transferred from the Department of Finance and Administration to the Commission following changes to the Administrative Arrangements Order in November 2001.*

and that

*The Minister Assisting the Prime Minister for the Public Service has responsibility for overseeing the implementation of Service Charters across the Commonwealth.*<sup>29</sup>

Two whole-of-government reports have been presented to Parliament by the then Special Minister of State reporting, among other things, performance against the 'principles for developing a service charter'. The second report, presented in November 2000, noted that, at that time, 152 charters had been created since 1997, thus:

*demonstrating a high level of commitment by departments and agencies to the process of continuing reform within the Commonwealth.*<sup>30</sup>

The report concluded that:

*Service Charters are proving to be key instruments for innovation and for driving effective service delivery in the 21<sup>st</sup> Century.*<sup>31</sup>

The APS Commission has noted<sup>32</sup> that:

*The report for 1999-2000 was the last detailed report showing performance across the Commonwealth against each Service Charter Principle.*

*Service Charter activities will continue to be reported in individual department and agency annual reports.*<sup>33</sup>

The Public Service Commissioner also reports on cultural change and service delivery activities in relation to APS bodies in his annual *State of the Service* report to the Prime Minister. In the latest report for 2001-02, the Commissioner noted that 68 of the 70 agencies surveyed for that year, that were required to develop a service charter, had done so. Of the 68 with a charter, 88 per cent had charters that incorporated, to some degree, performance indicators or service standards that were measurable.<sup>34</sup>

The Commissioner also reported on the *Service Charters—Awards for Excellence* that were presented in June 2002. This Awards scheme has been operating since 1999, and aims to recognise and encourage high standards of service provided to the Australian public by departments, agencies and their staff. The Scheme is seen as providing an incentive for Commonwealth bodies to improve the quality and efficiency of service delivery through the application of their service charters. The following five agencies were recognised in the 2002 Awards:

- the Child Support Agency;
- Comsuper;
- the Health Insurance Commission;
- the Australian Federal Police; and
- the Department of Foreign Affairs and Trade—Passports Australia.<sup>35</sup>

### **The Effects of Service Charters on Service Delivery**

There are some observations that can be made about service delivery mechanisms and performance, under the Commonwealth-level service charter regime, which might be of interest and generate some debate.

First, are public sector service charters equivalent to service guarantees in the private sectors? A reading of each would suggest that they are not, but why not? Can public sector organisations offer guarantees in any case: such as, ‘we guarantee to take your phone call within 3 rings?’: what happens when this is not done? Or should it be better expressed as ‘our service standard is to answer your phone call within 3 rings; we undertake to do so X% of the time.’ In the provision of many services, public sector agencies have ‘captive’ clients, who cannot go elsewhere for the service. Therefore: ‘This places an additional responsibility on public servants to be responsive to the needs of the public.’<sup>36</sup>

Can service guarantees apply at all in the public sector, because of the wide range of services that the public sector is involved in? For example, the public sector might be able to offer a form of such guarantees in some cases, for example, in public transport systems or payment of benefits, but what about defence, provision of policy advice, and similar functions. If a public sector agency does not do something in accordance with a service guarantee, what recourse does the client have; or what can we offer the client in recompense? For example, extra payments of benefits would not be acceptable, whereas, because it can offer financial recompense, the private sector has more flexibility to satisfy customers if less than appropriate service has been provided in the first instance.

Of course, development of a service charter within a public sector agency is by no means the end of the matter. The implementation of a new or amended service charter is in itself a vital phase. Indeed, a service charter has to become part of the ‘culture’ of the organisation, with strong, ongoing support from the agency’s staff as to what the charter actually means on a day-to-day basis when dealing with clients. An important step is the adoption of systems and procedures within the agency that

will allow the aims of the service charter to be achieved. Further, it is vital that the client service staff in the agency know, and accept, the service parameters and arrangements (such as for complaints) that are incorporated in the service charter. The requirements here are well expressed in the following statement:

*Great service should be embedded into a behavioural routine, so it can be properly monitored, measured and managed. We can all provide superior service, time and again, providing we have fully defined what it is and we have trained our people to deliver it.*<sup>37</sup>

The *Service Charters—Awards for Excellence* mentioned earlier recognise the importance of this point also, with one category of the awards seeking ‘Demonstrated excellence in integrating service charters into core service delivery outcomes and organisational culture.’<sup>38</sup>

Complaint systems typically are part of client service charters. For Commonwealth agencies, the present *Client Service Charter Principles*, mentioned earlier, make it mandatory that agencies include client feedback and complaints systems within their charters, and that they report on client complaints and feedback.<sup>39</sup> This direction for agencies on complaints and feedback has echoes in the following observation, albeit that it relates to private sector practice:

*... high-quality customer complaint handling will not result from superficial, ad hoc support. An organisation must be strongly committed to allocate enough resources for staffing, training, and support systems. The more innovative firms approach complaint handling as an investment rather than an expense.*<sup>40</sup>

An interesting aspect is the recommendation from Finance that, in their administration of complaints mechanisms, agencies should comply with the Complaints Handling standard (Standards Australia AS 4269-1995—*Complaints Handling*).<sup>41</sup> I would certainly endorse this latter point, and urge public sector agencies that may be formulating or reviewing their service charters to also have regard to the excellent Good Practice Guide on complaints handling that has been developed by the Commonwealth Ombudsman.<sup>42</sup> This Guide covers the essential elements of an effective complaint handling system from the theoretical standpoint and then provides principles that can be put into practice in any agency. However, as noted by the ANAO in its 1996 report on Client Service in the Australian Taxation Office:

*The complaints handling system needs to be adequately managed and resourced, and should be visible and accessible to clients and provide them with assistance in making their complaints.*<sup>43</sup>

Where service delivery has been outsourced, service charters will clearly have a direct impact on the private sector contractor. In particular, it is to be expected that outsourcing contracts will need to reflect the service charter commitments if the charters are to have any real meaning. It will also be important to require the provider, as part of the contractual arrangement, to supply outcome, output and input information against which the provider's performance can be assessed, including whether processes are efficient and the service quality is satisfactory. In this way, even if the client is one or more steps removed from the responsible department or

agency, it should still be possible to ensure clients are receiving the appropriate level and quality of service, consistent with the service charter.

The service charter approach may also be expected to reinforce the notion of both the private sector provider and the contracting agency being dependent on one-another for delivering a satisfactory level of performance and accounting for their performance—in effect trading-off some degree of their individual control for agreement about their joint performance and results to be achieved.

### 3. CLIENTS/CUSTOMERS VS. CITIZENS

What are we concerned about here? To my mind, when we are talking about ‘public service’ or ‘services’ we should consider the involvement in public administration of, and the need for responsiveness to, *citizens*. This can be contrasted with notions of marketisation and *clients* and/or *customers*. While a lot has been made of the offer of ‘choice’ to public sector clients, where there is a degree of competition from various providers, the ‘choice’ is largely about the provider and how the service is delivered rather than the ‘product’ itself which is basically the same for all who can meet the prescribed conditions.

This distinction in terms reflects the fact that public services provided to clients/customers also affect citizens, whether they in fact use the services or not. Moreover, those seeking some government services are not the same as customers/clients of the private sector as they cannot take their ‘custom’ elsewhere: the government service provider may be the only place where the service is available. For example, if an Australian citizen wants to obtain an Australian passport, this service is only available through Passports Australia within the Department of Foreign Affairs and Trade. There is no private sector supplier of passports to provide an alternative, competitive service.

That is, generally, it is not possible to shop around, and to compare prices as well as levels and attributes of the service and/or products, for public services, as customers/clients can do (usually) when seeking services and goods provided by the private sector.

The distinction between customers/clients and citizens can be illustrated by a simple example. The provision of age pension support services under certain conditions to those clients/customers who qualify for benefits also affects others in the community (citizens) that are not using the service. Not least, this is because citizens’ taxes are paying for the services provided, and they personally may not be receiving a ‘return’ on the investment that they are making. But, at least as importantly, the citizenry may also have views on the methods and guidelines followed for the provision of such services, and/or wish to influence the policy and administrative parameters for the provision of such services because they may need to use the services themselves in the future.

In examining the dichotomy between clients/customers and citizens, I must say that I found the ideas underlying the seven principles of the ‘New Public Service’ suggested by two academics from the USA, Robert and Janet Denhardt, in a recent volume of the *Public Administration Review*,<sup>44</sup> to be very worthwhile for consideration. I will

take the liberty of setting down here the seven principles as they appear in their article.

The seven principles of the New Public Service suggested are:

- 1) *Serve, rather than steer.* An increasingly important role of the public servant is to help citizens articulate and meet their shared interests, rather than to attempt to control or steer society in new directions.
- 2) *The public interest is the aim, not the by-product.* Public administrators must contribute to building a collective shared notion of the public interest. The goal is not to find quick solutions driven by individual choices. Rather, it is the creation of shared interests and shared responsibility.
- 3) *Think strategically, act democratically.* Policies and programs meeting public needs can be most effectively and responsibly achieved through collective efforts and collaborative processes.
- 4) *Serve citizens, not customers.* The public interest results from a dialogue about shared values, rather than the aggregation of individual self-interests. Therefore, public servants do not merely respond to the demands of “customers,” but focus on building relationships of trust and collaboration with, and among, citizens.
- 5) *Accountability isn’t simple.* Public servants should be attentive to more than the market; they should also attend to statutory and constitutional law, community values, political norms, professional standards, and citizen interests.
- 6) *Value people, not just productivity.* Public organisations and the networks in which they participate are more likely to succeed in the long run if they are operated through processes of collaboration and shared leadership based on respect for all people.
- 7) *Value citizenship and public service above entrepreneurship.* The public interest is better advanced by public servants and citizens committed to making meaningful contributions to society rather than by entrepreneurial managers acting as if public money were their own.

In making the point that ‘The government belongs to its citizens,’ the authors of the article provide valuable direction for those of us working in public administration (‘the public service’) to consider:

*... public administrators should focus on their responsibility to serve and empower citizens as they manage public organisations and implement public policy. In other words, with citizens at the forefront, the emphasis should not be placed on either steering or rowing the governmental boat, but rather on building public institutions marked by integrity and responsiveness.*<sup>45</sup>

Further, on the question of accountability, the authors see that:

*... public administrators are and should be influenced by and held accountable to complex constellations of institutions and standards, including the public interest, statutory and constitutional law, other agencies, other levels of government, the media, professional standards, community values and*

*standards, situational factors, democratic norms, and, of course, **citizens***  
(emphasis added).<sup>46</sup>

Such observations give those of us in public administration much to think about, in terms of involving the citizenship in public policy making, and in maintaining and enhancing accountability for the functions that we perform on their behalf. However, public participation in policy choices is not the subject of this Paper. While public servants can enhance opportunities for such participation, the issues are largely ones for the Government and Ministers in the first instance. The various forms of citizen participation have been widely discussed, indicating rising demands in most OECD countries.<sup>47</sup>

The argument about the present private-sector-style concentration on a ‘customer focus’ at the expense of one on citizens, or the ‘citizenry,’ has been taken a step further by Professor John Alford of the University of Melbourne.<sup>48</sup> He has established a number of distinctions between the characteristics of market exchange (a customer dealing with a private firm), and those of public sector dealings (between either the citizenry and/or clients and the government service being provided).

In particular, he notes that the will of the citizenry is a collective choice that is only expressed as an ‘outcome of political interaction and deliberation, in which citizens or their representatives engage with each other in advocacy, debate, and negotiation,’<sup>49</sup> that is, democracy. This can be contrasted with client dealings with private sector firms, which are a series of individual choices.

Not surprisingly, John finds that the method of paying for the goods or services provided also differs between the sectors. In private sector exchanges, the customer pays directly, by choice and (mostly) voluntarily. In public sector cases, taxpayers (largely the citizenry) ‘do not necessarily endorse the value they are paying for, and, indeed, do not necessarily pay voluntarily’<sup>50</sup> but their contribution is determined by government, elected by a majority of the citizenry. This is not to say that there are no ‘private sector-like’ transactions that are conducted by the public sector, for, as John Alford observes, there are certainly instances where ‘paying customers’ are involved, for example in public transport systems.<sup>51</sup>

I was most interested in John’s further observation<sup>52</sup> that, while the concept of an ‘economic exchange’ may not necessarily be involved in the majority of client/customer dealings with public sector agencies, the concept of an ‘exchange’ still is a useful way of thinking about relations between government organisations and their clients. This involves ‘social exchange’ theory, whereby intangibles, such as cooperation and compliance, as well as goods and services, can be exchanged between more than two parties, either directly or indirectly.

An example of this in action, and relevant to the topic of this paper, is the adoption of client service charters by government agencies. In the general case, these documents emphasise ‘non-economic’ factors in their dealings with clients (sometimes denoted as ‘stakeholders,’ although I must say that I find this a less specific term, and therefore less useful to the argument). Examples are an intention to treat clients fairly, to return phone calls from clients, and to respond to requests within certain periods. Through a widening of the concept of exchange in this way, agencies can interact

more successfully with clients/customers, and also with the larger group of citizens who may be encouraged through the existence of ‘non-economic’ factors, ‘to engage more with the institutions and processes of government.’<sup>53</sup>

Of course, whatever is attempted, in terms of re-defining the client/customer focus to one based on citizens, needs the support and endorsement of the Government and Parliament if it is to succeed. The ongoing challenge for all of us will continue to be meeting our various stakeholder performance and accountability expectations, whatever the approach taken to our changing public sector environment. It would not seem to reflect responsive public service to citizens if we are unable to define adequately performance and accountability requirements or, indeed, we fail to secure private sector acceptance of such requirements in a more networked environment that focuses mainly on outcomes to be achieved and not just on methods of delivery.

A particular challenge will be to establish agreed modes of network governance to ensure proper integration and coordination of all networking activities essential to the effective operation of strategic partnerships and alliances. Day-by-day the technology appears to be increasingly able to deliver the necessary capability. The question then becomes whether, collectively, we can develop the skills and management capacities to take full advantage of that capability. I would go as far as saying that this is as much a challenge for audit offices, such as the ANAO, as it is for the rest of the public sector and, increasingly, for those elements of the private sector that may wish to participate in the provision and delivery of public services to citizens.

#### **4. ACCOUNTABILITY IN THE AUSTRALIAN PUBLIC SECTOR**

Before discussing the public sector accountability framework, I should set the concept of accountability, as it should be, squarely in the context of corporate governance arrangements for public sector entities.

Fundamentally, these elements are directly linked. An initial examination of where public sector corporate governance arrangements are now, and where they are heading, serves to illustrate accountability issues, including those relevant to the provision of client service. Having said this, I do not intend to cover corporate governance matters at the level of detail that I have provided in other papers on this subject.<sup>54</sup> Nevertheless, I think that it is necessary to establish here some of the basis principles of corporate governance, as they relate to accountability, in the context of the provision of public services to clients. Service Charters are an element of both the conformance and performance requirements of a sound corporate governance framework for many agencies. A better understanding of, and contribution to, such a framework gives all of us a better perspective on the purpose, credibility, and acceptance/usefulness of Service Charters.

##### **What is Corporate Governance?**

In the forthcoming Better Practice Guide on *Public Sector Governance* (due before the end of 2002-03), the ANAO has chosen to use the term ‘public sector governance’ or simply ‘governance’ when discussing the governance of public sector bodies. As discussed in the new Guide, ‘public sector governance’ encompasses:

- how an organisation is managed;
- its functional structures;
- its culture, its policies and strategies; and
- the ways in which it deals with its various stakeholders.

In many ways, governance is a combination of legal and ‘better practice’ organisational structure and management requirements, aimed at facilitating accountability and improving performance.<sup>55</sup> It has been increasingly recognised, in both the private and public sectors, that appropriate corporate governance arrangements are a major factor in corporate success.

I would like to emphasise at this point that governance has a very broad reach in organisational behaviour—going well beyond management. Managing involves administrative, supervisory and facilitating tasks associated with on-going organisational operations. Executives and managers administer and lead organisations through developing business strategies, and implementing and monitoring them on a day-to-day basis. Boards and other governance structures deal with overall strategy, and organisation policies, direction and culture.

Whoever governs, exercises ultimate authority within organisations and is finally held accountable for overall organisational performance by stakeholders. In essence, those who govern authorise what managers within organisations do. Or, to reverse that point, executives manage organisations by virtue of the authority delegated to them by those who govern.<sup>56</sup> Thus, management is but one part of governance.

### **Corporate Governance in the Commonwealth Public Sector**

I note that some commentators treat public sector governance quite narrowly, often focussing almost entirely on the operations of a board and its relationship with the CEO and with Ministers. I would like to emphasise that, while boards and the CEO are crucial to good governance, particularly in Government Business Enterprises, governance within public sector agencies also relies very heavily on the legalities, systems, processes, policies and strategies that direct operations, assure quality, monitor performance and manage agency obligations to stakeholders, including appropriate accountability processes and requirements.

For example, Commonwealth public sector agencies are directed and made accountable through legislation such as the FMA and CAC Acts and the Public Service Act. More informal guidelines, including Chief Executive’s Instructions (CEIs) and Finance Directions, also have their place in the governance hierarchy. In addition, depending on the particular agency, specific legislation such as that establishing particular statutory bodies, or Parliamentary procedures and directions, may also impose direct accountability requirements on agencies.

Of course, the formal governance framework for public sector corporate governance goes beyond the Acts outlined above to include broader provisions affecting powers, parliamentary appropriations and responsibilities.

At the core of public sector governance, the provisions of the *Constitution of the Commonwealth of Australia* establish the powers, responsibilities and limitations of the Commonwealth Parliament,<sup>57</sup> the judiciary and the executive<sup>58</sup> (the Government). Then, the basic organisational structure of the Government, and therefore of the bureaucracy that supports it, is set by the particular *Administrative Arrangements Order* (AAO)<sup>59</sup> that is in place at a particular time. As well, public sector bodies are subject to supporting legislation such as the *Remuneration Tribunal Act 1973*, the *Freedom of Information Act 1982* and the *Privacy Act 1988*.

### Integrated Public Sector Governance

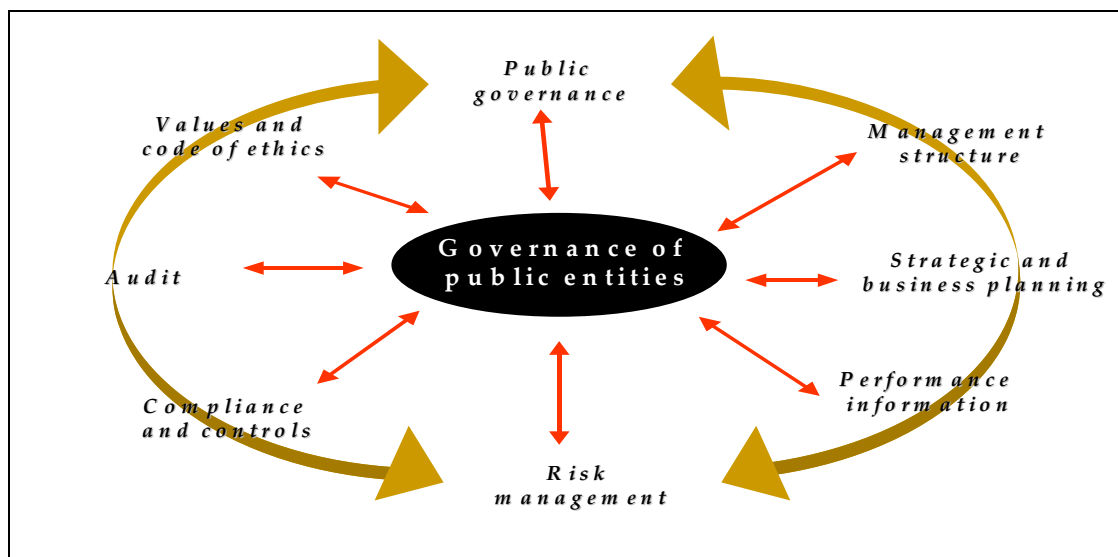
There are many ways in which we could represent diagrammatically the features that distinguish corporate governance the public sector. This is done elsewhere, as I noted earlier. I would just say that such diversity reflects the complexity of the governance framework and the various approaches taken by individual public sector entities to meet their governance responsibilities.

Within the various arrangements that exist across the public sector, I should observe that, based on the findings from a range of performance audits that we have carried out in recent years, most public sector agencies have put in place many of the elements of good corporate governance. These include:

- corporate plans setting out corporate objectives and strategies;
- public sector and/or agency values and codes of conduct;
- business planning;
- audit committees;
- control structures, including risk management;
- performance assessment; and
- performance monitoring (including evaluation and review).

However, what many agencies seem to lack, is a credible way to integrate these elements into a unified, mutually reinforcing whole. To be successful, all components have to be soundly integrated to provide an effective overall approach to the governance task. This involves a consistent, strategic approach to governance so that good governance practice is successfully integrated with the way Commonwealth departments and agencies do business.<sup>60</sup> One approach that the ANAO has developed to show the essential components of an integrated public sector corporate governance approach is shown at Figure 1.

**Figure 1: Elements of governance of public sector entities**



Source: ANAO

This Figure illustrates the inter-relationship between all the elements of governance and thus the need to integrate them effectively in order to achieve good governance. It also indicates the difficulty of achieving an appropriate balance across all these elements at any point in time, and over time, to provide the appropriate mix of conformance and performance (discussed later in this paper). Such a balance can have important implications for client service, and particularly in the way clients are treated and services are provided.

### Public vs. private sector governance

Despite apparent convergence, at least to some extent, between the sectors, it goes without saying that there remain considerable differences in governance between the public and private sectors.

In the public sector, quite complex relationships can exist between those with primary accountability responsibilities, especially the Parliament, Ministers, the CEO and boards. Consequently, there can be far greater management complexity in terms of stewardship, accountability and legislative requirements than is the norm in the private sector. Moreover, the general public have higher expectations of government and the public service, and consequently demand more effective, efficient, economical and, arguably, more ethical, provision of services.

In this vein, we could argue that the public sector typically has more explicit and stringent value systems that emphasise legislatively based notions of ethics and codes of conduct. For example, as observed by Professor Richard Mulgan of the Australian National University:

*... private sector companies operating under private law are not normally held to the same common law standards of rationality and fairness that the public law imposes on government agencies under the principles of administrative law.*<sup>61</sup>

Or, again, as observed by the well-known author and academic Peter Hennessy:

*Pieces of paper are one thing, real belief systems are quite another. It is very hard to export the public service ethic into the private contractor hinterland. Commercial contracts are not susceptible to a foolproof, public service ethical override.*<sup>62</sup>

These two comments support the common and, I think the reasonable viewpoint, that corporate governance is often relatively more straightforward in the private sector as the roles and responsibilities are more clearly defined and generally involve a narrower range of active stakeholders and simpler objectives, let alone having the complications of political imperatives and judgements.

Given the increasing linkages of the public sector with private sector entities, ANAO performance audits have found that many public sector managers are responding positively to the governance demands arising from changes in their particular operating environments and being more aware of the pressures in the private sector for better performance in this regard.

Nevertheless, our performance audits of public sector entities also show that more work is still required in the APS to present the elements of public sector governance in a more meaningful way. The aim here must be that people in the organisation can readily understand and accept both their purpose and the manner in which the various elements combine to achieve required organisational performance and discharge expected accountability obligations. Particularly at a time where there is ongoing loss of public sector corporate knowledge, experience indicates that greater effort is required also to ensure that there is a good understanding, for example, of the legal framework applying to an organisation's operations and activities not only to deal with, say, reputation risk, but also to ensure that it is actually meeting its legal, including ethical, obligations.

Success in these respects can do much to integrate these elements effectively into a sound governance framework. Regardless of which particular corporate governance framework is used, I think it is clear that better practice governance in both the public and private sectors requires:

- a clear identification, and articulation of, the various responsibilities (accountabilities) of participants within the organisation's management structure;
- a real understanding of relationships between the organisation's stakeholders and those entrusted to manage its resources and deliver its outcomes; and
- support from management, particularly from the top of an organisation, notably in regard to the corporate culture based on strong values and ethical conduct.

Moreover, good governance should not only be found at the corporate level; it should also be apparent to all staff and evident in their behaviour and attitudes in the workplace at all levels of the organisation.

## Steps toward Effective Corporate Governance

While guidelines, legislative and other regulation, structures and systems can provide a robust and useful framework, it is only through the actions and decisions of organisations and their staff that benefits for other stakeholders, particularly clients, and for the organisation itself, can be realised. As I said earlier in this paper, it is those who govern organisations who make the crucial decisions and direct the use of resources. They delegate authority to management.<sup>63</sup> Importantly, they provide the ‘tone at the top’ that is essential for sound corporate governance. It is, and arguably should be the case, that whoever governs and exercises ultimate authority within an organisation, is finally held accountable by stakeholders for overall organisational performance.

This does not mean that a well-governed organisation will necessarily always show positive financial and performance results. Studies to date suggest that there is not a necessary link between particular governance structures or forms and positive operational outcomes. In other words, good governance structures and forms can support sound performance but they do not guarantee it.

There is, however, increasing evidence that behaviours consistent with good governance (for example, leadership, communication, encouraging difficult questions to be asked, and holding people to account) increase the probability of positive and sustainable outcomes.<sup>64</sup> To these, I would add, and reiterate, the necessity for ethical conduct, on the part of the executive of the organisation, as a pointer for the other layers of management and staff in their dealings within and outside the organisation. At a minimum, good governance is central to ensuring the organisation carries out its responsibilities in a manner that accords with relevant legal and other regulatory requirements. This is a conformance objective.

Briefly considering the converse position, poor governance often involves inflexible, mechanistic approaches that provide an image of compliance (such as simple ‘tick-a-box’ approaches, for instance to satisfy the auditors) with little real commitment to the principles of accountability, successful integration of the governance elements, and full disclosures aimed at improving transparency and performance. This point was made in media comments by a number of prominent corporate executives and non-executives following the recent release of the Australian Stock Exchange (ASX) Corporate Governance Council’s best practice recommendations.<sup>65</sup> The latter have been criticised as being both too prescriptive and not prescriptive enough:

*This reflects the fact that the ASX is trying to promote a culture of compliance.*<sup>66</sup>

Interestingly, the five draft governance standards recently released by Standards Australia for public comment each employs the model contained in Australian Standard AS3806: Compliance Programs:

*It is my belief that this model will become central to implementing governance and compliance systems in Australia.*<sup>67</sup>

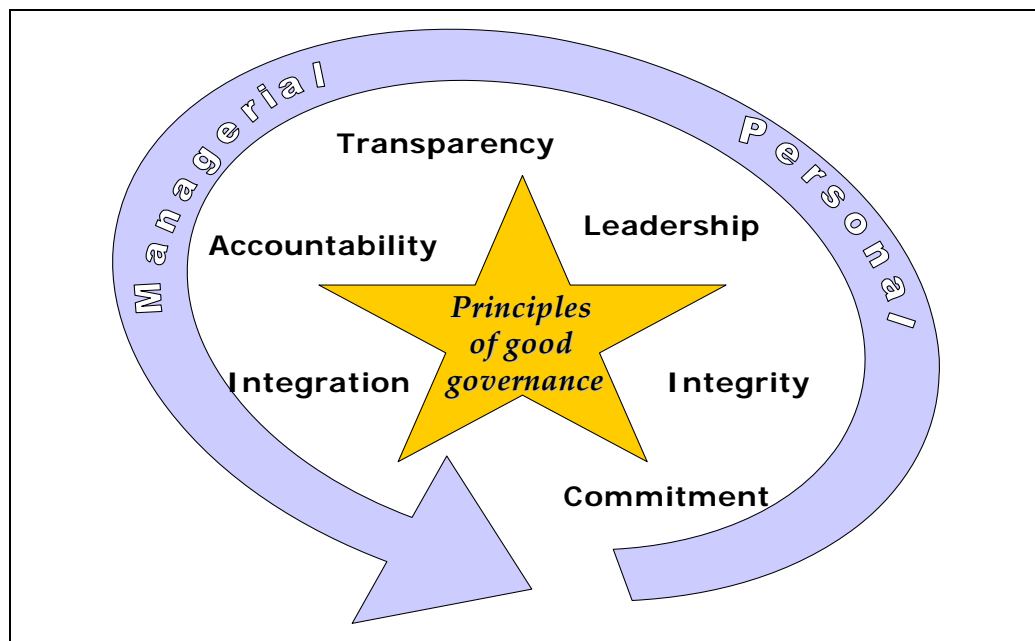
## Key Principles that Enable Effective Corporate Governance

We can go further by suggesting that frameworks for corporate governance in the public sector can only be implemented effectively through the application of key corporate governance principles. As the Queensland Audit Office notes:

*These principles are essentially common management tools drawn together into a logical, inter-related system focussed on achieving results.<sup>68</sup>*

Through the findings of audits undertaken by the ANAO, and by examining the corporate governance literature, we can identify six main principles that public sector entities must adhere to in order to apply effectively the various elements of corporate governance to achieve better practice governance (see Figure 2). Three of these elements—leadership, integrity and commitment—relate to personal qualities of those in the organisation. The other three elements—accountability, integration and transparency—are mainly a product of strategies, systems, policies and processes in place.

**Figure 2: Principles of good governance in public sector entities**



Source: ANAO

Effective public sector governance requires leadership from the governing Board and/or executive management of organisations, particularly the CEO. An effective framework requires clear identification and articulation of responsibility and a real understanding and appreciation of the various relationships between the organisation's stakeholders and those who are entrusted to manage resources and deliver required outcomes. In the public sector, this necessitates lucid and unambiguous communication with the Minister and clearly stated government priorities.

Concern has been expressed that there has been more emphasis on the form rather than the substance of good corporate governance in both the public and private sectors

in Australia. I want to stress that better practice public sector governance requires a strong commitment by all participants to effectively implement all elements of corporate governance. An effective framework is very much people oriented, involving better communication; a more systematic approach to corporate management; a greater emphasis on corporate values and ethical conduct; risk management; relationships with citizens and clients; and quality service delivery.

Integrity is based on honesty and objectivity, as well as on high standards of propriety and probity in the stewardship of public funds and the management of an agency's affairs. It is dependent on the effectiveness of the control framework and on the personal standards and professionalism of the individuals within the agency. Integrity is reflected in the agency's decision-making practices and procedures and in the quality and credibility of its performance reporting. Importantly, it is also reflected in the attitudes and responses of its clients.

Accountability is fundamental to our democratic system of government. The principles of corporate governance require those involved to identify and articulate their responsibilities and their relationships; consider who is responsible for what, to whom, and by when; acknowledge the relationships that exist between stakeholders and those who are entrusted to manage resources; and deliver required outputs and outcomes. It provides a way forward to those, whether in the public or private sectors, who find themselves in somewhat different relationships than perhaps they have previously experienced. Hence, a clear understanding and appreciation of the roles and responsibilities of the relevant participants in the governance framework, importantly, those of the responsible Minister(s), Board and CEO, are key components of sound accountability.

The 'privatisation' of the public sector involves less direct relationships between stakeholders and service providers, and greater flexibility in decision-making. As well, it strengthens the need for accountability, regardless of the manner in which that is determined.

In this regard, in 1999 the Joint Committee of Public Accounts and Audit (JCPAA) rejected arguments advanced by some Commonwealth Government Business Enterprises (GBEs) that the accountability requirements of the CAC Act created additional compliance costs compared to private sector counterparts and was therefore inconsistent with competitive neutrality provisions. The JCPAA stated that, where public money is concerned, there is a need for additional accountability to Ministers and the Parliament and, in view of the significant responsibility involved, it was not prepared to recommend any relaxation of the accountability requirements applying to GBEs.<sup>69</sup>

But what is the appropriate extent of accountability provisions, from a management and supervisory viewpoint, that should be put in place within the more market-oriented approach towards greater collaboration, networking and the use of partnerships in the delivery of public services? This is not an easy question to answer, as is evident from the extent of bureaucratic, academic and other informed comment that has been made on the subject in recent years. Let me add another such comment here, one with which I have some empathy:

How to balance accountability in a way that allows for flexibility of action is the ongoing challenge of public policy in Australia.<sup>70</sup>

Openness, or equivalent transparency, involves providing stakeholders with complete confidence regarding the decision-making processes and actions of public sector agencies in managing their activities. Being open, through meaningful consultation with stakeholders and communication of complete, accurate and transparent information, leads to effective and timely action, thus enhancing the processes of scrutiny. Such transparency is also essential to help ensure that public bodies are fully accountable and is therefore central to good governance overall. Future trends in governance practices will probably require greater transparency, as the use of the Internet and other electronic media will aid continuous disclosure, particularly of financial performance.

A real challenge for corporate governance is not simply to define the various elements of effective corporate governance but to ensure that they are holistically integrated as an important element of a coherent corporate approach by individual organisations and well understood and applied throughout those organisations. If implemented effectively, corporate governance should provide the integrated strategic management framework necessary to achieve the output and outcome performance standards, reflected in part in Service Charters, which are required to fulfil organisational goals and objectives. These are of increasing audit interest in a more results oriented public sector. A particular hallmark of an organisation that has well-integrated governance arrangements is that officers tend to think, speak and act in support of the corporate goals of the organisation as a normal part of their decision-making and actions.<sup>71</sup>

It is important to appreciate that information is the currency of good governance which underlies both the principles and frameworks of corporate governance. Therefore, it is important that public sector entities develop quality information systems that communicate widely corporate objectives and the plans and strategies to achieve them. These imperatives also point to the requirement for sound records management, particularly in electronic form, which also puts a focus on privacy, security and accountability concerns.

Another common principle of corporate governance is stewardship. Public officials (ministers, public servants and office holders) exercise their powers on behalf of the nation. The resources they use are held in trust and are not privately owned. Officials are therefore stewards of those powers and resources. This requires that they ensure financial sustainability and the efficient and effective management of resources, as well as maintaining less tangible factors, such as the trust placed in the organisation and/or government as a whole.

### Accountability as an Element of Corporate Governance

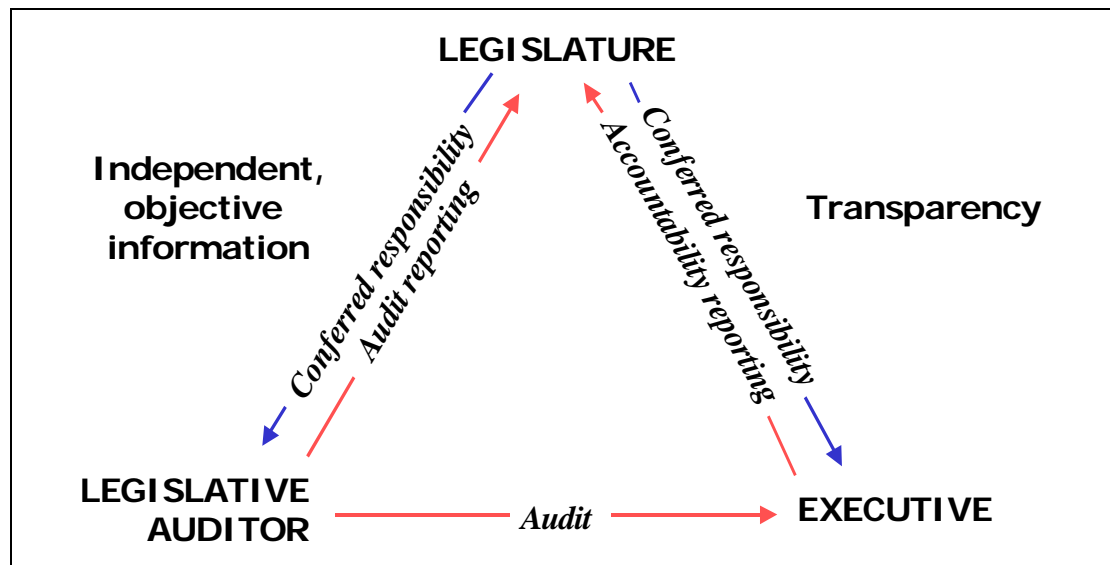
Figure 3<sup>72</sup> is a succinct depiction of the accountability processes that flow from the separation of executive and legislative functions of government, as is the case in Australia at the Commonwealth level.

It establishes that the Parliament (legislature) provides the authority for the acquisition and use of resources to fund the public sector overall, while the elected

government (executive) is responsible for specific resourcing, planning, directing and controlling of public sector operations. The legislature has the right and responsibility to hold the government accountable for its management of public sector activities. One of the main ways that this responsibility is discharged is through auditing and reporting by the legislated auditor for the Commonwealth—the ANAO.

Public servants, the staff of public sector bodies, are part of the executive (the Government). As such, they are accountable to Ministers and, in turn, to Parliament.

**Figure 3: Public sector accountability process**



Source: International Federation of Accountants (2000)

## Public Sector Accountability

What is 'accountability'?

In the context of the Commonwealth public sector, 'accountability' implies conformity with a system of administrative processes designed to provide authority for administrative actions and, at the same time, a framework for reporting and checking on actions taken.<sup>73</sup> In this way, accountability measures seek to ensure that public sector agencies and their staff are responsible for their collective and individual actions and the decisions leading to them. As well, in reporting on their actions and activities, they are required then to submit themselves to appropriate external review, checking and scrutiny. The following is a more direct explanation as to just what is involved:

*If informing and explaining are the core processes of accountability, the core purpose is control. Accountability, at its most general, is a means for principals to ensure that their agents or delegates pursue the principals' interests rather than their own. Reporting and explaining are of little value unless they can lead ultimately to redress or improved performance. To be effective, accountability thus also requires the possibility of remedies and sanctions so that agents can be brought back on track and damage can be repaired.<sup>74</sup>*

## Accountability and responsibility

Speaking generally, we could say that public sector accountability is tied in with the 'Westminster' concept of ministerial responsibility to Parliament. At this point, I am reminded of an observation that reflects, in a practical sense, the difficulty facing public sector managers in the more complex environment that exists today:

*Responsibility is a slippery and ambiguous concept, and accountability is scarcely less so.*<sup>75</sup>

Owen Hughes provides a more 'helpful' distinction between these two vital aspects of public sector administration, as follows:

*Accountability is not the same as responsibility. Accountability means that someone in the organisation can accept the blame or praise for a decision or action. From the lowest levels of the public service to the highest, each member of staff is supposed to be accountable to a superior. Responsibility is somewhat more vague and usually regarded as operating in the other direction through the hierarchy; that is, everyone with subordinate staff is responsible for their subordinates' actions. A cabinet minister is 'responsible' for the actions of the staff in his or her department. This is more vague than accountability in that it is never quite clear exactly what they are responsible for, or how far their responsibility extends. If a subordinate staff member makes a mistake this does not necessarily mean that the supervisor is responsible for that mistake.*<sup>76</sup>

It has increasingly been accepted that bodies such as the Administrative Appeals Tribunal, the Ombudsman and my office of Auditor-General, and legislation such as the *Freedom of Information Act 1982* and the *Administrative Decisions (Judicial Review) Act 1977*, are parts of this 'ongoing' accountability framework. At least, collectively, such structures ensure that a form of public scrutiny may be applied to actions taken by individual public servants and agencies within a context of accountability including personal, as well as agency, responsibility.

## Operating within an ethical framework

The rationale for maintaining high ethical standards within the public sector was well-stated some years ago now as being because:

*... of the position of trust, power and privilege which public servants hold, and the resulting obligation not to breach that trust and not to misuse their power or abuse their privilege. ... The trust protected by ethical behaviour is not one that exists just between the public and the public service. It supports too the public's confidence in the government and in the democratic process.*<sup>77</sup>

A complementary viewpoint has been provided by, among others, Dr Peter Shergold, when he was Public Service Commissioner, who, in discussing the distinctive accountability measures in place for the public sector, made the points that:

*... public servants are required to exercise judgement on the basis of an ethical framework which remains distinctive...*

*... government requires the responsiveness and loyalty of its senior officials to be balanced by frank impartiality and determined 'objectivity', a term which implies the assessment of policy in terms of national interest, of 'all sectors of the community'.<sup>78</sup>*

Any discussion of accountability usually covers issues relating to conflicts of interest and financial ethics. I must say that, as the Commonwealth Auditor-General, I do not see concerns about these particular issues as being rampant within the APS. Nevertheless, ethics and standards of behaviour of public officials generally have certainly been the cause of comment from time to time, both here and overseas. Given the extent and effects of public sector reform generally, I would agree with the following point of view:

*... the issue is not one of wholesale breakdown in ethical standards. It is rather to do with clarifying and reinforcing those standards in a context where public management reforms are transforming the environment in which public servants work. This in itself presents a considerable challenge, ...<sup>79</sup>*

Taking the lead presented so capably by the UK Nolan Committee in its delineation of 'The Seven Principles of Public Life', matters such as integrity, ethics and the 'public interest' have to be considered as guiding the actions of public officials. Indeed, the Nolan Committee observed that:

*Ethics is an overarching term describing the standards or principles which should underpin all decisions and behaviour of public officials. These principles aim to place public interest before all other interests.<sup>80</sup>*

To state this more clearly, good corporate governance within the public sector must be based on a clear code of ethical behaviour and personal integrity, exercised by the board of an agency (if applicable), the CEO, management and staff, that is communicated openly to stakeholders.

Ethical structures provide a basis for a CEO to have confidence that there is consistent ethical behaviour at all levels of the agency and that the agency and its employees:

- comply with public sector standards, codes of ethics and applicable codes of conduct;
- act with integrity in the performance of official duties and ensure due process in the use of official information, equipment and facilities;
- exercise consideration and sensitivity in their dealings with members of the public and employees; and
- identify and deal with any real or perceived conflict of interest.

This ethical framework flows from public service values, obligations and standards, which in turn are derived from legislation, policy and accepted public service conventions.

Such a culture is also essential for the establishment of sound risk management approaches and the confidence it can give to those stakeholders in the organisation and in what it does. According to O’Faircheallaigh, Wanna and Weller:

*Ethical behaviour is one of the principal means by which accountability is maintained in the public sector. Indeed, political and administrative accountability depend on the observance of ethical standards and ethical relations between individuals or between institutions.*<sup>81</sup>

At the risk of stating the obvious, I should make the point here that the public sector operates, first and foremost, in a political climate which is values-oriented, as witnessed by constant references to the 'public interest' or the 'common good' or similar expressions of collective well-being. The concept of the 'public interest' is, of course, fundamental to democratic governance—but it has always been difficult to define or assess in any generally agreed fashion, except that it is very real to the Parliament and public servants as well as to the ordinary citizen. In short, everyone seems to know when the public interest is not being observed, at least from their individual point of view.

There are often clear contrasts with what seems to be apparent private interests. In terms of public sector behaviour, an acceptable shorthand version may be that, on the part of public servants and, particularly, ministers, the public interest involves 'honest, open, proper and fair processes of administration.'<sup>82</sup> That is not to say that these elements are not also required in the private sector, at least to some degree, if not legislatively. As well, the public sector has no mortgage on ethical behaviour.

I should note, however, that our public service 'Values', which have a relationship to the need for public servants to pursue the public interest, are laid down in legislation that we must follow (in the *Public Service Act 1999*, at section 10). As well, a Code of Conduct, based on these Values, is set out in section 13 of the Act, with provisions to deal with breaches in section 15. These are our collective 'touchstones' and are one of the major features which distinguish us from the private sector.

Having regard to the requirement for public sector participants to pursue and advance the public interest, I should mention some of the specified public service values that agency heads are required to uphold and promote within their organisations:

- the APS is apolitical, performing its functions in an impartial and professional manner;
- the APS has the highest ethical standards;
- the APS is openly accountable for its actions, within the framework of Ministerial responsibility, to the Government, the Parliament and the Australian public;
- the APS delivers services fairly, effectively, impartially and courteously to the Australian public; and
- the APS focuses on achieving results and managing performance.<sup>83</sup>

Furthermore, section 12 of the Act provides that agency heads ‘must uphold and promote the APS Values’ while Public Service Regulations require agency heads to integrate these values into the culture of their agency. The Public Service Commissioner has to report annually on how successfully this has been achieved.

Given the extent and direction of public service reforms that I have discussed elsewhere in this paper, and the legislated provisions on behaviour that we must follow, the specific problem for ethics management within the Australian public sector can be summarised as:

*... how to integrate results, risk-taking and managerial flexibility with the appropriate standards of public accountability and due process that are necessary to good government.*<sup>84</sup>

This sentiment can be taken a stage further, in the context of the introduction of client service charters within the APS, as reflected in the following comment:

*A critical issue, however is that these expectations of responsiveness [service charters and the APS Values] direct to the public and stakeholders have to be handled consistently with our formal accountabilities to Ministers, the government and the Parliament.*<sup>85</sup>

I note in closing this section of my address that Professor Mulgan has given a more pointed viewpoint on one vital aspect of the public interest issue,<sup>86</sup> seeking to emphasise that public servants have a responsibility to serve loyally the interests of the government of whatever persuasion is in power (within the bounds of legal and ethical behaviour), rather than assuming that an ‘apolitical’ public service is, by right, the only guardian of the public interest. This viewpoint supports the belief behind the comment that there is ‘a “public interest” that elected representatives have a special competency and mandate to define.’<sup>87</sup>

### Public and private sector accountability

At this point I should observe that the concept of accountability is not exclusive to the public sector. No one doubts, for example, that the boards of private sector corporations are accountable to their shareholders who want some form of return on their investment. Further, Corporations Law that governs the activities of large private companies is highly complex and places significant accountability demands on companies. Private companies are subject also to oversight by the Australian Securities and Investments Commission, a powerful corporate regulator.

Rather, it is the nature and extent of that accountability which public sector commentators would contend distinguishes the two sectors. As one observer puts it:

*In the public sector, audit is required by citizens through Parliament to maintain confidence in the probity, and regularity of financial transactions and the attainment of best value from public expenditure, which contrasts with the private sector’s need to give confidence to the capital markets.*<sup>88</sup>

Accepting, then, that both sectors have their own accountability provisions and practices, what are their distinguishing features in terms of the nature and extent of

accountability arrangements? I would argue that, in particular, the political environment, with its focus on checks and balances, and value systems that emphasise issues of ethics and codes of conduct, together impose on public sector participants quite different accountability measures from those relevant to a commercially-oriented private sector.

In the public sector, although we can identify citizens in a similar role to shareholders, in practical terms it is mandatory that public sector boards, CEOs and management have to be very aware of their responsibilities to the government (as owners or custodians, and regulators), to the Parliament (as representatives of citizens, and legislators) and to citizens (as ultimate owners as well as in their particular roles as clients). This has been termed a 'managerial' view of accountability which:

*... adds direct accountability to the public. Political accountability still exists, but there is now greater accountability for results to politicians and the public, especially clients.*<sup>89</sup>

As the public sector continues to move to a more private sector orientation, we are increasingly seeing a growing adoption, or adaptation, of private sector approaches, methods and techniques in public service delivery. Despite the greater involvement of the private sector, performance management and reporting, as part of 'accounting' in the APS, continue to be more than just about a financial bottom line. Assessments typically cover a range of measures, both quantitative and qualitative. For example, an agency or entity has to be accountable for the implementation of the Government's requirements with respect to public sector reforms and for meeting relevant legislative, community service and international obligations; for equity in service delivery; and for high standards of ethical behaviour. This point has been emphasised by the then Secretary, Department of the Prime Minister and Cabinet, as follows:

*Ministers and Departments do have an obligation not just to achieve the bottom line that is often the key outcome sought by private companies. We owe it to the community to establish public trust that we work with integrity and put public interest ahead of personal gain. Ensuring the transparency of our processes can focus our minds on the need for each individual decision we take to be justifiable in terms of strict propriety.*<sup>90</sup>

To put this point another way, public servants, at least, must understand the pervasive and often decisive influence of 'politics', as opposed to 'markets', both on public policy and administration. It means that public sector agencies must balance complex political, social and economic objectives, which subject them to a different set of external constraints and influences from those experienced in the private sector.<sup>91</sup> This is a reality that public servants should never ignore.

Consequently, the issue of any trade-offs between the nature and level of accountability and private sector cost efficiency, particularly in the delivery of public services, is highly relevant for all public servants. However, decisions about such trade-offs are basically ones for the Parliament and/or government to make—to provide guidance to decision-makers, whether in the public or private sector, and not to leave resolution to those decision-makers by default. In any event, there must be due and continuing recognition given to the innate complexities of public administration with its multi-faceted approach towards accountability.

## Accountability under Collaborative Arrangements

In any arrangement where there is joint responsibility for overseeing and implementing programs across a number of bodies, involving public and/or private sector organisations, a clear governance framework and accountability and reporting arrangements, which clearly define roles and responsibilities of the various participants, are essential.

Dr Peter Shergold, at the time when he was Secretary, Department of Employment, Workplace Relations and Small Business, provided helpful guidance when he listed the ‘five distinct components to ensure effective governance in an outsourced environment’—namely:

- First, **probity**, which is vitally important, particularly in the tender process and in the allocation of business.
- Second, **audit**, which needs to be undertaken continuously, both by one’s own contract managers and auditors on a prudent and transparent risk management basis and externally by the Australian National Audit Office.
- Third, **evaluation**, in order to assess on an ongoing basis the performance of programs and the cost effectiveness of their delivery so as to make improvements on an iterative basis.
- Fourth, **accountability** through Ministers to Parliament.
- Fifth, **public scrutiny**, usually by the media.<sup>92</sup>

Delivering services under the collaborative, or ‘joined-up’, arrangements raises the corporate governance ‘bar’ considerably, particularly in terms of ‘joint’ performance and results to be achieved. Accountability for performance applies both within an agency and across-agencies. For example, a peer review report of the United Kingdom Cabinet Office role in Modernising Government offered the following comment on the corporate role of Permanent Secretaries:

*Permanent Secretaries have an individual and a collective responsibility. An individual responsibility to serve their respective ministers, to oversee the performance and ongoing improvement of their department. They also have a collective responsibility to serve the government as a whole by supporting and moving forward the government agenda. They have a collective responsibility to modernise the Civil Service as an institution and to ensure that it is up to today’s challenges.<sup>93</sup>*

Accountability in the areas of community service obligations, equity in service delivery and a high standard of ethics within a legislatively-based values system, are particularly critical to public sector agencies working in concert to deliver, effectively, joined-up services.

This situation, increasingly common in the provision of public services, goes to the heart of the issue—are there practical ways of both delivering services and assessing the respective accountabilities that apply to the various players involved in providing

those services? The reality is that, under partnership, network or joined-up arrangements, conventional corporate governance is placed under stress. Board members simply cannot represent only their own immediate areas of responsibility, in effect act as shadow directors, but must also act in accordance with their cross-portfolio, or inter-agency responsibilities. This is a live issue in the Australian federal sphere and one that I believe revolves around ‘lining up’ performance, outcomes, responsibilities and accountability, as the following indicate:

*It is an issue of devolution of authority and the tensions associated with principles-based legislation, which makes it clear that individual agency heads are responsible for what happens in their agencies. While we have always recognised there has been coordination, the fact is that there are now tensions when you have shared responsibilities. Who is actually accountable? This is where the tension arises.*

and

*In a purchaser/provider situation there is even more tension, and the notion of contracts or agreements between agencies in themselves are points of tension that are not being satisfactorily resolved. That is why you have this issue of horizontal management. I do not care what you call it, but the fact is we have a tension and that needs to be resolved. The private sector model focuses very much on the institution. You might ask, ‘What does corporate governance mean if you have shared responsibilities?’ It comes back to who is the coordinator and who is responsible and where is the shared responsibility.<sup>94</sup>*

Looking at the Canadian experience the message is the need to create greater clarity for almost every management task:

*... clear program objectives, clear and focused accountability, clear roles and responsibilities of partners, clear and reliable results information, etc. The reality is that the objectives in partnerships, as they are in most government programs, are usually multiple, conflicting and vague. Accountabilities among partners are always multiple, inevitably complex and often fuzzy. The roles and responsibilities are often both contradictory and complementary at the same time. And the results information is rarely totally accurate and often incomplete. The Transitional Jobs Fund (TJF) and Canada Jobs Fund (CJF) were no exception.<sup>95</sup>*

However the reality is ‘getting more clarity on one dimension—be it objectives, accountability, or results—will invariably come at a cost. That cost might be rigidity, paper burden, slow responsiveness, missed opportunity, or increased resources’.<sup>96</sup> There will be other tensions:

*Determining the new boundaries for ‘new governance’ arrangements touches upon some basic tensions across important values: accountability and quality service, political responsiveness and political neutrality, resource efficiency and building capacity, engaging citizens and political representativeness.<sup>97</sup>*

*With the onset of public-private collaborative partnerships yet another role, that of a diplomat and negotiator, will emerge. Public service managers must now combine three potentially conflicting roles: provide policy advice to the ministers, manage their own departments, and manage external relations with*

*the many agencies now linked to departments through contacts, agreements, and partnerships.<sup>98</sup>*

## 5. THE FOCUS ON PERFORMANCE AND RESULTS

At the Federal Government level, one observer of public service reforms, that have taken place over time, has commented on the development and adoption of the revised administrative framework as follows:

*For Australia, the development of its management framework took longer and was the product of balancing principles and pragmatism and combining a strategic focus with experimentation...The features that mark it out include the emphasis on outputs, devolution, performance management, accountability, evaluation and values. For these reasons, the Australian public management model provides a distinctive package in international terms<sup>99</sup>*

The same comment could be made in relation to Service Charters where the focus changed from process and prescription to performance management and accountability for results, including greater transparency. Again, it is important that we place Service Charters in the broader framework not only to provide a better understanding of their purpose and context, but also to maximize their impact and effectiveness. As well, we need to ensure that there is consistency and cohesion between performance requirements at the individual and organisation levels as part of any performance management and reporting system.

### Agency Performance Management and Reporting

#### Focus on results

The changing environment of public administration involves greater private sector participation and notions of partnership and networking. Some have said that this situation calls for a more pragmatic approach to accountability. While I agree that the public sector accountability regime should not stifle innovation or other management activity, it is important that appropriate mechanisms are in place to ensure the ethical and accountable use of resources. These mechanisms will vary depending on the particular business risks of individual program areas, particularly those involving the private sector.

To address this area of uncertainty, as a long time public servant, I frequently stress the importance of understanding the political environment in which we work. To people who have operated in the government arena for any reasonable period, this is a self-evident truth. Unfortunately, many in the private sector have little or no appreciation of the various pressures and demands of public life, or of the public interest. Some simply consider this of limited relevance to them as they are expected to act commercially and in the interests of their owners/shareholders.

Equally unfortunate has been the tendency of many public servants to misunderstand what is required of them when urged to be more entrepreneurial in their approach, to be more competitive under some kind of output budget pricing regime, and to focus

on results. Addressing one element of this development, Professor David Good of the University of Victoria in Canada has observed:

*Even if managers and employees only believed half of what they read, there was little doubt that emphasis would now be placed on achieving agreed results with a de-emphasis on administrative processes and procedures.<sup>100</sup>*

While the business environment is changing, and the processes needed to effectively perform change accordingly, in my experience as an auditor I should perhaps emphasise that one tenet remains constant: sound process leads in most cases to sound outcomes. After all, we as public servants are dealing with ‘public money’ and it needs to be used responsibly. This lesson is worth reiterating at a time when managers are apparently being urged to focus almost solely on outcomes or results, or at least this is a common perception.

As I have said elsewhere:

*The enduring requirement is to translate political objectives and strategies into delivered performance within an accepted set of public values that is cognisant of a public duty to citizens as such whether or not they are direct recipients of public services.<sup>101</sup>*

In summary, organisations need to have clarity about means and ends in their pursuit of results and outcomes.

### Performance Measurement or Assessment

One area of focus for the reforms in the APS over recent years has been the establishment of a performance culture supported by clear lines of accountability. The performance, particularly effectiveness, of the APS is now subject to increased levels of scrutiny. Performance information, assessment and reporting are critical tools for monitoring and improving performance.

The move to accrual budgeting and management, and the adoption of a focus on outputs and outcomes in terms of results, have underlined the importance of sound performance management, and have supported more effective performance management and reporting within the public sector.

A fundamental starting point in performance management, once the key elements of the governance framework relevant to the functions and responsibilities of individual agencies have been settled, is the implementation of good scorekeeping systems (such as ‘balanced scorecards’ or ‘executive snapshots’). Such techniques, firstly, translate an organisation’s strategies into key operational indicators, and then provide for systematic reporting on the health of the agency’s business, both in terms of operational responsibilities and future positioning initiatives. This provides a feedback loop on the effectiveness of organisational strategies and the basis for communicating with staff and other stakeholders on how the agency is performing. Without such reporting, a public sector agency would run a very significant risk of unfortunate surprises, unmet expectations and gaps in accountability both within and outside the particular agency.

The focus on results has also heightened the importance placed on rigorous performance information systems capable of quantitatively and qualitatively measuring results and demonstrating achievement. This is a major issue worldwide. Under the accrual budgeting framework in Australia, agencies are required to define inputs, outputs and outcomes. Under the Commonwealth legislative framework, agencies are also required to demonstrate the efficient, effective and ethical use of resources.

Agencies require a range of performance information for internal program management purposes and external reporting and accountability. It would be expected that information for the latter purposes would be derived from performance information that agencies use for operational and program management. This should also mean that the key performance indicators used for external reporting and accountability purposes would assist management to drive their business towards achieving expected outcomes. Monitoring performance information at any level to determine that appropriate progress is being made towards delivering outputs and achieving outcomes should be integrated with routine business management operations.

Sound performance information can reduce the workload for individuals within an agency by making management information at all levels in the planning hierarchy readily available and applicable to their activities. Appropriate performance information enables individuals to determine how their activities contribute to agency outputs and, hopefully, its outcomes. For this reason, among others, it is essential that agency staff be made aware that performance information is a valuable management tool and that Portfolio Budget Statement (PBS) performance details, accountability-related information included in Annual Reports, and general management performance information are, and must be, part of the same integrated framework.

I am of the strong view that sound performance information is essential to the achievement of statutory accountability requirements defined by the Parliament. A number of our performance audits have found substantial shortcomings in performance information available on and availed of in many important public sector functions as agencies adjust to the new budgeting and accountability framework.

In response to such audit findings, the ANAO was requested by both the JCPAA and the Senate Finance and Public Administration Committee some years ago to consider the quality of performance information in audits we undertake. In the light of the special interest of these committees in performance information, the ANAO conducted a performance audit with the objectives of assessing:

- the appropriateness of performance information made available by agencies in a selection of PBSs and Annual Reports;<sup>102</sup> and
- agency arrangements to identify and collect this information.

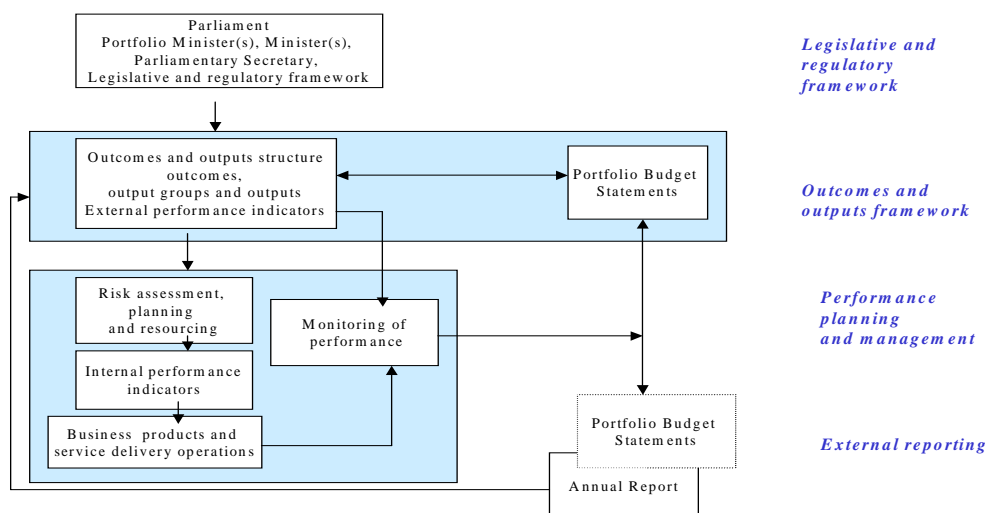
The subsequent audit report<sup>103</sup> concluded that, overall, performance information in the PBSs should be improved to enable agencies to establish and demonstrate the links between outcomes, outputs and performance indicators. The report noted that while agencies had placed considerable emphasis on developing useful performance

information, this remained a priority given the importance of using performance information for target setting, performance measurement and for accountability purposes.

The report also concluded that it would be difficult for Parliament and other stakeholders to assess agency performance with reasonable assurance. This was because the PBS performance information did not always include targets, or the targets that were provided were often vague and/or ambiguous.

I also take this opportunity to draw your attention to the ANAO's Better Practice Guide (BPG) on performance information<sup>104</sup> which was released last year. The BPG was developed in response to the Senate Finance and Public Administration Legislation Committee's request to develop a guide to provide assistance to agencies in their development of performance information for the PBSs. It builds on the earlier 1996 guide.<sup>105</sup> Figure 4 below, drawn from the current BPG, illustrates the key role that performance information plays in the governance framework.

**Figure 4: Agency planning, management and governance framework**



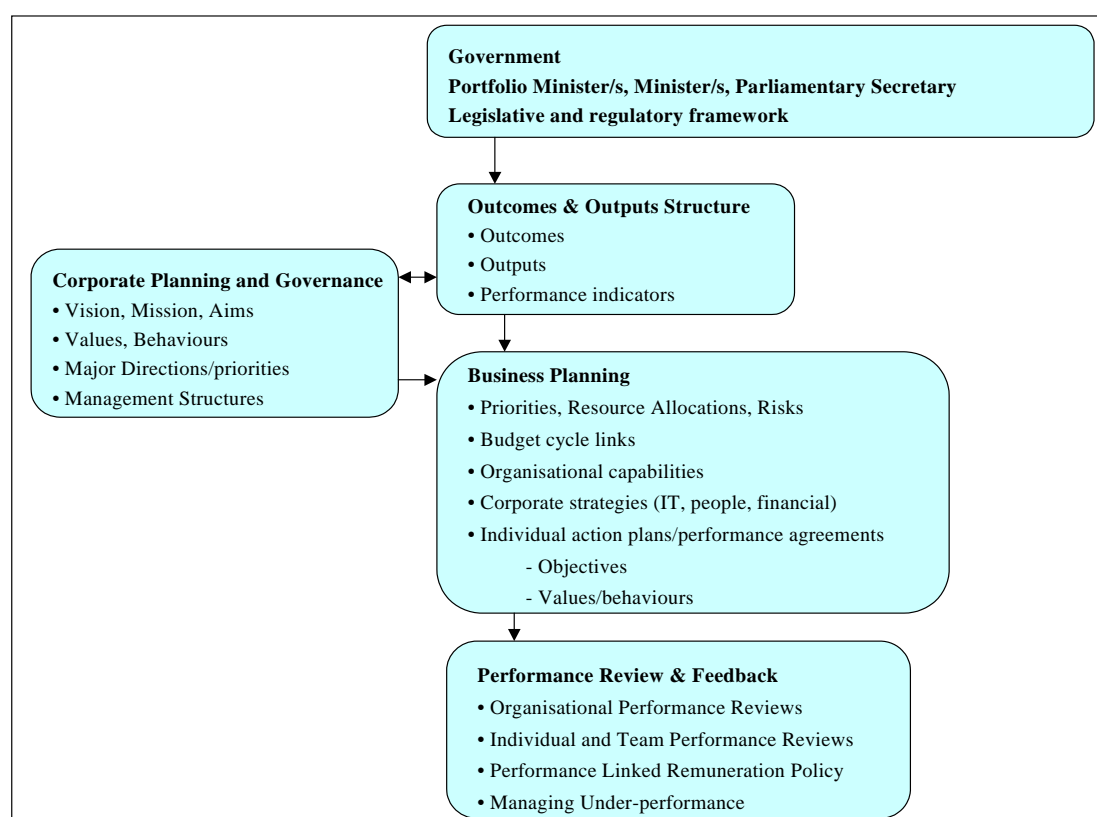
Source: ANAO 2002, *Performance Information in Portfolio Budget Statements*, Better Practice Guide, May, Figure 2.1, p. 6.

The public sector is familiar with the requirements for public service obligations which need to be met by particular organisations. However, there are increasingly greater numbers of performance measures that relate to social, as well as environmental, obligations which go well beyond financial measures. That said, there are also important obligations that go with performance management. The Management Advisory Committee has indicated that:

*Performance management is an essential component of a corporate governance framework, allowing boards, Ministers and committees to lead, monitor and respond to how an organisation delivers against its goals, mission and the outcomes required of it by the government.*<sup>106</sup>

The following figure reflects a generalised framework that shows not only the relationship with corporate planning and governance, but also with other major elements of the framework, including performance review and feedback. Importantly, an effective approach to performance management enables organisation employees to understand the goals of the organisation and how individual and team outputs contribute to the achievement of organisational objectives and values. Integrating people, planning and performance with organisation objectives develops individual and organisational capability and leads to higher performance.<sup>107</sup>

**Figure 5: A Generalised Performance Management Framework**



**Source:** Management Advisory Committee 2001, *Performance Management in the Australian Public Service—A Strategic Framework*, Canberra, p.16.

The ANAO reviews performance information as a matter of course in most performance audits. This includes review of the appropriateness and comprehensiveness of the relevant performance measures. While recognising that good performance information involves time and cost considerations, this is an area with substantial scope for improvement. The benefits of cost effective performance information include the capacity:

- to better manage risks;
- to adjust programs to meet changing client needs; and
- to demonstrate to Parliament that Commonwealth resources have been used efficiently and effectively.

In that respect, the ANAO has been looking closely at a model for rating departmental performance reports developed by the Auditor-General of Canada. The latter observes that rating a department's performance report enables Parliamentarians to:

- compare the report with those of other departments that have also been rated;
- ask the department to take specific steps that will improve its report; and
- assess the department's progress in improving its report if it has been rated previously.<sup>108</sup>

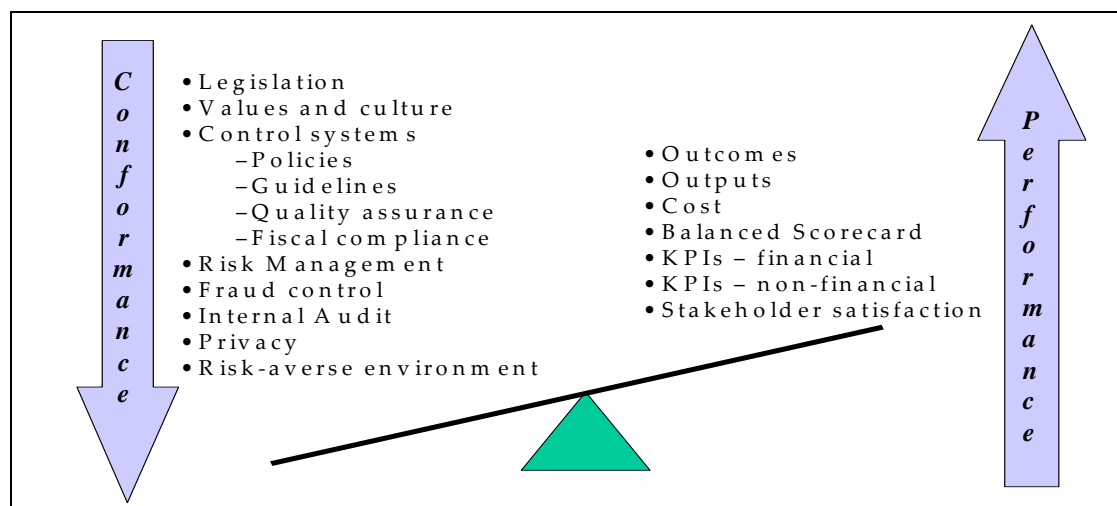
### Nexus between conformance and performance

The various elements of corporate governance inevitably raise the question of achieving the 'right' balance between conformance and performance at particular points in time and over time, as I observed earlier. This balance is determined by leadership decisions, values and identified preferences, and should be understood, and achieved, throughout the organisation as well as ethical values and practices are meant to be.

It is generally accepted that a degree of trade-off exists between conformance and performance. For example, an undue emphasis on compliance breeds a risk-averse culture that inhibits exploitation of emerging opportunities. At the same time, a solid conformance control structure, embedded in risk-management, protects an entity from 'corporate governance delinquency',<sup>109</sup> and the possible severe impacts of this on individual and organisational performance.

I think most would agree that, in the past, the tendency in the public sector has been to focus primarily on ensuring conformance with legal and procedural (including budgetary and financial) requirements rather than striving for exceptional performance (see Figure 6). This encouraged a risk-averse attitude among public servants. Such an environment focussed bureaucratic attention largely on process rather than on achieving the stated objectives of governments.

**Figure 6: The performance conformance nexus**



Source: ANAO

Given these conditions, I think it is clear that there needs to be a cultural change in the public sector if public servants are to focus more on achieving required results and on being accountable for their performance, including in terms of effective management, rather than avoidance, of risks.

Put another way, the APS could have been more effective in constructing robust control structures aimed at assuring achievement of defined outputs and outcomes, as well as being more responsive in providing efficient client-oriented services. Attention is now being given to addressing government programs and services directly to public sector clients, as citizens, and not the other way round.

In both the public and private sectors, there has been an increasing emphasis on the strategic role of the board, in particular the need for the board to be aware of the major trends impacting on the organisation and its major risks and opportunities. Ian Dunlop, a former CEO of the Australian Institute of Company Directors (AICD) has observed that the compliance or conformance responsibilities that have dominated boards' thinking remain critically important and must be performed to impeccable standards, but in essence they are 'hygiene' issues. The real added value for boards is at the strategy level. This requires boards to be forward looking, proactive, innovative, and not risk averse.<sup>110</sup>

The notion of corporate governance that emphasises both performance and conformance can sit easily in today's public sector context. The challenge remains to strike the appropriate balance that suits the circumstances of an individual organisation at particular times and over time.

## **Collaborative Government**

I earlier canvassed issues about collaborative or 'joined-up' Government and noted how they raised the corporate governance bar considerably. In short, the question is how do we implement effective collaborative governance for shared service delivery. This is most challenging in the area of performance management and assessment. In regard to the APS, the Prime Minister has commented that:

*Another challenge is the capacity of departments to successfully interact with each other in pursuit of whole of government goals and more broadly, for the entire Service to work in partnership with other bureaucracies, with business and with community groups as resources and responsibility are devolved closer to where problems or opportunities exist.<sup>111</sup>*

The Prime Minister further commented that: 'Whole of government approaches, collectively owned, by several Ministers, will increasingly become a common response.'<sup>112</sup>

In an effort to meet Government directives that the efficiency, effectiveness and cost of providing services to citizens be reduced, the APS is converging towards a more private sector orientation. This has led to an increasing complexity of relationships to deliver services traditionally provided by the public sector, including:

- Commonwealth agencies undertaking activities with other Commonwealth agencies;

- cross-government co-operation—such as Commonwealth agencies undertaking activities with State and/or local government agencies; and
- public/private arrangements, including:
  - contestability and contracting out;
  - government as a minority (or majority ) shareholder; and
  - other public/private sector partnership approaches such as alliances.

These various types of integrated approaches to public sector service delivery have been associated with concepts of ‘joined up government’ (UK), ‘horizontal government’ (Canada), and ‘integrated government’ (Australia). The UK Comptroller and Auditor General describes ‘joined-up government’ as

*the bringing together of a number of public, private and voluntary sector bodies to work across organisational boundaries towards a common goal.*<sup>113</sup>

The realisation of joined-up government services will require considerable cooperation across departments and across levels of government in order to deliver transparent, customer-focussed solutions. A good description of this need comes from the policy of Modernising Government in the UK, as follows:

*Joining up is a mind-set and a culture. It is not a system or a structure. The concept of joining up recognises that no one has all the knowledge and resources, or controls all the levels to bring about sustainable solutions to complex issues.*<sup>114</sup>

A potential benefit to the citizen, businesses and community organisations of the move towards joined-up government is a reduced need to understand the way in which government is structured in order to secure the services they need. Citizens should not necessarily have to deal with any number of government departments, perhaps at Federal, State and local levels, in order to progress a particular course of action. One important aim of joined-up government is to integrate government services with the primary focus being on the needs of the citizen. The United Kingdom National Audit Office, in a recent report, noted that often those in need have to contact the largest number of agencies.<sup>115</sup> The report went on to observe that:

*Integrating provision from the perspective of users is now a major driving force in service delivery, and the measure of success will be customers’ perception of whether the Government appears to be more joined up than in the past.*<sup>116</sup>

Joined-up government inevitably involves at least dual accountability of participants both for their individual organisations and for the joined-up arrangements. Robust governance arrangements can facilitate the management and successful acquittal of those accountability obligations. However, where the private sector is involved, the Government and the Parliament might need to re-examine the more traditional notions of accountability and any extension of them to private sector participants.

An example of the need for cross-agency governance arrangements was highlighted in the ANAO's 2001 audit of the management of the administration of the Federation Fund Programme.<sup>117</sup> That audit found that no Commonwealth department had the responsibility for monitoring the collective performance of Federation Fund projects against the programme's objectives. Consequently, up to the time of the audit, very little performance information on the achievement of the programme's overall objectives had been collected or reported to the Parliament.<sup>118</sup> The audit noted that, where more than one portfolio is responsible for delivering the Government's programme objectives, the concept of whole of government performance reporting through the identification of a 'lead agency' is an area of potential improvement in Commonwealth reporting and accountability.<sup>119</sup>

Based on the international literature on joined-up government arrangements and on a range of findings from our performance audits examining a number of such arrangements within the Australian public sector, I see three main models that can be employed to provide effective governance (not just management) of joined-up or connected government arrangements:

***Models for governance of connected government arrangements***

**Lead Agency model.** The main agency applies its corporate governance framework to the partnership, with overall responsibility for the constituent parts.

**Committee model.** This occurs when a loose confederation of players come together and allocate corporate governance responsibility to discrete parts of the activity. In this way overall corporate governance equals the sum of the corporate governance from each party.

**Board model.** A Board is established to govern and manage the partnership. This is a separate entity with clear and comprehensive responsibility for all aspects of the partnership but only for the partnership.

Examples of joined-up government or extensive interaction with other agencies in the APS include:

- Centrelink—provides delivery services for the Department of Family and Community Services (FaCS) and fifteen other Commonwealth agencies plus all State Housing Authorities;
- Department of Employment and Workplace Relations—provides information and assistance to small business by acting as lead agency across the Commonwealth Government, State Governments and the private sector;
- AusIndustry (within the Department of Industry, Tourism and Resources)—coordination agency responsible for delivering the Government's Business Information Service Program which interacts with all three levels of government; and

- Department of Health and Ageing—promotes, develops and funds health and aged care services through partnerships involving the Commonwealth Government and State Governments.

In Australia, many of these joined-up government arrangements favour the lead agency and/or committee model. Arrangements between public sector agencies, such as those listed here, tend to be quasi-contractual, based on ‘relational’, rather than ‘legal’, agreements, for example Memoranda of Understanding.

For example, as a service provider to other agencies, Centrelink utilises the committee model. As such, it typically enters into formal arrangements with other government entities (such as through Business Partnership Arrangements [BPAs]), sometimes on a purchaser/ provider basis. The responsibilities of Centrelink and the other party are clearly spelt out in these arrangements and then subsumed into their own governance arrangements.

A good illustration is the BPA (signed on 31 July 2001) between the Department of Family and Community Services (FaCS) and Centrelink, for a period of three years, which:

- recognises the blend of partnership and purchaser-provider models inherent in the relationship;
- addresses the major concerns, expressed by FaCS and Centrelink, in the day-to-day operations of the relationship;
- restructures the committees to improve their effectiveness;
- incorporates principles underlying the *Australians Working Together* package;
- develops a business assurance protocol;
- trials the tying of payments to successful service delivery; and
- develops the organisational level key performance indicators.<sup>120</sup>

In particular, both organisations undertook to establish a more outcome-focussed performance management framework by reviewing KPIs to better reflect respective policy and service delivery responsibilities to the Government and to the Australian community.<sup>121</sup>

The previous Secretary of the Department of Family and Community Services (FaCS) recently observed that an important complement to the BPA was an assurance framework focussing on management criteria that are critical to the department’s success. The assurance framework was considered necessary ‘because the establishment of Centrelink had split accountability for one of the government’s largest and most sensitive programs.’<sup>122</sup>

Another example is the ‘Strategic Partnership Agreement between the Department of Health and Aged Care and the Health Insurance Commission in relation to Medicare and the Pharmaceutical Benefits Scheme.’ A Senior Management Committee

considers strategic issues and provides a forum for consultation and co-ordination and a joint report on performance. The Agreement provides an extensive set of principles, protocols, mechanisms and procedures specifically designed to articulate and govern the relationship between the two agencies with respect to the delivery of the health programs and services involved.

The trend toward ‘networked’ or cross agency approaches is one that is likely to continue as agencies take advantage of the opportunities offered by more responsive service delivery. Further, governments may choose to contract with separate contractors for various parts of the overall project, thereby imposing an ‘interface risk’ on themselves arising from construction complexities and possibilities of construction cost and time overruns. In that environment, governance issues need to be given greater prominence and consideration. It may for example, be appropriate for governance arrangements to be addressed in Cabinet submissions and subsequently approved by the Executive. These issues need to be addressed sooner rather than later if gaps in accountability are to be prevented, or at least minimised, and required performance is to be achieved.

Recently, Professor Allan Rosenbaum pointed out that, in many countries, governments have been compensating for the lack of needed institutions and technical (or specialist) capacities through the development of cross-sectoral relationships involving public-private sector-civil society collaboration in carrying out public initiatives and governmental service delivery. He went on to observe that ‘these relationships are numerous, complex and ever-growing.’<sup>123</sup> The concept of joined-up government has quickly been incorporated into notions of public-private partnerships with a sharing of common concerns and broad aims for more cost effective and responsive public services. Professor Rosenbaum opined that perhaps the single most important lesson learned in terms of collaborative service delivery arrangements is that:

*Such arrangements must be both in the best interests of the individuals receiving the services and consistent with the broad public interests for the providing of public services by the governmental organization (or organizations – my addition) involved.*<sup>124</sup>

These issues have significant implications for the strategic and operational decisions taken in relation to Service Charters.

### **e-Government as a conduit to citizens or clients**

More individuals in the community are gaining access to Internet technology and, as this number increases, the demand for government services, including information, over the Internet can be expected to increase dramatically. This has had a marked effect on consideration of what clients/citizens expect in terms of service delivery and, consequently, on Service Charters and their content.

Most definitions associate ‘e-government’ with the use of the Internet as a vehicle to deliver government services to citizens and to interact with the business community. At its simplest, e-government could involve the electronic (Internet) delivery of a transaction traditionally accomplished by means of an exchange of paper-based correspondence or a physical visit to the office of a government department. More

generally, e-government concerns providing electronic (Internet) access to sector-wide or integrated government services.

The focus on the citizen as service recipient is common to many countries' e-government strategy which rests on the premise that:

*People should not need to understand how government is organised or to know which department or agency does what, or whether a function is exercised by central or local government.*<sup>125</sup>

Many governments have set targets for electronic service delivery, and in particular for the delivery of government services online. For example, for Australia, Singapore and Ireland these targets were 2001; for Japan and the USA, by 2003; for Canada by 2004; and for the UK, Germany and China by 2005.<sup>126</sup>

E-government is an important component of the United Kingdom Government's initiatives to 'join-up government.' In promoting a joined-up approach to e-government, the UK government cites four guiding principles:

- building services around citizens' choices;
- making government services more accessible;
- social inclusion; and
- using information better.

The UK's 'joined-up government' strategy recognises that planning for improved electronic service delivery offers the opportunity to break down departmental boundaries and alter the 'silo-based' delivery modes traditionally associated with government agencies acting independently.

A fundamental principle of the UK strategy is that citizens interacting with government should be able to do so whenever they choose. They should not need to understand the way in which government is structured to secure the services they need. The aim is that the complexity of dealing with government disappears, while at the same time the UK's 'Government Gateway' provides security and benefits for government.<sup>127</sup> In Canada, 'true' one-stop access involves not only delivering services in a one-stop access format, such as an Internet site, but also providing them in an organised, easy-to-understand, clustered format.<sup>128</sup>

In Australia, the e-government strategy—'Government Online'—has similar aims. Australia's Government Online program, administered by the National Office for the Information Economy, recognises that:

*Getting Government Online is a natural and important step in the development of government and community interaction... The Government must develop more and better services online – integrated services that break down the barriers of government structure and jurisdiction, and services that meet the real needs of individuals and business.*<sup>129</sup>

In New South Wales, by June 2003, a network of thirty-eight Government access centres will be supported by a further sixty Community Technology Centres in towns with populations of 3,000 or less.<sup>130</sup> The Centres are provided with computers, Internet access, printers, video and teleconferencing facilities and business equipment.

I was interested to read last year's Management Advisory Committee Report on *Australian Government Use of Information and Communications Technology (ICT)*, where, *inter alia*, the following comment was made:

*In a devolved management system where the cost of enablers like ICT is increasing, a 'federated' governance approach is desirable. A federated governance system is one in which independent agencies work together to achieve an optimal outcome for each other and government as a whole. This approach will facilitate shared investments and standards, where appropriate, to achieve better value for money and to support lead agencies in the development of innovative business systems that can be re-used by other agencies. It also allows a more coordinated approach to shared policy challenges like security and privacy.*<sup>131</sup>

Rapid advances in technology offer both opportunities and challenges in the converging business environment. In my experience, a major risk inherent in the shift to electronic delivery and decision-making is that of security. In addition, there are accountability issues for agencies, and consequent evidentiary issues for their auditors, when traditional forms of record keeping are overtaken by the outputs of new technology. For example, we need to make links in the chain of decision-making in agencies which have largely, or totally, shifted out of paper records. One consequence is that audit trails have to be embedded in electronic records and/or archival data tapes. This is important in terms of agencies' capacity to demonstrate accountability to the Parliament and to promote greater public confidence.

The delivery of services via the Internet also introduces new risks and exposures that can result in a legal liability for government. Well-designed security and privacy policies can minimise such risks and liabilities, while informing agencies' clients of important aspects of the standard of service they can expect to receive. It has been suggested that government agencies should consider placing terms and conditions of web site use on their web sites. As well, if the web site is being used to solicit orders from members of the public for goods or services, agencies should consider posting prominently on the site the terms and conditions under which the goods or services are provided. Nevertheless, agencies should be careful not to place content on their web sites that is misleading or deceptive or likely to mislead or deceive the public.<sup>132</sup>

The benefits associated with a radical re-thinking of the structures and manner in which government services are delivered to citizens could be considerable. On the other hand, there has been concern expressed about equity of access to government services through technology for those who do not have such ready access. Continuation of more traditional service delivery methods as an option to ensure equity imposes costs that need to be balanced against the overall objectives to be served.

## Privacy

Another important aspect of performance accountability in the delivery of public services, particularly by the private sector, is the question of privacy. All Commonwealth agencies are subject to the *Privacy Act 1998*, which contains a number of Information Privacy Principles (IPPs) that provide for the security and storage of personal information. The IPPs state that if a record is to be given to a service provider, the record-keeper (i.e. the agency) must do everything reasonably within its power to prevent unauthorised use or disclosure of information contained in the record.

In the past, the obligations that apply to Commonwealth agencies under the Privacy Act have not applied to private sector organisations. However, the *Privacy Amendment (Private Sector) Act 2000* was introduced in December 2000 to provide privacy protection for personal records across the private sector, including those organisations providing outsourced services to the public sector. A key provision of the Act is the inclusion of ten ‘National Privacy Principles for the Fair Handling of Personal Information’. This legislation is likely to have a marked impact on the private sector’s involvement in the delivery of public services.<sup>133</sup>

The Act enables a contract between a Commonwealth agency and the private sector supplier to be the primary source of the contractor’s privacy obligations regarding personal records. The contractual clauses must be consistent with the IPPs that apply to the agency itself, and details of these privacy clauses must be released on request. Section 95B of the Act requires agencies to consider their own obligations when entering into Commonwealth contracts and obliges them to take contractual measures to ensure that a contracted service provider does not do an act, or engage in a practice, that would breach an Information Privacy Principle if done by the agency. The obligation on the agency extends to ensuring that such an act or practice is not authorised by a subcontract. Under the Privacy Act as currently constituted, privacy monitoring of outsourcing arrangements falls into two stages:

- assessing the privacy control environment, particularly by ensuring that outsourcing arrangements are governed by contracts that contain appropriate privacy clauses; and
- monitoring the actual implementation of the controls, particularly by monitoring compliance with the contractual clauses.<sup>134</sup>

In practice, to date, feedback from outsourcing agencies and contractors suggests that few, if any, complaints have arisen in relation to privacy breaches associated with outsourcing contracts.<sup>135</sup>

However, as the private sector becomes more and more involved in the delivery of public services, it is important that there is clear accountability for the protection of personal information contained in records gathered by either the public or private party in the delivery of those services. The expectation that agencies cannot outsource accountability suggests that public sector agencies should remain responsible and accountable for ensuring the private sector parties adhere to any contractual obligations relating to the requirements of the Privacy Act. Indeed, the ANAO’s audit

of the Commonwealth Government's IT outsourcing initiative recommended that, in implementing IT outsourcing arrangements, agencies develop a specific strategy for monitoring external service providers' compliance with contractual privacy obligations.<sup>136</sup> Both the whole-of-government response to the audit and the Privacy Commissioner agreed with that recommendation, with the Privacy Commissioner commenting:

*If contractual clauses are to deliver effective privacy protection there needs to be a mechanism in place to ensure that both parties meet their privacy obligations.*<sup>137</sup>

## **6. CLIENT SERVICE WITHIN THE APS: CASE STUDIES**

The ANAO has not conducted any performance audits specifically on client service charters. However, we have included in our audit work program for 2003-04 a planned examination of the Australian Taxation Office's performance against the Taxpayers' Charter.<sup>138</sup>

Nevertheless, we have conducted a number of performance audits that relate to client service aspects of the responsibilities of a range of agencies, including reference to Service Charters. I referred in my opening remarks to two audits that were conducted on client/customer service in the ATO and the then Department of Social Security in 1996, as well as a Better Practice Guide the ANAO produced in association with the then Management Advisory Board in 1997. It is instructive to access the web sites of both the ATO and Centrelink (reflecting the bulk of the previous Department of Social Security) to gain an understanding of both agencies' current approaches to client services. Some observations may be of interest for this conference. As well, I thought it might be of interest to canvass some of the findings and conclusions in a number of our recent audits that bear on Service Charters in this final segment of the Paper.

As I noted earlier, client service charters are increasingly being seen as a key driver to improved service delivery, as opposed to just being another process to be followed. Accordingly, charters are becoming an integral part of the broader APS culture, which is placing an increased emphasis on service delivery. A quote from the Better Practice Guide, just referred to, continues to be apt:

*Organisations must realise commitment to achieving customer satisfaction does not occur in a vacuum. It cannot be prescribed or legislated. Rather, it is a mindset and a value framework which should apply across the whole of the organisation and at all levels.*<sup>139</sup>

We have found that charters are an important part of agencies' governance arrangements and are being integrated into agencies' planning processes. Often through their charters, agencies are setting client service performance standards. Progress is monitored and staff are being held accountable for results, for example, through individual performance agreements. Better practice agencies are publicly reporting their performance against charter standards in their annual reports. I was interested to read recently that the United Kingdom Veterans' Agency adopts a portfolio approach to quality management of all aspects of its service performance.<sup>140</sup>

A quality Standards Committee, chaired by a non-executive director to enhance its independence, investigates, checks and verifies the Agency's activities by analysing qualitative and quantitative data on performance. In addition, it has sought external assessments of its service delivery and of the quality of its services. This is a reflection of the commitment needed for public confidence in Service Charters.

In looking at Centrelink's home page, I was impressed to see that the agency can respond in fifty-six languages. However, I was also surprised that, despite extensive efforts to feature their Customer Charter, Centrelink's customer satisfaction research program results in November 2001 showed that awareness of the Charter remained stable at a low 13 per cent of their customers. The latter indicated that an area for further improvement is in listening to the community's ideas for providing better service. In the last two years, at least 75 per cent of customers rated the overall quality of Centrelink's people, services, and information as either 'good' or 'very good'.

Workshops conducted with customers last year identified the five most important customer values as being:

- friendly, helpful and courteous staff;
- complete, accurate, reliable information that is easily understood;
- easy access to services with choice and flexibility in how access can happen;
- receiving prompt and efficient service; and
- dealing with people who understand my individual needs.

The Taxpayers' Charter is an extensive document supported by a number of explanatory booklets that provide additional details on clients' rights and obligations, ATO services and other standards. The content and effectiveness of the Charter is monitored and reviewed continuously, complemented by an independent review from outside the ATO at least every three years. Put simply, the Charter 'sets out the way the Tax Office conducts its dealings with you'. In particular, 'we publish our service standards and our achievements against them'. The client has the right to an independent review from outside the ATO, including the right to complain to the Commonwealth Ombudsman, as well as using the internal complaints system. Privacy protection is also given prominence.

***Passport Services*** : Audit Report No. 37 2002-03<sup>141</sup>

The objective of this audit was to assess whether the Department of Foreign Affairs and Trade (DFAT) has effective processes for issuing passports in Australia. One focus of the audit was on whether DFAT provides quality client service.

The audit noted that client service for the passports function was supported by a Passports Australia Client Service Charter. The Charter sets out the quality of service customers can expect to receive and provides a sound statement of service standards. The Department received a Silver Award in the 2002 Commonwealth Government Service Charter Awards for Excellence. The Award was given for the category, demonstrated excellence in integrating service charters into core business delivery

outcomes and organisational culture. This reflects the earlier comments on accountability in the wider governance context and is likely to result in better practice.

The audit considered that DFAT had appropriate means of assessing satisfaction of the public with passport services and noted that most clients were satisfied with passport services (88 per cent of passport applicants rated the application process as 'good' or 'very good' overall). While DFAT had acted on feedback to improve services, the audit noted that just over ten per cent of non-sensitive applications for passports had not met the 10 day performance standard set out in the Client Service Charter. The issues for DFAT in such a situation are the reasons for non-performance, the realism of the standard, the expectations of clients, their accountability for their own designated performance and the Department's credibility and reputation.

The audit also considered that accountability to the Parliament would be improved by more reliable reporting of performance against the service standards. DFAT advised that it intends to revise its performance standard in 2003 to commit to a percentage of applications turned around in 10 working days; and to report against this standard. While this would appear to be a quite positive response, agencies have to be aware of making too many changes to their service charters, in the event of lack of performance, if they are to retain the confidence of their clients and other stakeholders.

***Medicare Customer Service Delivery*** : Audit Report No. 11 2002-03<sup>142</sup>

The objective of this audit was to determine the effectiveness of the Health Insurance Commission's (HIC's) approach to customer service delivery to the Australian public as customers of Medicare.

The HIC's principal mechanism for communicating to customers its service standards is its Charter of Care. The Charter of Care was launched in 1999. HIC subsequently evaluated the Charter at the end of 2000 and plans to review the Charter on a regular basis (at least every 2 years). The audit found that HIC's Charter of Care is considered to provide an example of better practice across Commonwealth agencies.

The audit report concluded that the HIC is a customer-focused organisation that is, overall, performing effectively in the delivery of customer service to the Australian public under the Medicare program. The audit noted that HIC monitors its performance scorecard on a monthly basis. This includes monitoring its business performance against a set of key performance indicators (KPIs) that relate to the objectives outlined in the Corporate Business Plan. In relation to Medicare customer service to the Australian public, a key indicator of performance is the prompt processing of Medicare claims for payment within the Charter of Care timeliness standards.

During the audit the ANAO surveyed all HIC staff, where respondents were asked to rate the importance of HIC's key customer service objectives and values outlined in HIC's Strategic Plan and the Charter of Care. Over 90 per cent of respondents advised that meeting the customer service standards set out in the Charter of Care, was of a high importance to them.

The ANAO noted an important element supporting the delivery of quality customer service in line with the Charter of Care is HIC's approach to people management. HIC's staff with a customer service role indicated in response to the survey and during interviews that they are generally allocated clear and specific goals and understand how their job contributes to the achievement of HIC's key customer service objectives. Customer service staff are empowered to make decisions, within delegations, to assist in the provision of timely customer service. Such initiatives create a sense of ownership of the results to be achieved and a personal commitment to the Charter that flows from the organisation's values and corporate culture.

The audit noted that, while the HIC had met its 2001-02 performance targets for most of its key performance indicators relevant to customer service, there was scope to enhance its approach to measuring its customer service performance. While the HIC's Charter of Care was considered to provide an example of better practice across Commonwealth agencies, Medicare customer awareness of its existence was relatively low. Moreover, HIC did not have an effective ongoing communication strategy in relation to the Charter. HIC has identified that there are a number of gaps in the public's understanding of Medicare, and is seeking to raise awareness through its external communications strategy. Regular reviews and a commitment to effective action to remediate lower than required confidence are essential for stakeholder confidence in the integrity not only of a Service Charter, but also in the organisation's governance framework.

***Client Service in the Child Support Agency Follow-up*** : Audit Report No. 7 2002-03<sup>143</sup>

The objectives of this audit were to assess whether the Child Support Agency (CSA) had implemented recommendations from a previous performance audit and from a relevant JCPAA report, and to establish whether the CSA had improved the management and delivery of its client service.

The CSA revised its charter in 1999, based on market testing with clients, community groups and stakeholders. The revised Charter involved two products, a shorter simplified Charter for clients and a Charter package for CSA staff that drives internal standards of service delivery. Both are attractively presented, use plain english, and are easy to follow.

The CSA Charter now specifies what clients can expect when dealing with the CSA, as well as how staff will treat them and their (the client's) responsibilities when dealing with the CSA. Importantly, there is a recognition that the requirement for 'fairness' applies both ways. I do not think that anyone would doubt the difficulties and importance of client relations and the need for confidence and trust in those relations in this agency.

Since revision of the Charter, the CSA has significantly increased the promotion of the Charter. Information about the Charter is included in information packages for new clients; features prominently on the CSA web-site; and is available through a wide range of relevant community organisations and government agencies.

The audit noted that the CSA has placed a greater emphasis on measuring the impact of the Charter on client service as opposed to measuring client awareness of the Charter. The CSA has measured: client satisfaction with Charter commitments; staff acceptance of organisational values; and obtained feedback through the complaints service. Measuring service standards has demonstrated an improvement in the CSA's performance against its service standards between 1997-98 and 2000-01. These improvements resulted from the CSA's strong focus on improving the timeliness of processing. This was supported by system technical improvements, especially in phone handling and workload management, together with management priority and staff training.

In 2002, the CSA was the best performing agency in the Commonwealth Government's Service Charter Awards for Excellence. The awards recognised the Child Support Agency's excellence in client service delivery (driven by the principles outlined in its Client Service Charter).

The audit report concluded that the CSA had placed a strong emphasis on addressing the past recommendations. The CSA has sought to continually improve client service, for example, through improved business structures, by monitoring and evaluating performance, improving staff training, disseminating better practices and focussing on delivery of its client charter commitments. As a result, many aspects of the CSA's client service had improved, although client satisfaction had remained steady.

The audit identified areas of client service where there was scope for further improvement. One area was the reporting of its performance against its service standards as an entire set in the departmental annual report. The audit report noted that the CSA will report this information in future departmental annual reports and is revising its service standards to make them more suitable for reporting in such publications. Again, it is important for accountability and performance to be pursued in the wider governance framework for greater effectiveness and commitment by all concerned. In this respect, I note that the service standards which support the delivery of the Charter are based on drivers to the KPIs in the Agency's Business Plan.

***Management of the Provision of Information to Job Seekers*** : Audit Report No. 39  
2001-02<sup>144</sup>

The objective of this audit was to assess the administrative effectiveness of the Department of Employment and Workplace Relations' (DEWR's) management of the provision of information on employment services to job seekers.

DEWR and Centrelink are the two Commonwealth government agencies primarily involved in the delivery of a range of services to the unemployed and job seekers. Consistent with the Government's policy objectives, DEWR develops employment services programmes and also purchases a range of services from Centrelink for delivery to job seekers throughout Australia. In addition, DEWR purchases services for employment service providers known as the Job Network. Supporting the provision of these services is a Business Partnership Agreement (BPA) between DEWR and Centrelink. The Agreement includes details on the provision of adequate information to job seekers along with appropriate performance measures.

The audit found that Centrelink has used a combination of training programmes and guidance materials, to make the BPA, including the achievement of service standards, operational. DEWR and Centrelink have a robust process for monitoring and reporting performance in providing quality information services to job seekers with key performance indicators which measure customer satisfaction with, among other things, information provided including, importantly, the quality of that information.

In determining the information needs of job seekers, both DEWR and Centrelink researched the information needs of their clients and evaluated information provision methods. DEWR's annual survey of job seekers' satisfaction with government employment services suggested that job seekers were satisfied with the information they receive. The audit did suggest that DEWR (and Centrelink) examine ways to increase job seekers' awareness of their right to complain about the service they receive or to appeal a decision.

The audit concluded that DEWR's management of the provision of employment services information to job seekers is generally effective.

***Client Service Initiatives Follow-up Audit (Austrade) : Audit Report No. 14 2001-02***<sup>145</sup>

The objective of the audit was to assess Austrade's implementation of recommendations from a previous audit in 1998-99, and to check on any improvement in the management and delivery of Austrade's client service.

The audit report concluded that Austrade had given a high priority to addressing the issues and recommendations of the previous audit, and that implementation of the recommendations had resulted in a strengthening of client focus, service delivery and client satisfaction. Further, the audit report noted that the provision of quality client service was now a key aspect of Austrade's planning and performance processes.

The report noted that Austrade has become more strategically focused on the provision of quality client service. The goal of client service improvement cascades from Austrade's corporate and operational planning framework through to business plans that identify client services priorities for each Austrade office. These are supported by performance agreements for each staff member. This approach both assists integration of related activities and operations and provides a better understanding for staff of the various links in the governance framework which contribute to both their, and the organisation's, effectiveness.

Supporting this planning framework is a process of data capture and analysis, that supports the reporting of performance for the key drivers of client satisfaction. The Client Service Improvement Study (CSIS) addresses key drivers for client satisfaction by providing specific feedback against service standards in the Client Service Charter. Results of the CSIS are a key part of Austrade's performance assessment framework. The audit noted that the structure of the CSIS enables client satisfaction to be measured at an organisational, regional and unit level.

Austrade has also substantially improved the tools, systems and training provided to staff delivering its services as well as for measuring the export impact of its activities. For example, assessments of the client focus of its staff are being carried out and

client service and induction training for new staff focuses on client service issues. These programs include awareness of Austrade's Client Service Charter and Client Service Policy.

The audit found that client satisfaction with Austrade's services had improved, with over 88 per cent of clients rating its services as good or better. The audit noted that Austrade's Client Service Charter had won *Service Charter—Awards for Excellence* in the previous two years. As with other agencies, this is an important recognition both of the efforts being made to ensure the effectiveness of the Service Charter and of its role in assessing the success of the organisation in its client relationships. It is a practical indication of the responsiveness of the APS.

## 7. CONCLUDING REMARKS

The use of alternative means for providing government services is one of the most significant issues in contemporary public sector administration. In effect, we are witnessing a degree of convergence between the public and private sectors as a means of improving the delivery of required services to the Australian public.

Significantly, in a democratic system of government, the move towards partial privatisation of the public sector does not obviate the need for proper accountability for the stewardship of public resources. Furthermore, transparency and accountability can contribute to improved performance in terms of value for money: they can also represent good business practice.

Ultimately, government and parliament decide on trade-offs between public sector accountability and private sector cost efficiency. Integrated, coherent and effective corporate governance frameworks offer the prospect of public accountability and protection of the public interest. The public sector does have something to learn from the private sector in this respect while recognising the complexity of public interest factor and its associated wide-ranging requirement for accountability. On the other hand, if privatisation of public services is to work effectively, private sector providers have to recognise the rights of citizens not just as customers or clients, and the associated accountability that goes with that recognition.

Nevertheless, the convergence raises issues about whether there should be a change in the nature of accountability. Private sector providers clearly feel under pressure from the openness and transparency required by public sector accountability to Parliament and the community. Public sector purchasers are under pressure to recognise the commercial 'realities' of operating in the marketplace. This dichotomy of approaches has led to the following apposite observation:

*... as long as management in the public sector continues to be assessed by private sector standards, and as long as the private sector continues to be increasingly entrusted with public purposes, both political and social as well as economic, we can expect further pressure on the distinction between the two sectors in matters of accountability.*<sup>146</sup>

There is a need for at least some movement towards striking a balance on the appropriate nature and level of accountability and the need to achieve cost-effective outcomes by:

- emphasising project and contract management skills for public sector managers;
- basing commercial relationships on sound tendering and administrative processes and an enforceable contract; and
- ensuring that public accountability is not eroded, by default, through contracting-out that reduces external scrutiny by Parliament and/or Auditors-General.

In most respects, the Parliament, and auditors such as the ANAO, should not need any more information and/or evidence than the accountable public servants would require in order to discharge their management obligations. Such accountability cannot be outsourced to the private sector. Nor can auditors fail to contribute to the development of a suitable accountability framework for the changing environment of the public sector with its greater focus on the market and the involvement of the private sector in recent years.

At the same time we need to recognise an important reality, should there be any suggestion that the private sector serve as a definitive model for public sector governance, that:

*The private sector has no real equivalent to political accountability, for which precise measures are never likely to be found. Political accountability makes much of the public sector different in kind, rather than different in detail.*<sup>147</sup>

Does this necessarily block the consideration of a different kind of public accountability? While essentially an issue for governments and Parliaments to resolve, the public sector and Auditors-General must meanwhile account to stakeholders and seek the cooperation of private sector providers in doing so. Hopefully, this will more resemble a partnership in which parties understand and act both on public interest and commercial imperatives that need to be met by public sector purchasers and private sector providers respectively. Nevertheless, it has to be recognised that:

*Those in the private sector are genuinely not used to having to deal with public sector accountability mechanisms.*<sup>148</sup>

The notion of partnership should also extend to within sector agency and entity cooperation and coordination, particularly when setting strategic directions and sharing better practice. This is evident in what appears to be a move towards greater networking rather than simply growing market-based bureaucracies. Nevertheless, the two approaches may be mutually reinforcing rather than mutually exclusive.

Sound corporate governance provides the mechanism to bring all of this together - not simply to manage the risks but to transcend them. Corporate governance becomes more pressing in a contestable environment because of the separation of core business operations and the outsourced service delivery elements. This is because a sound

corporate governance framework assists business planning, the management of risk, monitoring of performance and the exercise of accountability. While we can, and should, learn from private sector experience in such areas, public sector managers would do well to be mindful of the need for transparency and the interests of a broader range of stakeholders particularly when assessing and treating risk.

The public sector may not always be responsible for delivering public services but inevitably it will be held accountable for results achieved. In a more contestable and performance oriented environment, increasingly involving the private sector, a major issue for those managers is just what being accountable actually means in practice. This applies particularly to Service Charters which can provide a degree of assurance about what is to be delivered, and how, as well as being a credible basis for accountability for performance of the Charter requirements. If accountability is divorced from responsibility for the provision of client services, the question for agencies is both how performance will be assessed and on what basis. This can be very difficult where there is little or no interaction with the client.

A common theme in ANAO audits is that performance measurement and reporting are intrinsic to the whole process of public management, including planning, implementing, monitoring, evaluation and public accountability. Performance results included in agency annual reports, including on agencies' client service delivery performance against service standards set out in Service Charters, provide an important record of an agency's progress towards meeting objectives including delivering outputs and their publication makes it possible for stakeholders to exert pressure for improvement, where this is required. Well presented and informative reports can help Parliament and the public assess how well public money is being spent and what is being achieved with it. Such reports are therefore essential for stakeholder assurance.

In the context of major change in the public sectors operating framework, as set out elsewhere in this paper, Service Charters are an important means of enhancing the accountability performance of government agencies. I can but agree with the following summary position on what the implementation and development of Service Charters mean to the public sector:

*The comprehensive implementation of service charters symbolises the changing service delivery environment. Charters reflect the increasing emphasis on individual client-provider relationships and the trend of modelling public sector arrangements on those that operate in the private sector. If service charters empower clients and enhance agency responsiveness, they will be a welcome addition to the broader, and more traditional, accountability framework.<sup>149</sup>*

However, in a more collaborative environment, there is also a practical issue about the nature and assignment of accountability for any shared services arrangement which, in my view, has to be addressed by the Government and the Parliament.

The theme of this paper has been the importance of Service Charters as an element of good governance and part of the accountability framework for performance achievement. They are not simply a process or an end in themselves. The notion of a seamless service to the citizen derives from the objective to design services around

the customer or client, with minimal effort involved in having to find out, and access, for themselves. As my colleague, the UK Comptroller and Auditor General, has recommended:

*Agencies need to target their action...on the key drivers which have the most potential to achieve sustainable improvements on the quality of public services which are likely to be a real value to users.<sup>150</sup>*

## Notes and References

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- <sup>1</sup> Hughes, Owen E. 2003, *Public Management and Administration—An Introduction*, Third Edition, Palgrave Macmillan, Basingstoke, p. 237
- <sup>2</sup> Peters, B.G. 1995, *The Politics of Bureaucracy*, Fourth Edition, Longman, White Plains, p. 289.
- <sup>3</sup> Howard, John, the Hon. 1997a, *the Sir Robert Garran Oration*, presented by the Prime Minister to the National Conference of the Institute of Public Administration Australia, Canberra, 19 November, p. 5. ([www.pm.gov.au/news/speeches/1997/garran.html](http://www.pm.gov.au/news/speeches/1997/garran.html): accessed 20 February 2003)
- <sup>4</sup> The APS comprises those staff who are employed under the provisions of the *Public Service Act 1999* in various agencies (departments, Executive Agencies and Statutory Agencies).

Other Commonwealth public servants, not members of the APS, may be employed in a range of other public sector statutory authorities (organisations established under particular legislation that may give such bodies legislated independence of action in operational administrative matters) and non-statutory organisations, that are not staffed under the Public Service Act.

Source: ANAO 2003, *Managing Parliamentary Workflow*, Better Practice Guide, April, p. vii.

- <sup>5</sup> Although I should say that the focus on providing better services to public sector clients/customers has been ongoing over many years. For example, the Royal Commission on Australian Government Administration held during the mid 1970s considered the specific matter of client service:

Greater responsiveness will also be expected of those officials who organise, or work in, those parts of the administration which provide services to the public. An increasing consciousness among the users of these services that they receive them as a right means not merely that they will look for promptness, efficiency and courtesy in their delivery, but will expect to be satisfied about the conditions of their eligibility, priority and allocation. The officials involved may therefore become increasingly responsive to the wishes and attitudes of their clients or customers—those to whom the services are directed. Such a development seems wholly beneficial, although it may add to the cost of the services being provided.

Source: Royal Commission on Australian Government Administration 1976, *Report*, AGPS, Canberra, pp. 15-16.

- <sup>6</sup> Howard, John, the Hon. 1997a, *op. cit.*, p. 2.
- <sup>7</sup> The *Public Service Act 1999* sets out the APS Values and the APS Code of Conduct for Commonwealth employees within the APS, giving explicit legislative force to the Commonwealth Parliament's expectations in relation to the performance and accountability of public servants in general, and of agency heads in particular.
- <sup>8</sup> The FMA and CAC Acts also state clearly where accountability lies within organisations, typically with the Chief Executive Officer (CEO) in FMA agencies and with the Board/CEO in CAC agencies.
- <sup>9</sup> The concepts and practices involved in what is known as New Public Management are well summarised in the following observation:

The central tenets emphasize management skills, quantified performance targets, devolution, the separation of policy, commercial and non-commercial functions, the use of private sector practices such as corporate plans and short-term contracts, monetary incentives, and cost-cutting. Importantly, the new public management also emphasizes a preference for private ownership, and the use of contracting out and contestability in the provision of public services. (Source: Hodge, Graeme A 2000, *Privatization—An International Review of Performance*, Monash University, Melbourne, p. 40.)

The principles that are at the core of the New Public Management are particularly well set out in *Reinventing Government: How the Entrepreneurial Spirit is transforming the Public Sector*, the 1992 publication by David Osborne and Ted Gaebler (Plume, New York).

An interesting discussion of the ‘Origin and theoretical basis of New Public Management’ by Gernod Gruening is contained in the *International Public Management Journal*, Vol 4 No 1 2001. As well, Alex Matheson’s review of Jan-Erik Lane’s book *New Public Management*, Routledge, London, 2000, in the same journal, is relevant.

- <sup>10</sup> Fundamentally, a discussion of ‘accountability’ involves identifying and articulating who is responsible for what, to whom, by when. In this paper, in the bureaucratic context, accountability is taken to mean the direct relationship of authority by which one party accounts to a person or body for the performance of tasks or functions conferred, or able to be conferred, by that person or body.
- <sup>11</sup> Department of the Parliamentary Library 2001, *Commonwealth Government Service Charters*, Research Note Number 32, 2000-01, p. 1.
- <sup>12</sup> The Australian Public Service Commission has reported that as well as the UK, the USA and Australia, other countries as diverse as New Zealand, France, Portugal, Spain, Italy, Ireland, Hong Kong, Canada, South Africa, Namibia and Costa Rica have implemented service charters.  
  
Source: Australian Public Service Commission 2001, *Service Charters—International developments*, p. 3 ([www.apsc.gov.au/charters/international.htm](http://www.apsc.gov.au/charters/international.htm): accessed 18 February 2003)
- <sup>13</sup> Goldsworthy, Diana 1993, *The Citizens’ Charter in the United Kingdom*, Canberra Bulletin of Public Administration, No. 75 December, p. 91.
- <sup>14</sup> *ibid.*
- <sup>15</sup> As listed in Baker, John R. and Budarick, Brent 1997, *Customer Service Charters and their Role in Improving Public Sector Service Delivery in the United Kingdom and Australia*, Canberra Bulletin of Public Administration, No. 84 May, p. 105.
- <sup>16</sup> *ibid.*
- <sup>17</sup> *ibid.*, pp. 106-107.
- <sup>18</sup> Department of the Parliamentary Library 2001, *op. cit.*, p. 2.
- <sup>19</sup> The UK Prime Minister’s Delivery Unit 2003. *The Nine Principles of Public Service Delivery. Service First: The New Charter Programme.*  
<http://www.servicefirst.gov.UK/1998/introduc/nine.htm>. 16 January. p.1
- <sup>20</sup> Linda McGuire provides details of some of these at Appendix 3 (pp. 521, 522) to her paper ‘Service Charters—Global Convergence or National Divergence?’ *Public Management Review*, Vol. 3 Issue 4 2001.
- <sup>21</sup> ANAO, 1996. *Client Service – Australian Taxation Office*. Audit Report No 22 1996-1997. Canberra, 11 December.
- <sup>22</sup> ANAO, 1996. *Customer Service – Department of Social Security*. Audit Report No 25 1996-1997. Canberra, 19 December
- <sup>23</sup> ANAO and Management Advisory Board, 1997. *The Better Practice Guide to Quality in Customer Service*. Commonwealth of Australia, Canberra, November.

- <sup>24</sup> Howard, John, the Hon. 1997b, *More Time for Business*, statement by the Prime Minister, AGPS, Canberra, 24 March, pp. 55-56.
- <sup>25</sup> The Statement suggested (at p. 57) that summary information be provided 'in annual reports or equivalent public documents to ensure that reporting requirements are not duplicated.'
- <sup>26</sup> Howard John, The Hon. 1997b, op. cit., p. 57.
- <sup>27</sup> Australian Public Service Commission 2001, *Developing a Service Charter for Policy Functions*, p. 1 ([www.apsc.gov.au/charters/developingacharter.htm](http://www.apsc.gov.au/charters/developingacharter.htm): accessed 31 January 2003)
- <sup>28</sup> Department of Finance and Administration 2000, *Client Service Charter Principles*, Service Charters Unit, Competitive Tendering and Contracting Branch, Canberra, June.
- <sup>29</sup> Australian Public Service Commission 2002, *Commonwealth Government Service Charters*, pp. 1, 2. ([www.apsc.gov.au/charters/index.html](http://www.apsc.gov.au/charters/index.html): accessed 31 January 2003)
- <sup>30</sup> Ellison, Chris, Senator the Hon. 2000, *Service Charters in the Commonwealth Government*. Second Report by the Special Minister of State, Department of Finance and Administration, Canberra, November, p. iii.
- <sup>31</sup> Ellison, Chris, Senator the Hon. 2000, op. cit., p. 10.
- <sup>32</sup> Australian Public Service Commission 2002, op. cit., p. 2.
- <sup>33</sup> For 2001-02 annual reports the Department of the Prime Minister and Cabinet specified that where departments are required to have service charters in place, annual reports should refer to 'performance against the service charter customer service standards, complaints data, trend analysis and the department's general response to complaints.'
- Source: Department of the Prime Minister and Cabinet 2002, *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, Canberra, June, p. 7.
- <sup>34</sup> Public Service Commissioner 2002, *State of the Service Report 2001-2002*, Australian Public Service Commission, Canberra, 21 October, pp. 30-31.
- <sup>35</sup> *ibid.*, p. 33.
- <sup>36</sup> Management Advisory Board/Management Improvement Advisory Committee (MAB/MIAC) 1996, *Ethical Standards and Values in the Australian Public Service*, No. 19, May, p. 2.
- <sup>37</sup> Goodman, Gary S. 2000, *Monitoring, Measuring and Managing Customer Service*, Jossey-Bass, San Francisco, p. 9.
- <sup>38</sup> Abbott, Tony, the Hon. 2002, *Excellence in Government client service recognised through 2002 Service Charter Awards*, Media Release, 25 June. ([www.apsc.gov.au/minister/abbott250602.htm](http://www.apsc.gov.au/minister/abbott250602.htm): accessed 31 January 2003)
- <sup>39</sup> Department of Finance and Administration 2000, op. cit., pp. 12, 18.
- <sup>40</sup> Naumann, Earl and Giel, Kathleen 1995, *Customer Satisfaction Measurement and Management: Using the Voice of the Customer*, Thomson Executive Press, Cincinnati, p. 399.
- <sup>41</sup> Standards Australia 1995, *Australian Standard—Complaints Handling*, AS 4269—1995, Homebush, 5 February.

- <sup>42</sup> Commonwealth Ombudsman's Office 1997, *A Good Practice Guide for Effective Complaint Handling*, Canberra.
- <sup>43</sup> ANAO 1996. *Client Service – Australian Taxation Office*. Op.cit. pp.62-63.
- <sup>44</sup> Denhardt, Robert B. and Janet Vinzant 2000, 'The New Public Service: Serving Rather than Steering', *Public Administration Review*, Vol. 60 No. 6, November/December, pp. 549-559.
- <sup>45</sup> *ibid.*, p. 549.
- <sup>46</sup> *ibid.*, p. 556.
- <sup>47</sup> Bishop, Patrick and Davis, Glyn 2002. *Mapping Public Participation in Policy Choices*. *Australian Journal of Public Administration* Vol 61 No 1. March. p.14
- <sup>48</sup> Alford, John 2002, 'Defining the Client in the Public Sector: A Social-Exchange Perspective,' *Public Administration Review*, Vol. 62 No. 3, May/June, pp. 337-346.
- <sup>49</sup> *ibid.*, p. 339.
- <sup>50</sup> *ibid.*
- <sup>51</sup> *ibid.*, p. 340.
- <sup>52</sup> *ibid.*, pp. 341-344.
- <sup>53</sup> *ibid.*, p. 344.
- <sup>54</sup> The ANAO's web site ([www.anao.gov.au](http://www.anao.gov.au)) provides access to the content of speeches, and also to other ANAO publications such as Better Practice Guides and performance audit reports, that cover, in whole or in part, discussion and viewpoints on the subject of public sector corporate governance.
- <sup>55</sup> O'Grady, John 2002, 'Corporate Governance in the Public Sector,' address to the IIR Conference on Corporate Governance in the Public Sector, Canberra, 14 August.
- <sup>56</sup> Bird, F. 2001, 'Good governance: A philosophical discussion of the responsibilities and practices of organisational governors,' *Canadian Journal of Administrative Studies*, December, pp. 298-312.
- <sup>57</sup> For example, section 51 of the Constitution sets out the particular matters for which the Commonwealth Parliament has power to legislate.
- <sup>58</sup> In brief, the executive comprises the Prime Minister, all other Ministers, and the public servants, working in public sector agencies, that report to Ministers.
- <sup>59</sup> AAOs are formalised by the Governor-General in Council, and set out the matters dealt with by each department and the legislation administered by Ministers in each portfolio. AAOs are changed from time to time, particularly after new Governments are formed and portfolios are reshaped.
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- <sup>101</sup> Barrett, Pat 2002, *Implementing Adequate Supervision—Of What Kind and How Much?*, address to a Laboratory for Politicians and Top Managers from Different Public Institutions in Europe, Regione Lombardia, Italy, 6 April, p. 6.
- <sup>102</sup> There are two principal formal accountability mechanisms for each Commonwealth government portfolio. These are:
- Portfolio Budget Statements (PBS); and
  - annual reports.
- Finance has stated that:
- The purpose of the Portfolio Budget Statements (PBS) is to inform Senators and Members of the reasons for inclusions of proposed provisions in Appropriation Bills 1 and 2 or Appropriation (Parliamentary Departments) Bill (No. 2). The major role of the PBS is to explain requests for funds through the Budget Appropriation Bills. The PBS provides sufficient information, explanation and justification to enable Parliament to understand the purpose of each item in the Bill(s) and accrual budgets of the portfolio.
- Source: Department of Finance and Administration 2001, *Portfolio Budget Statements 2001-2002*, Portfolio Budget Related Paper No. 19.
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