

**Institute of Public Administration Australia,
ACT Division**

Annual Report Awards

**Canberra
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Auditor-General for Australia**

IPAA Annual Report Awards 22 May 2014

Good evening

IPAA does a great job in providing a professional association for those in the public sector and in recognising, in such a positive way, the achievements by public sector agencies – especially through its flagship awards, the Australian Awards for Excellence in Public Sector Management, and the Annual Report Awards, which we are celebrating this evening.

It is also great to see so many agencies represented here this evening recognising the contributions of key staff who have been involved in the preparation of their annual reports, and also those who participated in the assessment processes.

When I was asked to speak this evening, I found myself scouring my bookshelves for a copy of the first annual report of my office.

Our first annual report was prepared for the 1984-85 financial year, and I very much enjoyed reading about the office as it then was and some of the challenges of the day. Our staff levels were then 568, or some 60 per cent more than the 350 staff that we have today and we had offices in all the Australian states and territories, and in London, compared to our sole office in Canberra today – an indication of the contribution that technology, risk management, judicious contracting and other improvements have made to the business of auditing.

There were only 9 performance audits tabled in 1984-85 compared to the 50 we will do this year.

- There are probably a few departments who would wish we would revert to our 1984-85 performance targets for performance audits!

In reading past annual reports though, it brought home to me again just how important it is for all of us to recognise where we are today depends on the platform built by those who preceded us.

But more than that, it underlines that we all have a role in improving public administration and the way we deliver core agency functions. Public sector management reform is a journey and we are all on the road together. We should be eclectic in gathering ideas for better policies, better policy design and better public administration from wherever we can – from our own insights, academics, other agencies, other jurisdictions both in Australia and overseas, and key stakeholder groups (including citizens). Some of these new approaches will have staffing implications like, in the case of my office, the closure of regional offices, and we need to be able to address these matters fairly and effectively.

In any discussion of public sector management in Australia today though, it is important to recognise that we are working from a reasonable base, and much better than many other countries, as affirmed by an OECD study in 2012.¹

Nearly 30 years of continuous improvement in public sector management means that, by and large, we have good systems of governance, a good handle on the finances and budget estimates, and are better placed on the people management front.

Of course, we can always do better as the capability reviews being conducted by the APSC show, with more emphasis particularly required on leadership and strategy.

Our work also carries some useful messages for public sector managers in relation to governance. One key message is that it is important for agencies to be more sceptical when it comes to assessing and monitoring risks to good program performance.

We are all prone to an optimism bias which is generally a positive trait, provided when we are making decisions which carry significant consequences we maintain a healthy scepticism.

In this context, Warwick McKibbin had some very good advice for public servants, and indeed Ministers, when he said

‘Uncertainty and risk management should be at the core of all policy design. The correct question should not be how good a policy might be in the best possible world, it should be what can go wrong if the world turns out differently to that assumed.’²

It is also instructive to monitor developments elsewhere whether your interests are in public sector management generally, or are program specific, to see whether there are better ways to design policies or deliver programs.

In presentations I have given in the past couple of years, I have referred to the work of the Canadian academic, Jocelyne Bourgon, who has been working on a study on the new frontiers of public administration.

In essence, Bourgon has been saying a compliance and performance focus in public sector management will always be with us, however:

- there is a need for a more complete framework of public administration; one that would complement the hierarchical structure of government with the use of expanded networks, one that would encourage citizen engagement in policy

¹ OECD 2012. *Value for Money in Government: Australia 2012*. OECD Publishing.

² McKibbin Warwick 2013. *Expect the unexpected in creating climate policy*. Article in the Australian Financial Review, 24 April. p.43

design and service delivery by giving voice, choice and greater discretion to citizens as users of public services; and

- there should be greater recognition given to the role that government plays in building the resilience of society to ‘flourish in unpredictable circumstances, to shoulder the burdens of inevitable crises, to avert preventable crises and to learn from adversity’.

So in summary, Bourgon was saying that the traditional compliance and performance focus in public sector management needed to be supplemented with a focus on emergence of ideas, and resilience by engaging citizens in consideration of options for policy design and service delivery.

While on the topic of academic research, an English academic, Malcolm Prowle, has also been making the case that ‘we need to think radically about how public services can be managed and funded’.³ His list of things to consider include:

- are there situations where the state can withdraw from delivering and/or funding certain activities and leave it to private individuals?
- are there universal public services that should be converted to targeted services, whether that targeting be in terms of need, income etc?
- to make certain public services (eg preventive services) more effective, does the state need to become more authoritarian?
- do we need to significantly extend the charging regime for public services?

As you will have gathered by now in the light of recent announcements, I am not the only person who has been reading this material, or material of this kind, or thinking in this way.

Closer to home, and as a positive contribution to issues that would subsequently become mainstream, there were comments in late 2012 by senior officials raising questions about the role of government.

Dennis Richardson, the then Secretary of the Department of Foreign Affairs and Trade, commenting on some Australians abroad, said that:

‘Travellers seem to have unrealistic expectations of what the government can do to help them if they run into trouble overseas’, and

³ Prowle Malcolm 2013. *Where now for public services?* Presentation to CIPFA Conference 2013. Found at <http://opinion.publicfinance.co.uk/2013/05/where-now-for-public-services/>

there was ‘a widening gap between the expectations and reality of what government can and can’t do for Australians abroad’.⁴

Nigel Ray of the Treasury also referred to the ‘emerging gap between the demands placed on government, and the financial resources the community is willing to provide to government’.⁵

Against this background, it was apparent that we would see and hear more in Australia about how government can manage the balance between the demands for services and its capacity to deliver. There were also some implicit messages here for the management of public sector agencies, including about building resilience, managing to the forward estimates and retaining flexibility in delivery models.

Roll forward to the current Government’s recent budget and we have seen various shades of this thinking which was put into effect. The language is different - not so much about building resilience in communities but about managing away from a culture of entitlement - but the writing has been on the wall.

The Budget has heralded some key shifts in policy.

As you would expect, my focus tonight is not on the merits of the policies of the government but on the consequential effects on public sector administration.

Budget Paper No 4 2014-15 explains that the APS will reduce by 16,500 average staffing levels between 2013-14 and 2016-17, reflecting some 14,500 reductions as a result of decisions in the previous 2013-14 Budget, with an additional 2,000 deriving from decisions made in the 2014-15 Budget, consistent with the Government’s ‘Smaller Public Service and Smaller Government’ emphasis. These reductions will take us back to civilian staffing levels for the (General Government Sector) last recorded in 2006-07.

So for many agencies, strategies and new organisational arrangements are being implemented to manage staff reductions, new policy measures and deliver on ‘business as usual’ requirements, and we would expect this, given the role of the APS.

It is not a comfortable period for the APS but we all appreciate it needs to be managed. This is clearly a time when leadership, governance arrangements and **effective communication** come to the fore.

It is also important that in discharging their duties, every member of staff take a broad view of their responsibilities – whether it be in relation to managing risks in their area

⁴ Article in the Canberra Times, 27 October 2012. *Travellers expect a lot from govt, says DFAT*. Found at <http://www.canberratimes.com.au/national>

⁵ Ray Nigel 2012. *Fiscal choices and federal financial relations*. Presentation to the Melbourne Institute’s 2012 Economic and Social Outlook Conference. Melbourne. 1 November

of responsibility or being alert to improvement opportunities, and looking beyond the day to day issues.

The trend to inclusive, team based approaches to public service provision with effective leadership brings out the best in public sector performance.

We all appreciate it is a challenging period for agencies and staff but the strong positive is that many agencies have been through periods of contraction in earlier times, have regrouped and continued to deliver services effectively to the Australian public, and we will see this happen again.

I think it is fair to say that public service leaders understand the importance of having effective strategies in place and clear communication with staff on priorities to achieve the Government's policy objectives, while reshaping their organisations and building resilient teams.

It is also important that we continue to support the development of staff during this time, and recognise achievements, just as is being done here this evening.

The future of the Australian Government public sector is very much in the hands of many of the people in this room tonight, and people like you, who will continue to play a leading role in delivering frank advice to government and efficient services to citizens of this nation.

And, no doubt, we will see references to agencies' change agendas and staff achievements feature in next year's annual reports, and annual report awards.

All the best for the year ahead.