

ENHANCING GOVERNMENT PERFORMANCE AND ACCOUNTABILITY

ALLAN BARTON RESEARCH LECTURE 2022

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Introduction

May I start by acknowledging the First Australians on whose traditional lands we meet, particularly the Ngunnawal, Ngambri and Ngarigu peoples from the Kambri area around here, and pay my respect to their elders past, present and emerging. It is not possible to talk about enhancing government performance and accountability without reflecting on past failures of government programs to deliver outcomes for Indigenous Australians commensurate with those for non-Indigenous Australians, or without reflecting on what we mean by accountability when it comes to programs intended to support Indigenous Australians.

It is an honour to deliver this the 80th ACT CPA Annual Research Lecture. The first lecture was delivered at the University College in Canberra in 1942, the aim being to stimulate research in accountancy and to encourage original contributions to accountancy thought and literature. I am not sure my contribution does this exactly, but I do hope it encourages the profession to reflect on its role in public administration and on the broader issues of government accountability for performance.

This is also the second time I have had the honour of presenting the lecture as the Allan Barton Lecture.

Allan Barton influenced generations of public administrators and policymakers as well as academics and accountants. He saw accounting as an economic measuring system, not just rule-based bookkeeping. He had a particular focus on financial management in the public sector. I well recall a CPA forum in the late 1990s on accrual accounting when we shared the platform. He was counselling against the then push for the public sector to replicate private sector practice in the use of accrual accounting. He was right to highlight the differences between the public and private sectors, the limitations of accrual accounting and the need for considerable adaptation for accrual accounting to assist public sector decision-making and scrutiny. As a departmental secretary at the time, I was very conscious of the difficulties we were facing in applying accrual reporting in our financial statements. Allan Barton's comments rang true to me, and I remember asking our Senate Estimates Committee for some forbearance as we worked on the new reporting regime.

Accountants play a major – and increasing – role in government. Their measures of the use of public resources are critical to informed decision-making, enhancing performance and ensuring accountability. Increasingly, accountants participate on boards and risk and audit committees, contributing to strategic management. My lecture today will not focus specifically on the professional role of accountants, but I hope it helps to set the context in which accountants in the Commonwealth public sector now work and the broader challenges of performance and accountability which the profession might assist in addressing.

Context Today

We have a new Government. It was elected with a reasonably modest policy agenda, but in a very challenging context. Apart from an unprecedented level of debt, albeit lower than that of most OECD countries, it faces substantial deficits across the forward estimates. Moreover, those deficits were projected in last year's Inter-Generational Report to continue for decades under the then Government's existing policies which the new Government has mostly endorsed (Frydenburg 2021). At the same time, Australia is facing significant inflation pressures which would normally require fiscal as well as monetary policy measures to dampen demand. But most of the fiscal pressures on the Government are to increase expenditures, not to reduce them, for example in health, aged care, disability services, education and training, defence and infrastructure, and the Government is committed to the Stage 3 personal income tax cuts from 2024-25.

We also have a new Parliament that includes a large crossbench in both Houses. There is clearly strong support in the Parliament for the Government's commitments to greater transparency and accountability and for broader measures to enhance integrity in government. The election results also reveal strong public support for government to be more responsive to local communities.

This context presents both challenges and opportunities, challenges to perform within the funds available and opportunities to reform governance and accountability.

Background

My 2015 Allan Barton Research Lecture, 'Making "Accountability for Results" Really Work' (Podger 2015), explored the then recent reforms to the Commonwealth's financial management and public service legislation following the Moran Review of Australian Government Administration (AGRAGA 2010) and the Finance Department's Commonwealth Financial Administration Review (DoF 2012). The then new *Public Governance, Performance and Accountability Act 2014* and the 2013 amendments to the *Public Service Act 1999* were aimed at improving governance, strengthening collaboration across the Commonwealth public sector, enhancing capability, promoting stewardship, improving risk management, and strengthening performance reporting and accountability.

All very worthy and based on good advice, mostly from within the bureaucracy, but I was uncertain about how successful they would be in practice particularly in the absence of enthusiastic support from the Government or the Parliament despite the passage of the legislation with bipartisan support.

Subsequent experience confirmed that my unease had been well founded. The Thodey/Alexander review of the implementation of the PGPA Act (2018) found that progress on corporate planning and on improving performance reporting and risk management was mixed and that the Parliament was yet to focus seriously on performance reports as against more immediate politically sensitive matters mostly relating to inputs and processes rather than outcomes or results. The Thodey report on the Australian Public Service (2019) confirmed the findings in the Moran Report that capability in the APS had declined, particularly in the areas of strategic policy advising and HRM, that more needed to be done to improve digital capacity and collaboration across the APS and with other levels of government and the community, and recommended *inter alia* further action to increase the degree of independence of the APS and reduce its reliance on external contractors and consultants. Sadly, the Morrison Government's response to the Thodey Report (Morrison 2019) included rejection of key recommendations about APS professional independence, the use of contractors and consultants and the systematic use of evaluation to inform decision-making.

Subsequent Government program management decisions revealed little regard for PGPA Act requirements and associated procurement and grants administration rules designed to ensure value for money and proper accountability (ANAO 2020; ANAO 2021). Machinery of government changes also confused and disguised lines of accountability (Morrison 2020; Podger 2022a; Solicitor-General 2022) and there was a new round of terminations of secretary appointments in early 2020.

My 2015 lecture focused primarily on the issue of 'managing for results'. Subsequent developments demonstrate the importance of means as well as ends, of accountability for conformance as well as performance, of due process and integrity.

The various reviews conducted since 2015 also revealed through their own processes weaknesses in APS capability and/or a culture that is unwilling to publicly engage on issues of public sector governance, capability, and performance: in sharp contrast to the Coombs Royal Commission in the 1970s, very few agencies made substantive submissions to these more recent inquiries. Some of the reports have also been disappointingly shallow despite having APS secretariat support (again in sharp contrast with the Coombs report).

The Thodey Report is the obvious example, even though its recommendations are generally in the right direction. I expressed concerns about the review in a Parliamentary Library Lecture shortly before the final report was released (Podger 2019). I felt that, while it had expressed some concern about APS capability, it was too complacent, understating the adverse impact of changes in the relationship between politics and administration. I highlighted the Constitutional role of the APS in our system of responsible government, and the importance of the APS serving the Parliament and the Australian public as well as the Government, responsibilities requiring the APS to have a considerable degree of independence.

Broad Principles of Democratic Government

In light of growing authoritarianism particularly in Russia and China, and the invasion of Ukraine, there have been many loud defenders of 'democracy' in the West. Yet the decline in The Economist's Democracy Index internationally in recent years is not driven solely by the increasing authoritarianism in autocracies but also by declines in democratic performance amongst Western nations (including the US, the UK, Canada and Australia) (The Economist 2022). There is too often a failure to appreciate that democratic principles involve much more than free and fair elections.

The Economist's index draws on assessments of civil liberties, the functioning of government, participation in the political process and political culture as well as the electoral process and pluralism. It uses 60 measures that go well beyond whether elections are free and fair to include, *inter alia*, the capability of the civil service.

At a forum in the US earlier this year I suggested the following list of democratic principles using some of the language familiar to my US audience (Podger 2022b):

- Government of the people, by the people
 - Regular elections, majority rule, consent of the governed
 - All (adult) citizens have equal right (and ability) to vote
 - One vote one value
 - Freedom of speech, freedom of assembly
 - Constraints on untoward influence (foreign, financial)
- Government for the people

- Checks and balances to avoid ‘tyranny of the majority’
- Limits on government power, subject to human rights
- Separation of powers, particularly the independence of the judiciary
- Fair and just administration, capable and professional civil service
- Public accountability, freedom of information
- Responsiveness to different communities (through inter-governmental arrangements, inclusive policies)
- Associated environmental support
 - Well-informed, well-educated populace
 - Freedom of the press and a responsible media
 - Open political party processes, wide public participation
 - Trust in government and its institutions.

‘Responsible government’ is the term that is generally used to describe Australia’s democratic system under the Constitution. The core concept is that the executive is responsible to the legislature and, through it, to the electorate. But most of the other key elements I identified are also in or implied by the Constitution or supported by legislation and convention.

In practice, there are both strengths and weaknesses in how we currently apply responsible government. From an international perspective, our strengths include:

- Our electoral system and processes, particularly the role of the independent Australian Electoral Commission.
- Our checks and balances, including:
 - An independent judiciary which interprets the Constitution including constraints on Commonwealth power and applies the law
 - The parliamentary system, the legislature constraining the executive and holding it to account (particularly via the Senate and its committee processes, and the Auditor-General)
 - A professional civil service, advising government and administering its policies and programs, and that is non-partisan, merit-based and impartial
 - Administrative law, protecting clients of government, ensuring open, consistent and lawful administration
 - The budget and financial management system, promoting efficient, effective, economical and ethical use of resources and systematic reporting of performance
 - Our federal system of government which allows a degree of ‘subsidiarity’
 - Anti-discrimination legislation which provides extra protection of particular communities, groups.
- Environmental support
 - An increasingly well-educated population
 - Freedom of speech and assembly implied by the Constitution
 - An ABC which complements private sector media offering an ‘impartial’ news service and support for local and regional communities
 - First steps taken to constrain the market power of digital platforms and protect public interest journalism.

Our weaknesses, however, are significant and present threats. The ones I identified to that US audience, ahead of our election, include:

- The increasing power of the political executive
 - Reducing the capability and independence of the civil service
 - Disregarding principles of impartial administration
 - Weak management of conflicts of interest and abuse of power
- Weakening of the legislature
 - Dominance of the executive in the parliament
 - Absence of leadership to promote the parliament as an institution
 - Parliament's limited role in public policy deliberation, focus on political point-scoring
 - Poor personal behaviour of some MPs and some of their staff
- Weakening environmental support
 - Falling membership of major parties, deepening of partisan divide
 - Increasing 'professionalisation' of politics, focusing on partisan support rather than the public interest
 - Weak professional standards in much of the media that people rely upon, gaps in public interest journalism.

These weaknesses may be less alarming than those evident in the US where attacks on the 'deep state' by some supporters of former President Trump represent attacks on the very institutions of the civil service and the judiciary. But here too in recent years too many political leaders have claimed almost exclusive authority because of being elected, dismissing the roles of 'faceless', 'unelected' bureaucrats and associated due processes of administration and advice.

An agenda for enhancing government performance and accountability must therefore encompass a range of measures to strengthen our institutions of responsible government and to promote greater civic understanding and engagement within the Australian community.

An Agenda for Reform by this Government and Parliament

The opportunities offered by a new Government and a new and very different Parliament are significant. It is important however that the reforms pursued have wide support across the Parliament, preferably including from the conservative side, particularly if they are focused as I suggest on institutions and on accountability and performance.

Many of the current problems run deep, and improvements will take time. A start can be made by legislative changes over the next two years but building capabilities and improving performance requires much more than legislation. There is much to be done within the public service, and in its relationship with other jurisdictions and the community. Amongst other things, it also requires changes in the way the legislature authorises the executive and holds it to account.

The Parliament Itself

Let me start with the Parliament.

The revelations from the Jenkins Inquiry (2021) seriously damaged the reputation of this central institution of responsible government. That reputation was already poor with instances of genuine collaboration or serious deliberation of big policy issues being rare (such as over marriage equality or the Apology), and with shallow politicking in Question Time and Senate Committees being far more common. To an extent, this poor reputation has been unfair, our tradition of adversarial politics where there is an Opposition presenting as the alternative Government making it difficult to develop a non-partisan parliamentary leadership that can explain, defend and nurture the institution's role. Our Presiding Officers – the Speaker of the House of Representatives and the President of the

Senate – are not independent of their parties, and also generally have less influence inside their parties than ministers and shadow ministers, limiting their capacity to provide overall leadership notwithstanding their responsibilities in each chamber and for overseeing management of the Parliament.

The UK Parliament has had similar problems, though the Speakers of the two Houses there are by tradition more independent than our Presiding Officers. Dr Val Barrett, in a forthcoming book to be published by ANU Press (Barrett 2022), explores the management of the Australian and UK parliaments. She recommends much closer attention to management issues and the development of a stronger leadership team based in part on the UK's experiments with commissions. In the UK, these operate separately for each House but here she suggests a single parliamentary commission (possibly comprising the leaders of the main parties in each chamber plus the Presiding Officers). The commission would have a role both in reviewing procedures in the chambers from time to time and in overseeing management issues including the funding of the Parliament. It would look to restoring and strengthening the public perception of parliamentary effectiveness, including through engagement with external organisations and the community.

This idea is not as radical as it might sound at first and has similarities with the mechanism the Parliament has established to oversee implementation of the Jenkins Report recommendations, the Parliamentary Leadership Task Force.

Amongst the issues such a commission might consider are the processes surrounding Question Time, the possible role of House of Representative committees in exploring more complex issues that do not involve clear partisan differences, and the operations of Senate Estimates committees (see further below). It could also consider the allocation of staffing and other resources to Members and Senators. And it might give higher priority to the management of the Parliament by the Parliamentary Service.

Parliament has already agreed in principle to the Jenkins Report's recommendations and work is proceeding on their implementation. A key recommendation is the development of a code or codes of conduct for parliamentarians, their staff and others working in the parliament, a task that is being pursued by the new Joint Committee on Parliamentary Standards. While this exercise originates from serious concerns about bullying and harassment, I have suggested in my submission to that Committee, that it look more broadly at the values and behaviours we should expect of those working in the Parliament and being paid by taxpayers (Podger 2022c). I suggested it draw on the approach in the Public Service Act and the Parliamentary Service Act to articulate both a set of values and a code of conduct for the different groups of officials, both elected and non-elected. A standard template for the values and code could be used, but with modifications reflecting the different roles and responsibilities of each group, just as the APS Values effectively define the unique Westminster role of the civil service. These should take into account whether the group is elected or not, whether it is primarily in the executive or the legislature, whether it is required to be non-partisan or not and the extent to which merit-based employment is expected. Appreciation of the different roles and responsibilities is essential for ensuring mutual respect, and public expectations about appropriate behaviour go well beyond not bullying or harassing people.

This framework would also strengthen accountability within the Parliament. For Members and Senators, and Ministers, the Jenkins proposal of an Independent Parliamentary Standards Commission would receive disclosures of interests, provide confidential advice and handle complaints about breaches of the codes of conduct. My suggestion, consistent with the Foster Report (Foster 2021), is that the Parliamentary Service Commission have this role for employees

under the Members of Parliament (Staff) Act, also offering HRM support to MPs regarding their role as employers.

Related to these measures is the urgent need to review the MOP(S) Act itself and the role of ministerial staff in particular. This had been recommended by the Thodey Report but then rejected by the Morrison Government; it was picked up again by Jenkins in a very different context and agreed by the Government and the Parliament. A review is now underway by the Department of Prime Minister and Cabinet. I hope the Department's report will then be referred to the Joint Committee on Parliamentary Standards as I think that is where the issues relating to the staff of MPs, including Ministers' staff, should be examined in detail.

The MOP(S) Act was introduced in 1984 and has not since been reconsidered. Since then, legislation for the APS and the Parliamentary Service was radically revised in 1999 and amended again substantially in 2013. In my submission to the PM&C review, I have suggested drawing heavily on the PS Act framework not only to articulate values and codes of conduct but to impose firmer constraints about employment, strengthen accountability and ensure proper reporting. Importantly, I suggest having two clearly distinct categories of MOP(S) Act employees: staff of Members and Senators and staff of Ministers, the first being linked to the legislature and the second to the executive. The second group, like public servants, should be held accountable through the system of ministerial responsibility and should not be exempt from parliamentary scrutiny by Senate committees (with the same limits on what questions they must answer as public servants).

The MOP(S) Act was introduced in part as an alternative to the then Labor Party's proposal to include political appointments to senior executive positions in the APS. It was thus an important step to avoid politicisation of the APS. Over the following decades, however, the numbers, nature and roles of ministerial staff have changed significantly so that ministerial staff have become a key instrument for political control of the APS – another form of 'politicisation'. Holding them more clearly to account is critical, but not sufficient. These days, too many are essentially apprentice politicians with little policy expertise, and their legitimate role in supporting ministers meet their ministerial responsibilities can get blurred with illegitimate party support activities. In my submission, I argued the case for limiting the number and for making more use of departmental liaison officers.

Strengthening the Integrity System

The Albanese Government is committed to legislate for a new Federal anti-corruption agency this year. It is an important initiative, but we could learn a lot from New Zealand in this space.

NZ has a well-earned reputation for integrity in government and in its society more generally. Interestingly, that reputation preceded having an equivalent of an ICAC (its Serious Fraud Office was only mandated to address corruption in 2014). What NZ relies heavily upon is a broad 'National Integrity System', a framework based on doing the right thing supported by transparency and accountability (Snively 2020). The System has many pillars across the legislature, the executive, the judiciary, the public service, integrity agencies, media, civil society and business. It is supported by a 'tool kit' of measures which starts with the 'tone at the top'. The System is regularly reviewed, the most recent (2018) review reporting substantial progress in addressing issues raised in 2013 (particularly by the three central agencies to set the 'tone at the top'), but also drawing attention to areas needing more attention and identifying new emerging challenges.

Amongst the possible lessons for Australia is that establishing a federal anti-corruption agency may be necessary but is by no means sufficient. There are many existing 'pillars' in what we could

consider to be the Australian ‘integrity system’ such as the PGPA Act and PS Act and the array of integrity agencies such as the Auditor-General, the Ombudsman and the Information Commissioner. The measures I have suggested about articulating values and establishing codes of conduct for MPs, ministers and MOP(S) Act employees would be further aspects of the system. Like NZ, we could go further and consider the media, civil society and business, but today let me concentrate on the Commonwealth Government, and suggest a proper review of our ‘National Integrity System’ in order to identify our weak spots and where action needs to be taken.

In this regard, Helen Haines’ bill for an Australian Federal Integrity Commission (Haines 2020) has considerable merit. Its emphasis on promoting integrity not just addressing corruption could facilitate a NZ-style approach (the bill includes provision to require the Government to present a National Integrity and Anti-corruption Plan at least every four years). It would not be limited to investigating allegations of ‘corrupt conduct’ as the Morrison Government’s model proposed, nor would it treat politicians, public servants and ministerial staff differently to others. It also relies upon new codes of conduct for ministers, parliamentarians, ministerial staff and other employees of parliamentarians.

I appreciate there are legitimate debates about how far a federal ICAC should go and whether and under what circumstances it should conduct public inquiries but positioning such a commission within a wider integrity system might assist in clarifying who is best placed to manage what aspects of integrity in government. I also note the recent Coaldrake Review in Queensland recommended a ‘clearing house’ to ensure complaints are referred to the most appropriate integrity authority, thereby reducing the risks of overlap and of the ICAC assuming excessive authority (Coaldrake 2020).

A review of our integrity system would surely highlight the need for integrity bodies such as ANAO, the Ombudsman and the Information Commissioner to be better resourced. Other weaknesses likely to be identified include the limited constraints on employment after ministerial (and ministerial staff) roles, and the ease with which non-merit-based appointments can be made.

APS Reforms

Let me start here with the Thodey Report recommendations rejected by the Morrison Government and which the Albanese Government has committed to revisit. I hasten to add that I am pleased the new Government has not fully committed to those recommendations as I think several need modification or additional work.

Thodey’s recommendations were clearly intended to increase the degree of independence of the APS, not to remove its duty to serve the government of the day but to give added emphasis to its values of professionalism, non-partisanship, merit-based employment and impartiality that all imply a degree of independence, and to acknowledge that the APS serves the Parliament and the Australian public as well as the Government. This shift requires a number of changes to the PS Act, the following including some modification to Thodey’s recommendations to move closer to the best-practice NZ model:

- Clarifying the respective roles of the APS Commissioner and the Secretary of PM&C. Thodey recommended such clarification but did not go far enough. The APS Commissioner needs to be recognised as the professional head of the service, not just ‘the head of people’, particularly if the practice of new appointments to head PM&C after each change of PM continues; the Secretary of PM&C should be recognised as the operational head, marshalling the resources of the APS to serve the PM and the Cabinet.

- The appointment of the APS Commissioner should follow consultation with the Leader of the Opposition as occurs in NZ, a slightly stronger constraint than Thodey's proposal.
- The Commissioner, not the Secretary of PM&C, should take the lead in advising on secretary appointments, and the PM required to advise the Parliament if an appointment is not consistent with the advice given. The Commissioner should also be consulted before any termination.
- The APS Values should be amended, in particular to include the merit principle which was the central recommendation of the 1854 Northcote Trevelyan Report that established the idea of the Westminster civil service. Some other changes should be considered to help clarify the distinct roles and responsibilities of the APS vis-a-vis those of other officials both elected and not-elected (including ministerial staff).

Reviewing ministerial staff arrangements and the MOP(S) Act as suggested earlier would also help to rebuild the degree of independence of the APS.

Re-establishing systematic evaluation processes is essential to building APS capability, as well as to ensuring accountability for performance. Knowledge of what has worked and what has not is critical to the contribution the civil service makes to responsible government and provides an important building block to staff development and organisational expertise. Thodey rightly refers to the processes that existed in the early 1990s and subsequently allowed to wither: requiring policy proposals to include evaluation evidence, and to identify how the proposal if accepted would be evaluated; requiring agencies to provide to Finance their evaluation plans showing how over time all programs will be evaluated on a regular basis. These processes should be supported by research and evaluation units in every department, whether under a chief evaluation officer or chief economist or in some strategic policy group. These should be regularly publishing papers and reports and engaging with external experts, exposing their analysis to scrutiny and thereby enhancing their own capability.

APS pay and conditions are a mess: if they still attract, develop and retain most of the skills needed they do so by accident. The processes for setting them involves significant transaction costs across the APS and have led to wide differences in remuneration for similar work, constraining mobility. Despite the recent Hierarchy and Classification Review, no serious work has been done to examine emerging career paths given technological developments and changing work requirements across the APS. It is all well to call for more consistent pay and conditions across the APS as Thodey and this latest report recommend, but we need to see the hard work that might allow market comparisons based on occupations and career paths that ensures classification and pay attracts, develops and retains the skills the APS needs into the future.

The Government has promised to reduce reliance on consultants and contractors and to remove the APS staff caps, redirecting some of the savings from the former to increase urgently needed staff in some service delivery areas. This should help to enhance APS capability and value for money, but until a more appropriate remuneration system is in place, the APS is likely to continue to rely excessively on certain skilled contractors such as IT.

Another recommendation rejected by the Morrison Government that needs to be reconsidered concerns the Machinery of Government. I will explore this issue further shortly but mention here my disappointment with the Albanese Government's Administrative Arrangements Order which has continued some of the confused lines of accountability from the Morrison Government's AAO.

While the Morrison Government rejected key recommendations from the Thodey Report, it did endorse many others, and it would be wrong of me to omit mention of positive developments. These include the APSC's 'professions model', imported from the UK, to build more professional approaches to skills development particularly in the areas of digital, data analysis and HRM, and the new APS Academy aimed to more systematically develop within the APS the 'craft' of public administration. Other positive developments include initiatives by the Finance Department to help scale up process automation and to make better use of shared administration, the re-introduction of capability reviews, the promised audit of IT investments with a view to enhancing capital funding, and the intention through Services Australia to explore ways to deliver more integrated services including in close cooperation with the States. Some of these, of course, have a long way to go to deliver results.

An issue that did not receive sufficient attention in the Thodey Report is the resourcing of the APS. Thodey rightly highlighted the importance of reviewing investment in IT, essential not only for efficiency but also for effective, client-oriented service delivery. But we also need to revisit how administrative expenses are funded, ensuring attention is focused on efficiency and value for money but avoiding crude instruments like the efficiency dividend with their unintended impacts on service levels and quality. In the current budgetary context, fixing this will not be easy, but first steps could be taken to address where the efficiency dividend is most clearly impacting service levels and quality.

Associated cultural changes in the APS

The success of changes such as those I have suggested here, like that of the previous set of reforms that established the PGPA Act and amended the PS Act, relies upon the APS, particularly its senior management, responding to the opportunities the changes offer. Sadly, as evidenced by the 2018 Alexander-Thodey Report on implementation of the PGPA Act, this is not guaranteed.

Perhaps it is best to start with what agencies should be doing right now, with new ministers, a new Government and a new Parliament; for many departments there are also changed responsibilities. Under the PGPA Act, they must prepare corporate plans to follow the Portfolio Budget Statements that will be tabled with the budget next week. This year's corporate plans require more fundamental thinking than might be required when there is no change to the minister or government etc.

PBSs are about the 'what' – what the Government's targets are from its budget and forward estimates allocations; corporate plans are about the 'how' and 'why' – the capabilities and strategies needed to deliver the outcomes sought, and those likely to be needed further into the future under the current or future governments. The PBSs are owned by the ministers; the corporate plans by the agency heads who have responsibility for the stewardship of their organisations and the APS more generally.

The process of developing the corporate plan is almost as important as the content. Ministers need to be engaged and to endorse the plan, demonstrating their belief that the plan will help them deliver their policies and targets. Staff also need to be fully involved, and all the main stakeholder groups, particularly where achievement requires cooperation or collaboration with others. This engagement needs supportive analysis, of the social, economic and technological context, of the agency's strengths, weaknesses, opportunities and threats, of the proposed strategies and how they are to be implemented and monitored, of the risks involved. Without such processes, the corporate plan may just languish on the shelf and not drive the organisation. There is no single template that

should be used: each agency has its own functions and objectives, and the corporate plan must be based on the capabilities needed to meet these. Ensuring increased capability, nonetheless, is likely to require in most cases strategies for human resources, technology investment, information and communication, financial management and relationships management; many may also require internal structural changes and revised management processes.

An important role of a corporate plan is to clarify the agency's mission – its core business – and its vision – the high standing amongst stakeholders and the broader public it is determined to achieve. These frame the role of the agency's leadership team, to motivate every member of staff; together with the high-level strategies in the plan, the vision and mission must be supported by the business plans in each area and flow on to individual staff members' performance and development plans. The late Allan Hawke always spoke of the importance of individuals' 'plan on a page', firmly aligned to the agency's mission and vision, as the critical means of getting the most from people and achieving organisational capability.

The emphasis in the PGPA Act on performance reporting and risk management also requires more attention, building within agencies a culture that promotes evaluation and performance monitoring and that embraces the contributions that Audit and Risk Committees offer. Importantly, performance reporting is required to be against both the PBSs and the corporate plans.

This needs to be properly scrutinised by the Parliament. I mentioned earlier that one of the concerns raised by the Alexander-Thodey Report was the failure of Senate committees to take advantage of the PGPA Act and to explore in more detail agencies' performance. I suggest that committees set aside time to review in detail selected agencies' corporate plans and performance reports to test progress in enhancing capability, as well as to set aside time to explore in detail selected programs' performance.

Associated with reforms to the APS that hopefully lead to a return to a greater degree of independence, departments and other agencies should encourage more openness and engagement, whether with clients, communities, other jurisdictions, stakeholder organisations or academia. Of course, this must be consistent with obligations to serve the Government, but there should be room for much more open interaction than has been the practice in recent years. This is particularly important in service delivery, including to Indigenous communities, where formal accountability upwards through the system to the Parliament needs to be complemented by outwards accountability to communities.

We will know there has been a real change in the culture when we see senior managers embrace the FOI Act and see it as a positive, not a negative. This has been a hobby horse of mine for twenty years; while recognising the political resistance to FOI disclosures under both sides of politics, there has also long been a bureaucratic culture inhibiting openness.

More openness should also lead to being less risk averse and giving more authority to staff down the line. One of the themes of the Thodey Report, emphasised in the latest Hierarchy and Classification Review report, is to challenge agency hierarchies and to 'empower' staff. This is not so much an issue of the job classification system as of agencies' culture and work practices. Whether in the policy areas in Canberra or the service delivery areas across the country, a greater emphasis on teams led by middle managers has the potential not only to make work more enjoyable but also to improve efficiency by making better use of resources and to improve effectiveness by encouraging better linkages with communities and external groups.

While there is some substance to Thodey's emphasis on 'One APS', in recent years we have seen 'whole-of-government' as a means not only of excessive political control but also of communications control within the APS and excessive top-down management through the Secretaries Board, with the risk of 'group think' and discouragement of debate based on different perspectives and different expertise. The Secretaries Board needs to draw more heavily on other agency heads such as those from Services Australia, the ATO and the ABS. Secretaries should stop sitting in the front row at IPAA forums and encourage participation in such professional forums that challenges their views.

Broader Accountability and Performance Challenges

Let me touch briefly on some related issues and challenges for accountability and performance.

First, building on the suggestions above for strengthening the merit basis of the APS, action is also needed to ensure other Commonwealth appointments are non-partisan and merit based. Measures were taken a decade ago to improve the advice to ministers about statutory and board appointments, supported by the APSC, and some statutory position appointments such as for the ABC and SBS have their own mechanisms intended to ensure non-partisan filling of vacancies. But it is clear from recent practice that such processes are easily ignored when it comes to final decisions. The Grattan Institute's suggestion of an Appointments Commission (Wood *et al* 2022) is one option for tightening the process. Whatever process is introduced, if room is left for ministerial discretion (which is not necessarily bad), a ministerial decision that is not consistent with the independent advice provided should be subject to a ministerial report to the Parliament explaining how the appointee meets the criteria for the position.

I mentioned earlier my concerns about the Albanese Government's Administrative Arrangements Order. In his recent advice concerning Mr Morrison's multiple ministerial roles, the Solicitor-General emphasised the importance of 'responsible government' and its key principle that the executive is responsible to the legislature and, through it, to the public. He advised that not revealing to the Parliament and the public who within the executive has particular powers is not consistent with this principle. May I suggest that having an AAO and ministerial structure that is extremely difficult to understand is also hardly the best way to apply this principle. A structure that includes multiple cabinet ministers in a number of portfolios, and many ministers having responsibilities across different portfolios, is also difficult for the public service to manage. The Albanese AAO is not as confused as the 2020 Morrison AAO but is still far from the approach that worked so well for the Hawke, Keating and Howard Governments.

That approach involved the following:

- A manageable cabinet with every portfolio and function represented.
- Each portfolio having a coherent set of responsibilities, with assistant ministers to focus on particular priority concerns.
- These ministerial 'teams' within each portfolio having some authority delegated by cabinet, for example about resource allocation within total budgets, thus avoiding overburdening cabinet.
- Each portfolio having a portfolio department and a portfolio secretary to support the portfolio minister and assistant ministers, and to help coordinate as required the work of the various agencies within the portfolio.

The approach did not constrain cross-portfolio collaboration to address wider issues as many processes could be used to do so including cabinet itself and its committees and ad hoc working groups etc.

I hope the Government allows PM&C Secretary, Glyn Davis, to pursue the Thodey recommendation to evaluate machinery of government arrangements and advise the Prime Minister about the principles that should guide future AAOs and ministerial responsibilities. Such a review might not only consider the 1987 reforms but also the Haldane principles identified more than a century ago in the UK which still have resonance (Haldane 1918).

Related to this is the use of different organisational structures. The Finance Department provides guidance on the appropriate structure for different government functions, related in part to the degree of independence required to undertake the functions. A particular issue concerns service delivery. If we want social security and Medicare benefits to be managed impartially, efficiently and with sensitivity towards clients, the recent move away from having administration by a ministerial department to an executive agency should be taken further to establish once again a Centrelink-type statutory authority. The head of such an authority would then have greater independence than the CEO of the current executive agency. There is similarly a case for a more independent authority to manage Indigenous programs, rebuilding a network of dedicated professional people able to focus on service delivery on the ground working with communities and with other Commonwealth, State and local government agencies.

This brings me to another broad challenge: Commonwealth-State relations. The steady increase in power of the Commonwealth Government over the last 121 years has widened areas of shared powers raising challenges for accountability. Renaming the Council of Australian Governments, the 'National Cabinet' in 2020 took this blurring of responsibilities to another level, leading also to an ignominious defeat for the Commonwealth before the AAT as to the meaning of the term, 'cabinet', under the FOI Act (and subsequently to some improper answers by PM&C executives to questions from a Senate committee). Collaboration across governments in a crisis such as the COVID pandemic is essential, but each government is still responsible to its own legislature in our federal system. During such a crisis, inevitably first ministers will be pre-occupied by matters relating to that crisis. Nonetheless, the system of coordination or collaboration, whether in a crisis or in managing day-to-day matters where responsibilities are shared, requires the sort of extensive support machinery developed under COAG: line ministerial councils and their bureaucratic advisory committees and subcommittees, intergovernmental agreements, formal reporting arrangements and so on. During the crisis, the 'National Cabinet' did in fact rely heavily on the machinery established previously under the Australian Council of Health Ministers (AHMC), its advisory committee (AHMAC) and its subcommittees such as the Australian Health Protection Principal Committee (AHPPC) and Australian Technical Advisory Group on Immunisation (ATAGI). The suggestion presented in 2020 that the 'National Cabinet' would be a 'congestion-busting' reform of COAG was always just political rhetoric.

We are not going to return to coordinate federalism, and we need to accept that responsibilities will continue to be shared in many areas requiring ongoing machinery for line ministries as well as for first ministers and Treasurers and their departments. But we should be looking to ways to strengthen reporting to parliaments to constrain executive federalism and to ways to evaluate performance in shared responsibilities. Perhaps a joint Royal Commission reviewing Australia's response to the COVID pandemic could also throw some light on future performance reviews in other areas.

Conclusion

I have covered a lot of ground today, some of it only hinting at directions for future reform. But I hope I have also identified a substantial but doable immediate reform agenda. Much could be achieved in the next two years, though success will then depend upon sustained efforts particularly by the APS and its leaders. The current political context provides a great opportunity, and I hope the Albanese Government can develop the reform measures in ways that attract support from across the Parliament.

I am not proposing revolutionary change, but measures that can build on the reforms of the past, both those of the 1980s and 1990s and the refinements introduced a decade or so ago. The earlier New Public Management (NPM) reforms achieved a great deal, particularly in efficiency and in focusing on results, but they also proved to have some downsides. The subsequent New Public Governance reforms addressed some of those downsides particularly by promoting collaboration across and beyond government rather than relying on siloed departmental structures. Subsequent reviews have revealed further problems to be addressed derived in part from continuing downsides of the earlier reforms, particularly politicisation and excessive reliance on private sector practices. But there are also new challenges and contexts today. We are not yet clear about how to describe the next phase of public administration following NPM and NPG, but it seems likely to reflect the opportunities offered by digital and other technologies to transform service delivery and general administration.

There is a lot of rhetoric today about ‘agility’, ‘innovation’ and ‘flexibility’. I don’t suggest that these are mere clichés with no substance. But my emphasis today is about the importance also of continuing values, of institutions that provide stability and consistency, and of due processes that individuals, businesses and civil society can depend upon.

These are critical to government performance and accountability. They also align with the role of the accounting profession.

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