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PARLIAMENTARY DEBATES



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PROOF

Federation Chamber

COMMITTEES

Joint Committee of Public Accounts and Audit

Report

SPEECH

Thursday, 4 February 2016

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SPEECH

<p>Date Thursday, 4 February 2016 Page 97 Questioner Speaker Brodtmann, Gai, MP</p>	<p>Source House Proof Yes Responder Question No.</p>
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Ms BRODTMANN (Canberra) (11:44): It gives me great pleasure to speak on the tabling of the JCPAA report *Development of the Commonwealth performance framework*. Those who have followed the issues in this report will know it has been a long road—a very long road, beginning, in fact, in the previous parliament, when I was at one stage deputy chair of the committee and the chair was the former member for Lyne, Rob Oakeshott. I have been privileged as a member of the JCPAA to have taken part in this journey and look forward to continuing to do so as we pursue the issue further this year.

These reports by the JCPAA—particularly on governance frameworks and performance frameworks—some would see as being incredibly dry, but for me they are significant. They are significant in the governance of this nation, they are significant in the transparency of what is actually taking place in the Public Service and they are significant in the governance of the Public Service. The reforms aim to modernise the financial framework of the Australian government so it will support high-quality resource management and performance now and into the future.

The reforms are based on five guiding principles. The agenda states:

1. Government should operate as a coherent whole

That is a great ambition to have, because anyone who has worked with government knows that it can be incredibly fractured and it can be incredibly frustrating, particularly for the Australian people when they are trying to engage in government. The agenda also states:

2. A uniform set of duties should apply to all resources handled by Commonwealth entities

3. Performance of the public sector is more than financial

4. Engaging with risk is a necessary step in improving performance

5. The financial framework, including the rules and supporting policy and guidance, should support the legitimate requirements of the Government and the Parliament in discharging their respective responsibilities.

I mention the fact that these sorts of governance frameworks—these performance frameworks—are seen by some as being incredibly dry and not terribly interesting, but when you think about the figures that we are dealing with—the scale of what we are dealing with in terms of government right across the nation—I do think it is important that people actually take a close interest in greater accountability and transparency and getting a greater understanding and greater granularity on KPIs—on whether we have actually achieved the objective we wanted to achieve with taxpayers' money. I quote here from the report, Madam Deputy Speaker, and this just gives you an understanding of the scale of what we are dealing with here:

The difficulty is that the scope of reforms must encapsulate some \$430 billion of annual Australian Government expenditure, covering 'more than 190 separate entities and companies, hundreds of boards and committees, and a large number of subsidiaries and other arrangements'. In addition, consideration must be given to 'cultural change, technology transformation and rethinking the design of many existing programs and services'. The latter requires much more than legislative change as it is these aspects of reform that require significant engagement and 'buy-in' from the wider public service.

That buy-in results in cultural change, Madam Deputy Speaker. As you know, the role of parliament in maintaining oversight of government administration is—and has been in terms of the historical evolution of our parliamentary system—a fundamental plank of democracy, and I just outlined the scale of the democracy that we are dealing with. And we need to make the further point that our stress on transparency and accountability derives

from our ultimate interest in ensuring that government programs are well managed and delivered efficiently and effectively to give the best outcome for the Australian people.

To go back to the genesis of the changes we have been examining in this report, the Public Governance, Performance and Accountability Act had lofty objectives which are only meaningful with real action. For example, the following ones are set out in division 2:

(b) to establish a performance framework across Commonwealth entities; and

(c) to require the Commonwealth and Commonwealth entities:

(i) to meet high standards of governance, performance and accountability; and

(ii) to provide meaningful information to the Parliament and the public—

and I stress the word 'meaningful' there—

(iii) to use and manage public resources properly; and

(iv) to work cooperatively with others to achieve common objectives, where practicable ...

However, these are just hollow words if they are not embraced, if they are not lived and if they are not championed by all involved. And for this reason I would like to emphasise the following statement from our report.

Leadership must come from all levels. This includes from all Ministers (especially the Finance Minister); all Members of Parliament (especially parliamentary committees, including this Committee); all central agencies (especially Finance); and from all senior leadership teams within entities. All have a role to play in striving for the success of the Public Management Reform Agenda.

The potential of the new framework to address key issues, like performance measurement and risk aversion, is particularly significant.

The quest in the public service for robust and meaningful performance measures has a long—a not always a happy—history. An ANAO report of 2012 made it clear that there was still a long way to go in terms of coming up with KPIs, key performance indicators, that do what they are meant to do, particularly in measuring the impact—and, I stress here, the impact—of government programs, whether they are achieving the program objectives determined by government rather than just monitoring process and monitoring expense. 'Did we actually achieve what we wanted to achieve through this spend by the Australian taxpayers?'

What has excited me about this process is that it has brought into sharp focus the nature of performance information and the ways in which it is presented for the consideration of parliament and, indeed, for the community at large. Much of our discussion leading up to the production of this report has been on just that issue. In particular, with respect to the performance information to be given in portfolio budget statements, the Department of Finance provided three iterations of a proposed direction that set out the minimum requirements on this. That is an indication of the robust and healthy debate that characterised the committee's consideration of the matter.

As is set out in the report, on this matter the committee has supported the issuing of a direction subject to certain amendments contained in recommendations. What is particularly important is that the committee will have an ongoing role in the development and the review of the reforms and it will be following up on a number of issues over the course of this year. Among these is one in which I have a very close and particular interest—and that is of improving risk management practices. An important area of discussion in the future should be the question of what we need to do to encourage a less risk-averse approach, or culture, in the public service. A crucial challenge in achieving this is that we do not, on the whole, have incentives in the system that would encourage less risk aversion. It is very difficult to encourage a risk culture in the public service. In fact, it seems to me that many of the incentives point the other way.

I am sure most of us have heard complaints about what seems like an inordinate amount of concern shown by public servants about documenting and accounting for small sums of money. Clearly, a wish on the part of those responsible for public expenditure to be totally scrupulous about the rules is to be welcomed—absolutely. But

the thrust of this anecdotal evidence is that, sometimes, a caution becomes process for its own sake with no real benefit to the taxpayer. This, in turn, can be seen as being too close to the adverse pole on the spectrum of attitude to risk.

While there is heavy stress on compliance, there is likely to be greater risk aversion where it is more important to tick the compliance box than to do things more efficiently, since the punishments for compliance failures strongly outweigh the rewards of greater efficiency or good judgement. As senior public servants like to remind more junior officers, nobody ever got sacked for an error of judgement, but they are sacked for errors of process. It is this that underlines the importance of the observation that I quoted earlier from the committee's report, that leadership must come from all levels on this issue.

I am encouraged by the ambitions of the performance framework in this regard. And on this, and with other aspects, I look forward to continuing efforts of progress. I would like to conclude by expressing my appreciation to the officials from the Department of Finance for their work with the committee, and also to the staff of the secretariat of the committee for their tireless—as always—support.

Debate adjourned.