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Report 432

APS – Fit for Service

Australian Public Service Annual Update

House of Representatives
Joint Committee of Public Accounts and Audit

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Foreword

The annual meeting with the heads of key agencies responsible for public sector governance and administration provides the Committee with a regular opportunity to discuss whole-of-government issues and trends, and review the overall performance of the Australian Public Service (APS). Previously held as a private briefing, to improve transparency, the Committee decided to open up this year's meeting to the public and to publish this report.

The Committee was particularly interested in progress on the APS reform initiatives; the results of the latest State of the Service report; the potential impact of the increased efficiency dividend; and to hear about future improvements planned for the public service.

The Committee is also responsible for approving annual report guidelines for Commonwealth departments on behalf of the Parliament. Questions relating to the proposed 2011-12 Requirements for Annual Reports were also discussed at the public hearing.

In regard to the Annual Report Requirements, the Committee was pleased to see a continued focus on streamlining and minimising duplication of reporting.

A proposal was put forward to amend the reporting of consultancy contracts. While maintaining the summary data, reports would direct readers to AusTender, the centralised procurement reporting site, rather than reproducing static lists of contracts. The Committee agreed to support this proposal, after being informed by the Australian National Audit Office and the Department of Finance and Deregulation of the potential for improvements to accuracy and currency of information.

On another aspect of procurement, the Committee wanted to be sure that agencies continue to improve on-time payments to small business. Responding to the Committee's concerns, the Department of Prime Minister and Cabinet (PM&C) advised that the Australian Government Payments to Small Business Performance

Report will be enhanced with the inclusion of information on the performance of individual agencies.

On the broader front of improvements across the public service, the Committee noted the status update on the initiatives stemming from the APS Blueprint for Reform. There are two key points in relation to the reforms:

First, in terms of APS policy implementation capacity, the JCPAA has for some time been raising concerns about the capacity of certain departments to implement policy. PM&C outlined the engagement and support strategy developed to improve guidance and communication and increase agency capacity. The Committee will now be looking for a reduction in numbers of the actual audit reports critical of implementation.

The second area of interest is the establishment of further agency review options. The Committee welcomed advice that further scrutiny of cross agency performance and strategic assessment of future capabilities was underway. In particular the Committee was pleased to hear that the Capability Review process would be rolled out across agencies and the results publicly disclosed. However, due to the complexity of the different review options available, the Committee would like to see the development of a simple explanation of how these reviews fit together and avoid duplication.

While the underlying major reform takes place, APS agencies will need to be considering how to improve the 'state of the service' at the same time as finding savings to meet the increased efficiency dividend. Issues in need of attention include:

- addressing the continuing decline in diversity in terms of Indigenous employees and employees with a disability; and
- improving the average overall employee satisfaction with senior leaders.

Leadership drives success of an organisation and allows these major reforms to succeed. Leaders are also pivotal in ensuring diversity is encouraged and valued in a workplace. So it is of particular concern that there is this continuing trend of dissatisfaction with those steering the course. The Committee will continue to monitor results in this area.

When looking to the future, the Secretary of PM&C suggested the APS needs to become Asia-capable. The JCPAA agrees that engaging with regional counterparts is an important goal and looks forward to hearing about developments in this area over the next year.

The Committee appreciates the important work of the APS and the effort that has been put into reforming the state of the service. This report makes some additional suggestions, largely aimed at improving the accessibility of information to assist parliamentarians and the public in assessing the performance of the APS.

Finally, I thank the senior public servants who attended the hearing for their time, as well as for their frank and detailed engagement with the Committee.

Robert Oakeshott MP
Chair



Membership of the Committee

Chair Mr Robert Oakeshott MP

Deputy Chair Ms Yvette D'Ath MP

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	Mr Jamie Briggs MP	Senator Helen Kroger
	Ms Gai Brodtmann MP	Senator Louise Pratt (from 27/06/12)
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List of abbreviations

ANAO	Australian National Audit Office
APS	Australian Public Service
APSC	Australian Public Service Commission
CIU	Cabinet Implementation Unit
EAS	Ethics Advisory Service
Finance	Department of Finance and Deregulation,
JCPAA	Joint Committee of Public Accounts and Audit
PAAC Act	<i>Public Accounts and Audit Committee Act 1951</i>
PM&C	Department of the Prime Minister and Cabinet
SES	Senior Executive Service

Introduction

- 1.1 The Joint Committee of Public Accounts and Audit (JCPAA) exists to hold Commonwealth agencies to account for the lawfulness, efficiency and effectiveness with which they use public monies.
- 1.2 Section 8(1) of the *Public Accounts and Audit Committee Act 1951* (PAAC Act) outlines the Committee's specific duties, which include 'to report to both Houses of the Parliament, with any comment it thinks fit, on any items or matters in those accounts, statements and reports, or any circumstances connected with them, that the Committee thinks should be drawn to the attention of the Parliament'.
- 1.3 To meet this mandate and ensure the Committee is fully informed, the Committee has met annually with the heads of the key Australian Public Service (APS) agencies responsible for public sector governance and administration, to discuss whole-of-government issues and trends, and review performance.
- 1.4 Previously held as a private briefing, the Committee agreed, in accordance with section 11 of the PAAC Act, to hold the 2012 meeting as a public hearing.
- 1.5 This year, the Committee was particularly interested to hear from witnesses about progress on the APS reform initiatives stemming from the *Ahead of the Game: Blueprint for the Reform of the Australian Government Administration*; and to discuss the results of the latest State of the Service report and the potential impact of the increased efficiency dividend.
- 1.6 The Committee is also responsible for approving annual report guidelines for Commonwealth departments on behalf of the Parliament. This

responsibility is conferred by sub-section 63(2) of the *Public Service Act 1999*. Again, the Committee decided that questions relating to the proposed *2011-12 Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies* would be discussed at this hearing.

- 1.7 The public hearing was held on Wednesday, 20 June 2012.

The Committee's report

- 1.8 This report draws attention to the main issues raised at the public hearing. Where appropriate, the Committee has commented on unresolved or contentious issues.

- 1.9 The Committee's report is structured as follows:

- Chapter 2 – APS Reform Initiatives
- Chapter 3 – The State of the Service
- Chapter 4 – APS Annual Report Requirements.

- 1.10 The following appendices provide additional information:

- Appendix A – List of public hearings and witnesses
- Appendix B – List of submissions
- Appendix C – Progress report on APS Reform initiatives.

- 1.11 A copy of this report, transcripts of hearings and submissions are available on the Committee's website: www.aph.gov.au/jcpaa.

APS Reform Initiatives

- 2.1 Since the Government's initiation of a major review of the APS and the subsequent report – *Ahead of the Game: Blueprint for the Reform of the Australian Government Administration* – the JCPAA has been tracking progress on the reform initiatives.
- 2.2 Most recently, the Committee was advised that of the original 28 recommendations for reform:
- 15 reforms are complete;
 - four reforms are completed with actions continuing as part of a reform initiative; and
 - one reform, the citizens survey, has not progressed due to a lack of funding¹.
- 2.3 In response to a request from the Committee for additional details on what has actually been achieved, the Department of the Prime Minister and Cabinet (PM&C) submitted a status report outlining the progress on implementing projects responding to the recommendations from the Blueprint. The full list is available at Appendix C.
- 2.4 At the hearing, the Public Service Commissioner described the purpose of reform as ensuring the APS is 'fit for the future', with a focus on the sum capability of both the organisation and individual. Using the Home Insulation Scheme as an example, the Commissioner stressed the importance of the health of the 'whole system that surrounds implementation of government programs' and the linking of systems and

1 PM&C Submission 1, p. 2 and Mr Sedgwick, APSC, Committee Hansard, Canberra, pp. 2-3.

people to produce better outcomes. Capability reviews and invigoration of the Senior Executive Service (SES) leadership were put forward as core components.²

2.5 In the course of the hearing and through questions on notice, the Committee examined a range of issues including:

- APS policy implementation capacity;
- review mechanisms; and
- future areas for reform.

2.6 Leadership and SES initiatives are discussed in Chapter 3 – The State of the Service.

APS policy implementation capacity

2.7 Of particular relevance to this Committee due to the number of JCPAA findings of poor implementation is progress on *Blueprint Reform 3 – Enhancing policy capability*, which includes a recommendation to improve policy implementation. The recommendation comprised of three elements:

- provide clear guidance and standards to agencies on policy implementation, particularly in the areas of program and project management;
- increase every department's capacity to oversee implementation activities; and
- establish an APS wide forum to share best practice in regulation.³

2.8 The Committee asked for an update on each of the elements, as well as the indicators being used to demonstrate whether or not policy implementation has improved.

2.9 Responding to the Committee's request, PM&C provided details of how each element had been addressed.

2.10 For Element One– provide clear guidance and standards to agencies on policy implementation, particularly in the areas of program and project management– the department outlined a two-prong approach:

2 Mr Sedgwick, APSC, *Committee Hansard*, Canberra, 20 June 2012, pp. 2-3.

3 See PM&C website for full Blueprint, available at:
http://www.dPM&C.gov.au/publications/aga_reform/aga_reform_blueprint/index.cfm.

- direct contact with agencies, with the provision of advice and guidance at all stages of policy development, but particularly when new policy proposals are being prepared for Cabinet; and
- broader APS-wide ‘communication products to advise agencies on policy implementation... including a Guide to Implementation Planning, frequently asked questions and a quarterly newsletter’.^{4, 5}

2.11 Element Two– increase every department’s capacity to oversee implementation activities – is primarily managed by the Cabinet Implementation Unit (CIU) within PM&C. The department describes the CIU as having multiple roles using a “hub and spokes” model, engaging with APS implementation networks and ‘connecting pockets of implementation expertise across government’.⁶

The CIU has a helicopter view of the different implementation exercises occurring across the Government and can facilitate contact between agencies to enable the exchange of implementation expertise.

...

[and] through these networks monitors emerging issues experienced by program managers and raises awareness of better practice implementation planning.⁷

- 2.12 In conjunction with the Finance department, the CIU also presents training on risk assessment⁸ and the requirements for implementation planning for new policy proposal. PM&C advised that by March 2012, over 350 attendees from more than 34 agencies had attended the training.⁹
- 2.13 Again, the CIU is available to assist individual agencies in developing capacity to oversee implementation activities on request.¹⁰

4 According to PM&C, *Submission 3*, p. [5], [t]he newsletter contains information on current and emerging trends in implementation and delivery, and aims to extend and promote networks of policy implementation expertise across the APS.

5 PM&C, *Submission 3*, p. [5].

6 PM&C, *Submission3*, p. [6].

7 PM&C, *Submission3*, p. [6].

8 See <http://www.finance.gov.au/gateway/risk-potential-assessment-tool.html> – the Risk Potential Assessment Tool assists agencies to determine and communicate the potential risk of a proposal to ministers before seeking Cabinet’s agreement.

9 PM&C, *Submission3*, p. [6].

10 PM&C, *Submission3*, p. [6].

- 2.14 Element Three has been completed with the establishment and ongoing operation of high-level APS wide forum:

Established in June 2011, the Australian Public Service Policy Implementation Network (APS PIN) has had seven formal meetings which have focussed on creating a strong network of expert implementers to share advice and experiences, and consider some of the key implementation challenges for the APS.¹¹

- 2.15 In terms of measuring an improvement in capacity to implement policy, PM&C advised that capacity is tracked through 'a variety of tools and indicators' including monitoring the quality of implementation plans submitted to Cabinet. The department also advised that they work with both the individual agency and the Finance department 'to address areas requiring further development'.¹²
- 2.16 The second indicator PM&C outlined was the measurement of successful policy implementation. Agency improvement is determined by '[a]n increase in the number of projects/programs delivered on time, on budget and meeting stated outcomes'.¹³

Committee comment

- 2.17 The Committee notes that all recommendations with Blueprint Reform 3 are now complete, and from the evidence presented appear to be embedded across the APS. These changes will take some time to show results – for example, a reduction in numbers of audit reports critical of implementation – so the Committee will continue to monitor this area.

Review mechanisms

- 2.18 The Blueprint for reform identified the need to place an APS-wide focus on development of the capabilities necessary to position it as a high-performing public service.¹⁴
- 2.19 Evaluations and reviews are an important component to improving performance over time. There are multiple review options available to examine APS agencies, over and above Parliamentary Committee reviews and those commissioned within an agency itself. These include:

11 PM&C, *Submission3*, p. [6].

12 PM&C, *Submission3*, p. [6].

13 PM&C, *Submission3*, p. [6].

14 APSC, 'Capability Reviews', www.apsc.gov.au/aps-reform/capability-reviews, viewed 18 June 2012.

- Australian National Audit Office performance audits, financial statement audits, and assurance reviews – providing the Parliament with an independent assessment of selected areas of public administration, and assurance about public sector financial reporting, administration, and accountability;¹⁵
- Department of Finance and Deregulation Strategic Reviews – examining the alignment of program(s) with Government priorities, assesses the effectiveness and the efficiency of program(s) and identifies potential duplication or budget savings.¹⁶
- APSC Capability Reviews – to provide a baseline against which capability could be measured and improved, the APSC was tasked with delivery of a program of regular reviews to assess institutional capability, with a particular focus on strategy, leadership, workforce capability, and delivery;¹⁷ and
- proposed new review functions in sections 41 (c) and (d) of the Public Service Amendment Bill 2012 that will enable the Prime Minister to direct the Public Service Commissioner to conduct:
 - ⇒ a 'systems review' of any matter relating to an Agency, including the management and organisational systems, structures or processes in an Agency; and the functional relationships between two or more Agencies;
 - ⇒ a 'special review' of any matter relating to an APS Agency or the functional relationship between two or more agencies.

2.20 The Committee was interested in understanding the purpose of the various existing and proposed review mechanisms, and how they fit together.

2.21 Responding to a question from the Committee on the role of the Strategic Review Branch, Finance noted that its role is quite different to that of an auditor.

Strategic Reviews are broader than audits, which are mainly concerned with compliance with regulations and sound practice in resource management as well as the effectiveness with which Government policies are implemented. While efficiency and

15 ANAO, www.anao.gov.au/About-us.

16 Finance, 'About the Department', <http://www.finance.gov.au/about-the-department/budget-group.html>, viewed 18 June 2012.

17 APSC, 'Capability Reviews', www.apsc.gov.au/aps-reform/capability-reviews, viewed 18 June 2012.

effectiveness in particular are frequently very relevant considerations in a Strategic Review, a Strategic Review typically also examines the broader policy and resource settings underpinning the matter being reviewed.

- 2.22 The APSC response explained the review functions proposed in the Public Service Amendment Bill 2012 essentially codifies arrangements currently available to the Public Service Commissioner. These new review mechanisms will allow the Commissioner to undertake reviews that 'focus on the overall performance and operation of agencies, or between agencies, or their future capability needs'.¹⁸
- 2.23 A systems review relating to management and organisational systems, structures or processes in an agency, and the functional relationships between agencies, may be requested by the Prime Minister, or Agency Minister or Secretary through the Prime Minister. The APSC further clarified that a Special Review may be requested by the Prime Minister to address public interest demands.¹⁹
- 2.24 In contrast to other review mechanisms, the APSC explained that Capability Reviews are forward looking, short, sharp assessments of an agency's overall ability to deliver against its strategic goals.²⁰ The Commissioner indicated that following the success of three pilot capability reviews the Government had agreed that all departments and major agencies be reviewed over the next three years.²¹
- 2.25 Outlining lessons learnt through the Capability Reviews undertaken to date, the Commissioner identified emerging issues as including work being done at too high a level, workplace silos, and priority setting. However, the Commissioner commended agencies reviewed so far for embracing reform, and noted that the APSC continues to work with agencies in implementing changes and evaluating outcomes.²²
- 2.26 In support, the PM&C Secretary commented on the recent review of his department, noting that it provided useful insights into the organisation and that he will be vigorously implementing the report recommendations.²³

18 APSC, *Submission 2*, p. [8].

19 APSC, *Submission 2*, p. [8].

20 APSC, *Submission 2*, p. [6].

21 Mr Sedgwick, APSC, *Committee Hansard*, Canberra, 20 June 2012, p. 3.

22 Mr Sedgwick, APSC, *Committee Hansard*, Canberra, 20 June 2012, p. 3.

23 Dr Watt, PM&C, *Committee Hansard*, Canberra, 20 June 2012, p. 4.

- 2.27 The Committee asked the APSC whether the outcomes of these reviews would be made public, and was subsequently advised that the capability review reports will be published on an annual basis each November in conjunction with the release of the State of the Service report.²⁴

Committee comment

- 2.28 The Committee welcomes focus being given to strategic reviews across the APS, in particular through the Capability Reviews. The Committee was pleased to hear that these reviews will be rolled out across all departments and major APS agencies, and that the results will be publicly available.
- 2.29 In particular the Committee welcomes the further scrutiny of cross-agency performance and strategic assessment of future capabilities. Increased focus on these areas will help ensure that programs and services are being developed and delivered efficiently and effectively to meet the needs of the recipients. However, due to the complexity of the different review options available, the Committee would like to see the development of a simple, possibly diagrammatic, explanation of how these reviews fit together and how they link with the other review mechanisms across government.

Future reform initiatives

Outstanding reforms

- 2.30 As noted in the Blueprint reform status update, there are a few initiatives where the base work is complete, but finalisation is pending the passage of the Public Service Amendment Bill 2012.
- 2.31 Recommendation 4.1 – Revise and embed the APS values – was used as one example of where the initial work has been done, and the plan as to how to embed the values has been developed, but the promulgation to the wider APS cannot be completed until the Bill is passed.²⁵
- 2.32 The Committee asked the Commissioner to outline any other initiatives that are still in progress or waiting to be implemented. The following is a summary list of the Commissioner's response:
- identification of the core skills for public servants;
 - recruitment guidelines and the performance management material; and

²⁴ APSC, *Submission 2*, p. [6].

²⁵ Dr Watt, PM&C, and Mr Sedgwick, APSC, *Committee Hansard*, Canberra, 20 June 2012, p. 5.

- a refresh of the electronic recruitment vehicle – APS Jobs, and work to improve its usability.²⁶

2.33 The Commissioner noted that ‘all the big building blocks’ of the reform agenda are in place, with many becoming ‘business as usual’. However, the Commissioner also acknowledged that a number of areas such as performance management ‘have a long tail’ in terms of agency integration, and others such as the APS Jobs site require review once in place to continue to improve useability.²⁷

Engaging with citizens and ‘plain English’

2.34 Noting the advice that citizen surveys are not progressing²⁸, and with the Committee’s continuing interest in citizen engagement and accessibility, the Committee asked whether plain English initiatives had been incorporated into the reform agenda.

2.35 The Public Service Commissioner outlined work undertaken to ‘improve the interface between the public sector and citizens’ from the supply side, but acknowledged that plain English initiatives had ‘not been a particular focus of [the] Blueprint agenda’.²⁹

2.36 In a submission to the Committee, PM&C indicated that while there have been no whole-of-government initiatives, individual departments and agencies have communication improvement initiatives underway, particularly in the online arena.³⁰

2.37 PM&C also outlined work being done by the APSC in terms of both developing an APS Core Skills Strategy, of which communication is expected to be a priority area, and running existing training courses on Essential Writing for APS Employees.³¹

Building an Asia capable APS

2.38 In his opening statement, the PM&C Secretary noted the growth of Asia’s influence in the region, and highlighted the importance of ‘building a genuinely Asia capable APS’ to take advantage of opportunities, as well as meet the challenges, of this changing economic landscape.³²

26 Mr Sedgwick, APSC, *Committee Hansard*, Canberra, 20 June 2012, p. 5.

27 Mr Sedgwick, APSC, *Committee Hansard*, Canberra, 20 June 2012, p. 5.

28 Mr Sedgwick, APSC, *Committee Hansard*, Canberra, 20 June 2012, p. 2.

29 Mr Sedgwick, APSC, *Committee Hansard*, Canberra, 20 June 2012, p. 6.

30 PM&C, *Submission 3*, p. [1].

31 PM&C, *Submission 3*, p. [1].

32 PM&C, *Submission 1*, pp. 5-6.

- 2.39 The Committee asked PM&C to expand on what is being done in terms of building an 'Asia capable' APS.
- 2.40 In a submission to the Committee, PM&C noted that the 'Australia in the Asian Century White Paper' will address the issue in detail but initiatives to build an Asia capable APS include the need to:
- understand Asia and its potential role in Australia's future;
 - communicate and foster partnerships across diverse Asian societies and cultures;
 - develop the knowledge and skills to engage in the region; and
 - to attract and retain people with Asia relevant talents.³³
- 2.41 The department also outlined an APSC program already underway – Assisting Bureaucratic Reform program – that is considered to be strengthening the relationship between the Australian and Indonesian Government. The submission summarises the purpose and broader potential of such programs as follows:
- The APSC's ongoing relationship and shared experiences in public sector reform initiatives with senior officials is assisting the Indonesian government's objectives of a more efficient and effective public sector bureaucracy that delivers improved services to its public. The APSC program is proving to be a very positive example of support for systemic reform in Indonesia's public sector, especially through building the capability of Indonesian senior leaders to implement public sector reform.³⁴
- 2.42 In addition to benefits for the host country, PM&C also consider that these programs help 'to build understanding and deep knowledge of the political, economic and institutional structures in a partner country'.³⁵

Committee comment

- 2.43 The Committee appreciates the important work that the APS continues to do for the country and the effort that has been put into this major reform. Noting there are a number of initiatives yet to be fully embedded, the Committee will continue to monitor the status of reform progress.

33 PM&C, *Submission 3*, p. [7].

34 PM&C, *Submission 3*, p. [7].

35 PM&C, *Submission 3*, p. [7].

- 2.44 In terms of work still to do, the Committee agrees that engaging with regional counterparts is an important goal, and has itself been developing relationships in support of this with both the Indonesian and Papua New Guinea Public Accounts Committee equivalents. The JCPAA would be interested in hearing more on APS coordination of international engagement, and the availability of information detailing individual agency initiatives.
- 2.45 On a final note, successful communication is the key to reform and engagement. The Committee was pleased to hear that agencies are working to improve communication. In doing so, agencies should place the utmost importance on ensuring information is accessible to the broadest possible audience through the use of plain English.

The State of the Service

- 3.1 Section 44 of the *Public Service Act 1999* requires the Australian Public Service Commissioner to prepare an annual report that includes a report on the state of the APS during the year. This section of the report has become known as the State of the Service.¹
- 3.2 As outlined by the APSC, 'the State of the Service report provides data and information on changing workforce trends and workforce capability across the APS, as well as activities and human resource management practices of APS agencies'. The report 'draws on a range of information sources but its main data sources are two State of the Service surveys – one of agencies and the other of employees'.²
- 3.3 While overall the State of the Service reports present a picture of progress, there is still work to be done in areas such as workforce diversity, leadership and ensuring adequate promulgation of important guiding documents for APS staff in dealing with political stakeholders.³
- 3.4 Finally, an additional challenge over the coming year for many APS agencies is likely to be how to improve the 'state of the service' while at the same time finding savings to meet the increased efficiency dividend.
- 3.5 These aspects were explored further by the Committee at the hearing and through questions on notice.

1 APSC, *2010-11 State of the Service Report*, p. xiii.

2 APSC, *2010-11 State of the Service Report*, p. xiii.

3 see <http://www.apsc.gov.au/publications-and-media/parliamentary-reports/state-of-the-service/state-of-the-service-2010/at-a-glance>.

Diversity

3.6 According to the most recent State of the Service report:

- employment of people with a disability in the APS continues to decline, with the decrease in the last year, in absolute terms, the largest in a decade ;⁴ and
- Indigenous representation has also seen a steady decline down to 2.1 per cent in 2011.⁵

3.7 These results are despite a number of APS-wide initiatives to address the lagging representation of both these groups. The Committee asked for insight into the continuing decline in diversity in terms of Indigenous employees and employees with a disability and what was being done to counteract this trend.

3.8 The Public Service Commissioner explained that the fall in recruitment over the last year combined with a separation rate higher than the APS more generally across these groups, if a 'standstill' option is taken, it will result in continuing decline. Instead, the Commissioner advised, the Secretaries Board has agreed to establish a diversity council to renew efforts in this area. Two programs are underway to increase Indigenous representation by improving the employment pathway and improve retention.⁶

3.9 For those with a disability, the Commissioner highlighted the new strategy 'As One'. The aim is to improve the APS environment, and help people feel more comfortable identifying themselves as having a disability. The Secretary of the Department of the Prime Minister and Cabinet added that the key is to get people in and let their ability come through. According to the Public Service Commissioner, this will be facilitated through a system of interview guarantees for those that identify as having a disability and meet certain criteria.⁷

Leadership

3.10 Similar to previous years, the most recent State of the Service report found that the average overall employee satisfaction with senior leaders was low.⁸ The Committee was concerned to read that in some cases satisfaction

4 APSC, *State of the Service 2010-11*, pp. 177-178.

5 APSC, *State of the Service 2010-11*, p. 165.

6 Mr Sedgwick, APSC, *Committee Hansard*, Canberra, 20 June 2012, p. 6.

7 Mr Sedgwick, APSC, *Committee Hansard*, Canberra, 20 June 2012, p. 6.

8 APSC *State of the Service 2010-11*, p. 8.

was as low as 23 per cent, and asked the Public Service Commissioner what actions had been taken to address this ongoing issue.

- 3.11 In a detailed written response, the Commissioner outlined the work of the Strategic Centre for Leadership, Learning and Development, which was formed in 2010 in response to the finding in APS Blueprint for Reform that more could be done to improve leadership. According to the Commissioner, strategies are being developed and deployed in consultation with APS agencies to improve 'APS management knowledge and craft'. Initiatives have included a refreshed SES orientation program; SES talent development programs; refreshed leadership development suite to improvement the delivery and implementation of government policies; and ongoing research and analysis for the core skills strategy.⁹
- 3.12 While the focus is on SES, the PM&C Secretary noted in his opening statement that he considers 'everyone in the APS is a leader' and as such, development opportunities need to be offered more broadly through both formal and on-the-job programs and training. Dr Watt highlighted the need for diverse and real world experiences, encouraging employee mobility through lateral transfers and exchanges with non-government bodies, including academia, community and private sectors.¹⁰

Committee comment

- 3.13 Leadership drives success of an organisation, yet there is this continuing trend of dissatisfaction with those steering the course. The Committee will continue to monitor closely results in this area through the data in the State of the Service Reports, noting that a formal evaluation of the Strategic Centre will take place in June 2014.

Interacting with Ministers and their advisers

- 3.14 Although there are a range of resources available to APS employees looking for advice or assistance to manage relationships with Ministers and their advisers, results in the State of the Service indicated limited awareness of this material. As in previous years, senior employees who had direct contact with ministers and/or their advisers generally indicated they had heard of, but were not familiar with, key guidance documents including the *Standards of Ministerial Ethics*; *Code of Conduct for Ministerial Staff*; *Register of Lobbyists*; and the *Lobbying Code of Conduct*.¹¹

9 APSC, *Submission 2*, pp. [1-2].

10 PM&C, *Submission 1*, p. [5].

11 APSC, *State of the Service 2010-11*, p. 65.

- 3.15 Noting the importance of an apolitical APS, the Committee asked for further detail on what guidance is available to public servants on interacting with Ministers and their advisers, and how this information is promulgated.
- 3.16 The APSC submission responding to this advised 'that the primary responsibility for providing guidance to APS employees about appropriate behaviour rests with agency heads'. The submission outlined the APSC's role in promoting the APS values and code of conduct, and also noted the 2009 establishment of the Commission's Ethics Advisory Service (EAS).¹²
- 3.17 According to the APSC's response, the EAS is referring to an outdated document in providing advice to APS employees, and the APSC only 'touches on' these matters in learning and development courses.¹³

Committee comment

- 3.18 The Committee considers that all APS staff, and particularly those in senior positions, should be well versed in all relevant guidance for dealing with political stakeholders. Emphasis should be placed on the importance of understanding not only the public servant's responsibilities, but also those they are dealing with.
- 3.19 That the APSC's advisory service is relying on documents that are not necessarily current is of concern to the Committee. Ideally, this document should be up-to-date, accessible to all and well-promoted by both the APSC and agency heads.

12 APSC, *Submission 2*, p. [4].

13 APSC, *Submission 2*, p. [4].

Efficiency dividend

- 3.20 Efficiency dividends may well be a useful tool to ensure agencies focus on operating in an efficient and economical fashion. However, the question remains at what point do cuts affect the state of the service, namely the capacity to meet its mandate and continue current reforms aimed at strengthening the APS to meet future challenges.
- 3.21 In November 2011, the Government announced that an additional 2.5 per cent efficiency dividend would apply, on top of the existing efficiency dividend of 1.5 per cent in 2012-13. Agencies were advised to find savings by reducing expenditure on advertising, travel, consultants, entertainment and printing.¹⁴
- 3.22 The Committee was interested in hearing firsthand any early findings on the impact of the efficiency dividend across the APS.
- 3.23 In responding, Finance highlighted interest from agencies in taking advantage of whole of government procurement arrangements to assisting making necessary saving. However, while the Government's advice was to first look to non-staff costs such as these for savings, Finance indicated that some agencies have chosen to consider staff costs.¹⁵
- 3.24 Noting there have been a number of reports of agencies planning redundancies, the Committee asked whether a global figure was available, and if those agencies considering redundancies to meet the additional savings required would be resorting to forced redundancies.
- 3.25 The Public Service Commissioner advised that 'data is published six-monthly that records the actual number' but this does not distinguish between voluntary or otherwise.¹⁶ Further, the Commissioner indicated he was aware of at least one department that was unable to achieve staff reductions through voluntary redundancies.¹⁷

Committee comment

- 3.26 The Committee makes no judgement on the efficiency dividend, but is interested in the efficacy of redundancies as a means of meeting the savings targets. Redundancies can only provide long-term value for money if the work unit is restructured and true efficiencies are made. The

14 Senator the Hon Penny Wong, Minister for Finance and Deregulation, 29 Nov 2011, http://www.financeminister.gov.au/media/2011/mr_pw25311.html.

15 Dr Helgeby, Finance, *Committee Hansard*, Canberra, 20 June 2012, p. 4.

16 Mr Sedgwick, APSC, *Committee Hansard*, Canberra, 20 June 2012, p. 4.

17 Mr Sedgwick, APSC, *Committee Hansard*, Canberra, 20 June 2012, p. 6.

Committee will be looking for evidence that redundant positions have not been refilled or backfilled with contractors.

- 3.27 It would be useful to have reporting data that indicated whether a separation was forced or voluntary. If such data is not included in future APSC collections, the Committee may consider requesting the inclusion of this information in Annual Reports under statistics on staffing.

APS Annual Report Requirements

- 4.1 Annual reports of Australian Government agencies are an important source of both current performance and historical information.
- 4.2 Each year, in accordance with the *Public Service Act 1999*, draft *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies* are submitted to the JCPAA for approval. As these provide the basis for agency reports, the Committee carefully considers any proposals to amend, add or omit any requirement.
- 4.3 The focus for the Committee is to ensure that agency annual reports meet their purpose and remain useful to Parliament and the public in providing a transparent, plain English summary of performance. However the Committee is also mindful that the requirements are not overly burdensome, nor result in agencies unnecessarily duplicating information that is readily available through other sources.
- 4.4 In considering the 2011-12 Annual Report Requirements, two significant areas of focus for the Committee were:
- streamlining of reporting on consultancy contracts after both the Finance department and the ANAO identified overlap in reporting regimes and the potential for errors and inaccuracies as a result of the differing requirements;¹ and
 - options for reporting on agency compliance with the *Procurement 30 Day Payment Policy for Small Business*.²

1 ANAO, *Report No 7 2010-11, Performance Audit on Senate Order Compliance*, pp.17-18 and p.20.

2 See <http://www.finance.gov.au/publications/finance-circulars/2008/10.html>.

Consultancy contracts

- 4.5 This year, to advance the Australian National Audit Office's recommendation in *Report No 7 2010-11, Performance Audit on Senate Order Compliance*, a proposal was put forward by PM&C and the Finance department to remove the requirement for annual reports to provide details of consultancy contracts let in the reporting year, on the basis that this information was available through AusTender³.
- 4.6 In addition to considering the proposal, the Committee invited Finance to demonstrate AusTender's capacity to produce reports on contracts, including consultancies. The Committee agreed that it was important to maintain a requirement to include a summary of consultancies let and information on where to access detailed reports, however, acknowledged the requirement to provide a list within annual reports has been superseded by the improvements in AusTender's reporting capabilities.
- 4.7 While a seemingly minor amendment, this change reduces red tape and allows agencies to focus on providing core services rather than staff being tied up reproducing information that is readily available. The Committee will be watching with interest the outcome of future audit reports to ensure that AusTender's data quality continues to improve and meet the needs of Parliament, agencies, business and the general public.

Supporting Small and Medium Enterprises

- 4.8 The Committee also has an ongoing interest in initiatives to support small and medium enterprise suppliers to government. In addition to examining the Auditor-General's recent report on the use of procurement panels and considering how procurement policies affect SMEs⁴, the Committee also asked that annual reporting on payments to small business include more detailed agency-specific information.
- 4.9 The Committee acknowledges the continuing positive results in the aggregate per cent of 'payment within 30 days'. However, as the data has already been collected, the Committee considered the inclusion of individual agencies data would increase transparency, without increasing workload, and ensure each agency is meeting the standard.

3 See www.austender.gov.au. AusTender is the centralised publication of Australian Government contracts awarded.

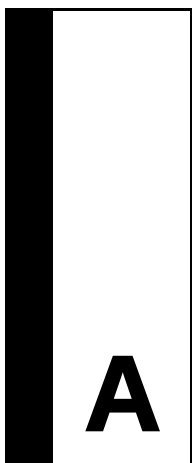
4 For details of the JCPAA Review of Auditor-General's Reports Nos 24-32 (2011-12) see http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=jcpaa/auditgen5_12/index.htm.

- 4.10 Responding to these concerns, PM&C, in consultation with other relevant departments, advised the Committee that the Annual Report Requirements will continue to include an assessment of agency performance against core purchasing policies and principles. In addition, the *Australian Government Payments to Small Business Performance Report* produced annually by the Department of Industry, Innovation, Science, Research and Tertiary Education will be enhanced with the inclusion of information on the performance of individual agencies.

Committee comment

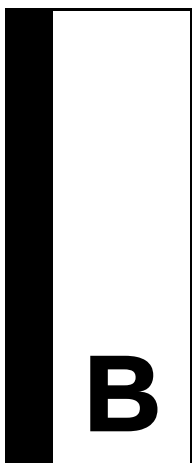
- 4.11 The Committee looks forward to continuing to work with the departments responsible for setting whole-of government reporting requirements, and particularly the Annual Report Requirements. The Committee also appreciates that agencies are striving to achieve extra efficiency gains, and as such, encourages all agencies to put forward suggestions to improve reporting processes or annual reports more generally.

Rob Oakeshott MP
Committee Chair
August 2012



Appendix A — Submissions

- 1 Department of the Prime Minister and Cabinet
- 2 Australian Public Service Commission
- 3 Department of the Prime Minister and Cabinet



Appendix B — Public hearing

Wednesday, 20 June 2012 - Canberra

Australian National Audit Office

Mr Ian McPhee, Auditor-General

Australian Public Service Commission

Mr Stephen Sedgwick, Public Service Commissioner

Department of Finance and Deregulation

Mr Stein Helgeby, Deputy Secretary, Financial Management Group

Mr John Grant, First Assistant Secretary, Procurement Division

Department of the Prime Minister and Cabinet

Dr Ian Watt, Secretary

Ms Renee Leon, Deputy Secretary, Governance



Appendix C – Blueprint status

Progress on implementing projects responding to the Blueprint recommendations (as at 25 June 2012)¹

Blueprint Recommendation		Status	Achievements
1.1	Simplify Australian Government services for citizens	IN PROGRESS	The Reliance Framework Business Case, developed by the Department of Finance and Deregulation, explores a range of options to improve citizens' access to Government services online. Specifically, the Reliance Framework seeks to enable citizens to: communicate updated details to multiple agencies simultaneously; pre-fill forms using information previously submitted to a government agency; and view all their communications with government in one place.
1.2	Develop better ways to deliver services through the community and private	IN PROGRESS	See 1.1 above
1.3	Deliver services in closer partnership with State, Territory and local governments	IN PROGRESS	See 1.1 above

1 PMC, Submission 3.

1.4	Reduce unnecessary business regulatory burden	COMPLETED	Standard Business Reporting (SBR) has been developed to streamline financial reporting from business to government. Approximately 80,000 businesses are benefitting from the adoption of SBR. The ATO has announced that all electronic reporting channels will be moved to SBR by July 2015.
2.1	Enable citizens to collaborate with government in policy and service design	COMPLETED	The website data.gov.au was launched on 10 March 2011 to make public sector data more available. As at 13 June 2012, it contained 1,103 datasets. In addition, the Office of the Australian Information Commissioner (OAIC) released its Principles on open public sector information in May 2011.
2.2	Conduct a citizen survey	NOT PROGRESSED	
3.1	Strengthen strategic policy	COMPLETED	The APS Strategic Policy Network (SPN) was established in late 2010 to share best practices and foster collaboration and innovation on strategic policy issues. The SPN comprises SES officers from across APS agencies who meet every 2 months. This initiative has been very well supported and resulted in the establishment of the SPN+ comprising non-SES officers.
3.2	Build partnerships with academia, research institutions and the community and private sectors	COMPLETED	Strategic partnerships between the APS and academia through ANU have been established. These partnerships included the Australian National Institute for Public Policy (ANIPP), National Security College (NSC), the HC Coombs Policy Forum and the Australian Centre on China in the World (CIW). Annual reports are being prepared for ANIPP, NSC and CIW.

3.3	Improve policy implementation	COMPLETED	The APS Policy Implementation Network (APSPIN) was established in June 2011. The APSPIN, comprising Deputy Secretaries across a range of APS agencies, meet regularly to share advice and experiences among members in order to better solve key implementation challenges facing the APS. Meetings of the APSPIN have been successful and steps are underway to create a similar implementation network for non-SES officers.
4.1	Revise and embed the APS values	COMPLETED	Revisions to the APS values are included in the <i>Public Service Amendment Bill 2012</i> , which was introduced into the Parliament on 1 March 2012. Supporting guidance material has also been developed and will be provided to agencies later this year after passage of the Bill.
4.2	Articulate the roles and responsibilities of Secretaries	COMPLETED	Clarification of the roles and responsibilities of Secretaries is included in the <i>Public Service Amendment Bill 2012</i> . Revised performance agreements for Secretaries were finalised in March 2012.
4.3	Revise employment arrangements for Secretaries	COMPLETED	The <i>Public Service Amendment Bill 2012</i> outlines the revised employment arrangements for Secretaries.
4.4	Strengthen leadership across the APS	COMPLETED	A number of senior leadership groups have been established to strengthen leadership across the APS. The Secretaries' Board was established in May 2010 and meets on a monthly basis. The APS 200 was established in June 2010 and held a number of events throughout 2011. Following feedback from members, the format for APS 200 events has been varied to include more interactive forums.

4.5	Improve talent management across the APS	IN PROGRESS	The Strategic Centre for Leadership, Learning and Development was established in July 2010 at the APSC. A number of programs to improve the talent management across the APS are facilitated by the Strategic Centre, including: an APS Leadership Development Strategy, a SES Band 2 Talent Development Program, and an SES Orientation Program. Initial feedback from the SES Band 2 talent management program has been positive. The APSC will be completing biannual reports of the Strategic Centre detailing the progress, outputs and milestones achieved.
5.1	New APSC with responsibilities to lead APS	COMPLETED	Responsibility for workplace relations matters for Australian Government employment transferred to the APSC from DEEWR in August 2010 and a revised Strategic Plan for the APS was released in October 2011. The APSC is responsible for implementation of leadership and learning and development reform.
6.1	Ensure employment bargaining arrangements support one APS	COMPLETED	On 31 January 2011 the APSC released the revised Australian Government Employment Bargaining Framework. In June 2012, 92 agencies have new enterprise agreements in place. The enterprise agreements bargained in the current round are being analysed to assess consistency achieved with the recommended Framework. The APSC completes biannual reports on the progress of the review of APS classification arrangements and work level standards which is currently being completed.
6.2	Assess the size and role of the SES	COMPLETED	The Review of the Senior Executive Service (Beale Review) was completed in the second half of 2011 and publicly released by the Government on 16 September 2011.

7.1	Coordinate workforce planning	COMPLETED	The APSC in collaboration with agencies has developed the APSC Workforce Planning Guide, the APS Job Family Model and two training programs to build the understanding and practice of workforce planning for HR Practitioners and middle and senior managers who have workforce planning responsibilities. The Planning Guide has been well received by agencies and is assisting them to develop workforce plans for their organisations.
7.2	Streamline recruitment and improve induction	IN PROGRESS	The APSJobs website has been redesigned and tested via user surveys and focus groups. It was launched on July 2012 as the APS Recruitment Portal (Portal) with increased functionality. APS Recruitment Guidelines have also been updated and will be released in July 2012.
7.3	Expand and strengthen learning and development	IN PROGRESS	Work has commenced to develop an APS Core Skills Strategy identifying the service-wide development needs for all levels of the APS, completion is due in the second half of 2012. The APSC will be completing biannual reports outlining the progress and outcomes of the APS Core Skills Strategy .
7.4	Strengthen the performance framework	IN PROGRESS	A conceptual APS Performance Management Framework is being developed. A research paper, <i>Developing High Performance: Performance Management for the Public Sector</i> , has been finalised. Case studies are being planned involving up to six agencies to help gain a better understanding of the issues which impact performance management. Biannual reporting by the APSC outlines the progress and outcomes of the APS Performance Management Framework.

7.5	Encourage employees to expand their career experience	COMPLETED	The APSC has developed and disseminated principles supporting the effective implementation of employee mobility initiatives of a temporary nature for professional development purposes, and how these can be incorporated into an agency's professional development and talent management programs.
8.1	Conduct agency capability reviews	IN PROGRESS	Three pilot reviews were completed in 2011 with the Department of Climate Change and Energy Efficiency (DCCEE), the Department of Sustainability, Environment, Water, Population and Communities (DSEWPAC), and the Department of Education, Employment and Workplace Relations (DEEWR). Six formal agency capability reviews have been scheduled for 2012.
8.2	Introduce shared outcomes across portfolios	COMPLETED	The Shared Outcomes Framework has been developed. Several potential projects have been identified and the viability of the projects as trials of the Framework is being assessed, including clarifying the scope of possible project activities with relevant agencies.
8.3	Reduce internal red tape to promote agility	COMPLETED	A number of projects have been undertaken to reduce internal red tape across the APS including the release of the Australian Government Model Chief Executive Instructions (CEIs) templates, updated Commonwealth Procurement Guidelines, and revisions to the Protective Security Manual and Fraud Control Guidelines.
9.1	Review the measures of agency efficiency	COMPLETED	The Review of the Measures of Agency Efficiency was completed in March 2011. The review recommended keeping the efficiency dividend but improving its flexibility.

9.2	Strengthen the governance framework	COMPLETED	The Governance Arrangements for Australian Government Bodies (Governance Policy) is being considered in the context of the broader Commonwealth Financial Accountability Review (CFAR). The purpose of CFAR is to analyse the current Commonwealth financial framework to improve governance practices, risk management, accountability and compliance.
9.3	Small agencies to improve the efficiency of their corporate functions	COMPLETED	The Estimates Memorandum (EM) for 'Shared services for new small agencies in the Australian Government' was issued on 20 June 2011 and requires that newly established small agencies obtain their corporate services from their parent agency or another existing shared service provider within the Australian Government unless there are demonstrable net benefits of doing otherwise. Further improvements to small agency efficiency are being considered as part of CFAR.