



24 May 2002

MAY 2002

Ms Sue Morton
Secretary
Finance and Public Administration References Committee
Parliament House
CANBERRA ACT 2600

Dear Ms Morton

**ANAO SUBMISSION TO THE SENATE FINANCE AND PUBLIC
ADMINISTRATION REFERENCES COMMITTEE**

Thanks for your letter of 5 April 2002 in which you invited submissions to the Senate Finance and Public Administration References Committee into Recruitment and Training in the Australian Public Service (APS). The following comments address particular issues relevant to the Committee's terms of reference arising from our audit work program, including our series of better practice guides.

Public sector managers generally recognise that the composition and capability of an agency's workforce – including access to appropriate knowledge and level of expertise – is the key to the efficient and effective delivery of quality public services. Consequently, many APS organisations are conscious of the need to shape their workforce to deal with current and future needs and the growing expectations of Government and the community.

Ensuring that the best people are placed in all positions, focusing on the current and future business directions and goals, and building corporate capability by capitalising on the diversity of employee skills and adapting work practices to help staff respond to the changing demands, will all contribute to the long-term success of any agency. In particular, the ability to recruit and retain high performing staff with the right skills is an ongoing challenge for APS managers, particularly as the distinction between the public and private sectors becomes less well-defined as public services are outsourced to the private sector and the public sector increasingly adopts private sector practices.

Recruitment

This convergence of the public and private sectors has introduced new opportunities and challenges for public sector administration. Workforce planning, which includes recruitment, has become an essential tool for public sector managers. It is a continuous process of shaping the workforce to ensure that it is capable of delivering organisational objectives now and in the future. The desired outcomes of workforce

planning are its effective integration into an agency's strategic planning framework and the alignment of human resource strategies to continuously deliver the 'right' mix of appropriately skilled staff to achieve successful business outcomes.

As the public sector adopts private sector practices, the focus of workforce planning is on recruiting and retaining people with different or enhanced skill sets to those traditionally associated with public administration. This puts the public sector in direct competition with the private sector in the labour market. Consequently, agencies need to adapt workforce planning practices to accommodate a workforce that is likely to increasingly alternate between the two sectors.

The ANAO recognises the importance of efficient and effective Human Resource Management (HRM) in the APS. Not only are agencies dependant on their people to achieve the outputs and outcomes required by the government, but employee expenses (including wages and salaries, superannuation, leave and other entitlements, separations and redundancies and workers compensation premiums and claims) account for approximately \$24 billion of annual Commonwealth expenditure. Given the importance of the issue, the ANAO has included Human Resource Management, including workforce planning, as a performance audit theme for 2002–2003 as it has done in earlier years.

Consistent with this theme, the ANAO has produced a number of audit and other publications that address HRM specifically. A number of these focus on issues to do with training and development and the wider issue of workforce planning that includes recruitment and training. These publications are listed below.

Audit Report No. 37 1991-1992	<i>The Management of Training in Selected Central Office Departments</i>
Audit Report No 17 1996–1997	<i>Workforce Planning in the Australian Defence Force</i>
Audit Report No 40 1996–1997	<i>Human Resource Management – Department of Foreign Affairs and Trade</i>
Audit Report No 49 1998–1999	<i>Staff Reductions in the Australian Public Service</i>
Audit Report No 35 1999–2000	<i>Retention of Military Personnel</i>
Audit Report No.9 2001-2002	<i>Learning for Skills and Knowledge – Customer Service Officers - Centrelink</i>
Audit Report No. 13 2002–2001	<i>Certified Agreements in the Australian Public Service</i>
Better Practice Guide March 2001	<i>Planning for the Workforce of the Future – a better practice guide for managers</i>

The ANAO's future audit plans will continue to include a concentration on workforce audit issues.

Training and Development

Training and development have been the subject of previous audit coverage by the ANAO. The 1992 ANAO audit report - *Management of Central Office Training in Selected Departments*, reported on the findings of an efficiency review of the management of central office staff training in four departments and the role of the Public Service Commission. The report suggested a framework for training in

departments, which would aid in improving the efficiency and effectiveness of training delivery. It provided guidance to departments on three key issues:

- the relationship of training to departmental objectives;
- systematic appreciation of training needs; and
- an evaluation framework for training.

In *Planning for the Workforce of the Future – a better practice guide for managers*, the ANAO made a number of observations regarding training and development as part of workforce planning. It was recognised that in order to have the right people, in the right place at the right time, it is increasingly necessary for APS agencies to:

- forecast the staffing and skills requirements of the changing environment;
- place a greater emphasis on strategic human resource activities and the need for plans for human resource development that directly links strategies and actions to corporate objectives; and
- balance wastage, recruitment and overall strength while responding to changing needs and a changing environment.

In order to achieve this outcome, ANAO suggested that agencies:

- identify future business direction in the context of a needs analysis taking into account organisational and individual capabilities;
- establish rigorous workforce data of the capabilities and needs of the current workforce;
- develop learning plans that allow monitoring against predetermined goals; and
- align training and development strategies with organisational mission and goals.

Audits in progress

The ANAO is finalising a number of audits that should be of interest to the Committee. These are:

- *Learning and Development in the APS*;
- *Managing People for Business Outcomes* (a benchmarking study); and
- *Workforce Planning in the Department of Immigration*.

The objective of *Learning and Development in the APS* was to examine and report on the key management factors that assist in ensuring value for money outcomes in learning and development. It was undertaken in two parts. First, an APS-wide survey was conducted of all agencies with 100 or more full-time equivalent staff engaged under the *Public Service Act 1999*. Second, a detailed examination of learning and development was undertaken in five agencies.

The scope of the audit was to identify how agencies:

- align their learning and development strategies and plans with their business mission and corporate goals;
- integrate their learning and development with other aspects of human resource management;

ensure that learning and development is delivered in an efficient and cost effective manner; and

- evaluate their learning and development strategies and activities to determine effect, including business impact.

The examination was limited to formal measurable learning and development such as training programs, conferences, seminars and Studybank. The role of the Public Service and Merit Protection Commission (PSMPC) in relation to learning and development in the APS was also examined.

There is alignment between the scope of the audit and many of the terms of reference of the inquiry relating to training and development and the role of the PSMPC. Although the audit does not address issues concerning recruitment, both the audit and the inquiry are concerned with the effectiveness of expenditure on training and development, the ways that training and development is offered to APS employees, the nature of the training and development available, evaluation of training and development outcomes and the role of PSMPC. The audit findings are likely to be of interest to the Committee but the current general lack of rigorous, relevant, comparable data on learning and development held by agencies limits the ability of the ANAO to analyse key questions. The report is expected to be tabled before the end of June 2002.

Another study of relevance to the Committee's inquiry is *Managing People for Business Outcomes*, which is a benchmarking study that addresses how managers lead and manage people and includes an examination of people management at a strategic level of business decision making. Benchmarking studies use a methodology consistent with a performance audit, and are a widely accepted approach for achieving business performance improvements. In this case, the people management function was examined across 14 agencies and a number of quantifiable, APS-relevant indicators of performance for people management were identified. The study is expected to be tabled on 14 June 2002.

Finally, the objective of an audit on *Workforce Planning in the Department of Immigration* is to determine whether DIMIA's workforce planning systems are effectively supporting human resource management practices including recruitment and training that contribute to the achievement of program outcomes. The report is expected to be tabled on 7 June 2002.

Concluding remarks

The APS is well respected internationally for its contribution to public sector reform and innovative approaches to public sector delivery due, in the main, to the quality of its people. The expectations of the community and government for a professional, efficient and effective public service will continue to grow. The challenge for the future for public sector managers and leaders is to maintain and adapt workforce capabilities to produce required results in a changing and more complex environment. The devolution of responsibility for management of human resource and employment functions to individual agencies requires active engagement by agencies in strategic workforce planning, including recruitment and training. It also requires cost-effective collection and analysis of appropriate data on HRM issues to inform policy decisions and strategic and operational plans to ensure the APS recruits, develops and retains the right staff, with the right skills, at the right time, in the right place.

Thank you for the opportunity to provide input into this inquiry. If you require any further assistance, or information, please contact Mr Warren Cochrane, Group Executive Director, Performance Audit Services Group on 62037594.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P J Barrett', written in a cursive style.

P J Barrett